

Virtus Balanced Fund*

* Prospectus Supplement appears at the back of this annual report.

TRUST NAME:
VIRTUS
EQUITY
TRUST

March 31, 2010

No Bank Guarantee

Not FDIC Insured



May Lose Value

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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, 2009, 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 first quarter of 2010 gave investors a taste of the kind of volatility that could be in store for some time.

The quarter began with a 9 percent correction in the S&P 500® Index from mid-January to early February 5, followed by a resumption of 2009's bull market. The major indices were up more than 4 percent for the quarter and by the end of March, both the Dow Jones Industrial AverageSM and the S&P 500 Index were up more than 65 percent from their lows on March 9, 2009.

Surprisingly robust consumer spending and corporate earnings continued to support the transition of the U.S. economy out of recession toward modest growth.

Unfortunately, there are some dark clouds on the horizon that may temper investors' optimism. The economy must navigate the long term impact of the unprecedented government spending to revive the global economy. Significant headwinds remain for investors, as evidenced by the current underperformance of the Chinese equity market, the solvency crisis in the Eurozone and persistently high unemployment rates in the U.S. and abroad.

We believe this volatility is a reminder that investors should rely on the discipline and focus of professional investment managers and financial advisors. Ask your financial advisor to review your portfolio to ensure it reflects your current investment objectives, your tolerance for risk, and your long-term financial goals. As your advisor reviews your portfolio, we hope you will consider the wide range of equity, fixed income and alternative funds that Virtus offers.

On behalf of the entire team at Virtus Investment Partners, and the investment professionals at our affiliated managers and subadvisers, we look forward to continuing to serve all your investment needs.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. R. Aylward', written in a cursive style.

George R. Aylward
President, Virtus Mutual Funds

May 2010

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 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, 2009 to March 31, 2010

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, 2009 to March 31, 2010

Expense Table

	Beginning Account Value October 1, 2009	Ending Account Value March 31, 2010	Annualized Expense Ratio	Expenses Paid During Period*
Actual				
Class A	\$1,000.00	\$1,073.80	1.08%	\$5.58
Class B	1,000.00	1,069.50	1.83	9.44
Class C	1,000.00	1,069.50	1.83	9.44
Hypothetical (5% return before expenses)				
Class A	1,000.00	1,019.48	1.08	5.45
Class B	1,000.00	1,015.69	1.83	9.24
Class C	1,000.00	1,015.69	1.83	9.24

* 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.

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, 2010, the Fund’s Class A shares at NAV returned 35.82%, Class B shares returned 34.65% and Class C shares returned 34.69%. For the same period, the S&P 500® Index, a broad-based equity index, returned 49.77%; the Barclays Capital U.S. Aggregate Bond Index, a broad-based fixed income index, returned 7.69%; and the Balanced Fund Composite Index, which is the Fund’s style-specific index appropriate for comparison, returned 31.65%.

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 broad market was incredibly strong for the year ending March 31, 2010. The U.S. stock market made a major bottom in early March of 2009, and has been in a powerful bull market rise since. The combination of easy monetary policy and massive fiscal stimulus alleviated investor concerns about corporate bankruptcies. Many US companies, in the meantime, had cut costs dramatically, repaired balance sheets, and pushed hard to increase worker productivity. This vigilance led to greater profitability and higher share prices in a variety of different stocks.

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

■ Beginning in March 2009, the bond market experienced an explosive rally, particularly in the area of corporate credit. The rally was driven by the extraordinary measures initiated by the world’s central banks to control the 2008 financial crisis. During the period, the riskiest assets performed best. Distressed corporate bonds doubled in value while risk-free Treasuries actually fell in price. High-yield corporate bonds produced a 56% total return over the period, while commercial mortgage-backed securities returned 40%. Even high-grade corporate bonds performed strongly, producing a 25% total return.

■ The only bonds to exhibit a negative return were U.S. Treasuries, as interest rates rose by over 100 basis points. Government-related bonds also lagged, with agencies and agency-mortgage backed securities each producing a dismal 3%.

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

■ Given the strife the market had encountered in 2008 and early 2009, the Fund managers believed that the prudent strategy was to position the fund into stocks that offered the best relative value. They believed that the best play was to be found in companies with tangible assets and earnings visibility. Two sectors that contained companies exhibiting those qualities were Energy and Materials. Also, there was still great uncertainty in the spring of 2009, which persisted well into the fall, whether or not banks would be able to survive, and what the financial services industry would look like. Furthermore, the massive government involvement created a great deal of doubt as to what would be left for shareholders of these stocks. Thus, the Fund managers generally avoided stocks within the Financial sector. Another area that looked like the road to recovery would be extended was Consumer Discretionary. The

For information regarding the indexes and certain investment terms, see Key Investment Terms on page 6.

VIRTUS BALANCED FUND (continued)

American consumer, with massive debt, concern about job loss, and squeezed by both lower wages and at the pump, seemed ill equipped to spend money on anything other than necessities. As a result, the Fund managers deployed the portfolio into Consumer Staples, some Health Care, a variety of Industrial stocks, Technology (with a business bent), Energy and Materials. Areas that were under-weight versus the S&P were Financials, Consumer Discretionary and Utilities. Overall the Fund beat its peer group, but fell short of the S&P 500 Index, its benchmark over the full year. The more conservative strategy worked for several months, however, as the recovery took hold many bank stocks, retail stocks, and leisure stocks began to recover. On an absolute basis it was still a tremendous year for the Fund, and overall we are pleased with performance. The Fund tends to have a lower price-to-earnings ratio than the S&P 500 Index, which in the opinion of the managers tends to mean a less risky portfolio.

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

- The fixed income portfolio outperformed its benchmark by 10.63% over the fiscal year, benefiting substantially from its overweight to corporate credit. Both investment-grade and high-yield corporate bonds contributed to performance, with financials taking the lead role. Throughout 2009, the Federal Government made a concerted effort to support the banking system, first by lowering interest rates and later by injecting capital directly. In so doing, the Federal Government was able to arrest the sector's downward price spiral, and precipitate a rally that lasted throughout the year.
- Sector allocation also proved beneficial in the securitized products sector. The Fund reduced its exposure to agency mortgage-backed securities (which performed poorly), and simultaneously increased its weighting to commercial mortgage-backed securities

("CMBS"). CMBS, which had suffered dramatically in late 2008, rebounded strongly throughout the subsequent year, enhancing the contribution made by securitized bonds to the Fund's performance.

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, 2010.

Common Stocks	58%
Energy	12%
Information Technology	11%
Consumer Staples	8%
All Other Sectors in Common Stocks	27%
Corporate Bonds	18%
Mortgage-Backed Securities	14%
Other (includes short-term investments)	10%
Total	100%

For information regarding the indexes and certain investment terms, see Key Investment Terms on page 6.

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.

Balanced Fund Composite Index

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.

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.

Average Annual Total Returns¹ for periods ended 3/31/10

	1 Year	5 Years	10 Years	Inception to 3/31/10	Inception Date
Class A shares at NAV²	35.82%	3.10%	2.52%	—	—
Class A shares at POP^{3,4}	28.01	1.89	1.92	—	—
Class B shares at NAV²	34.65	2.33	1.76	—	—
Class B shares with CDSC⁴	30.65	2.33	1.76	—	—
Class C shares at NAV and with CDSC⁴	34.69	—	—	2.51%	4/19/05
S&P 500[®] Index	49.77	1.92	-0.68	2.42⁵	— ⁵
Barclays Capital U.S. Aggregate Bond Index	7.69	5.44	6.29	5.22⁵	— ⁵
Composite Index for Balanced Fund	31.65	3.64	2.40	3.86⁵	— ⁵

Fund Expense Ratios⁶: A Shares: 1.10%; B Shares: 1.85%; C Shares: 1.85%.

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.

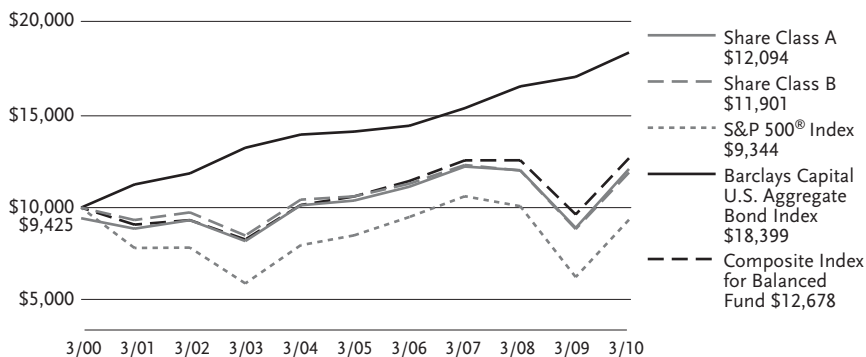
⁴ CDSC (contingent deferred sales charge) is applied to redemptions of certain classes of shares that do not have a sales charge applied at the time of purchase. CDSC charges for B shares decline from 5% to 0% over a five-year period. CDSC charges for certain redemptions of Class A shares are 1% in the 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 6/22/09 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, 2000, 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 6.

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Agency—continued				Non-Agency—continued	
GNMA—continued				Greenwich Capital Commercial	
6.500%, 2/15/26	\$ 50	\$ 54		Funding Corp.	
6.500%, 3/15/26	76	83		07-GG9, A4	
6.500%, 3/15/26	90	98		5.444%, 3/10/39	\$ 2,505 \$ 2,436
6.500%, 4/15/26	24	27		Lehman Brothers – UBS	
6.500%, 4/15/26	112	122		Commercial Mortgage	
6.500%, 6/15/28	15	17		Trust 06-C7, A3	
6.500%, 6/15/28	21	23		5.347%, 11/15/38	2,230 2,238
6.500%, 7/15/31	138	151		Morgan Stanley Capital I	
6.500%, 11/15/31	20	22		04-T15, A3	
6.500%, 2/15/32	27	30		5.030%, 6/13/41	555 576
6.500%, 3/15/32	29	32		06-T23, A4	
6.500%, 4/15/32	49	54		5.811%, 8/12/41 ⁽³⁾	1,255 1,328
6.000%, 8/15/32	351	381		07-T27, A4	
		69,178		5.649%, 6/11/42 ⁽³⁾	1,250 1,293
				05-IQ9, A3	
				4.540%, 7/15/56	715 717
Non-Agency—3.2%				Wachovia Bank Commercial	
Banc of America Commercial				Mortgage Trust	
Mortgage, Inc.				05-C19, A5	
05-1, A4				4.661%, 5/15/44	3,613 3,714
5.039%, 11/10/42 ⁽³⁾	320	332		07-C34, A3	
04-6, A5				5.678%, 5/15/46	1,400 1,348
4.811%, 12/10/42	445	455			21,016
08-1, A4				TOTAL MORTGAGE-BACKED SECURITIES	
6.182%, 2/10/51 ⁽³⁾	85	85		(Identified Cost \$87,323)	
				90,194	
Bear Stearns Commercial				ASSET-BACKED SECURITIES—0.0%	
Mortgage Securities				Associates Manufactured Housing	
04-T16, A6				Pass-Through-Certificate	
4.750%, 2/13/46 ⁽³⁾	240	244		97-2, A6	
				7.075%, 3/15/28 ⁽³⁾	298 299
Commercial Mortgage				TOTAL ASSET-BACKED SECURITIES	
Pass-Through Certificates				(Identified Cost \$298)	
05-C6, A4				299	
5.168%, 6/10/44	375	394		CORPORATE BONDS—17.5%	
07-C9, A4				Consumer Discretionary—2.2%	
5.816%, 12/10/49 ⁽³⁾	420	420		Affinion Group, Inc.	
				10.125%, 10/15/13	
Credit Suisse Mortgage				860	886
Capital Certificates				Avis Budget Car Rental LLC/Avis	
06-C1, A4				Budget Finance, Inc.	
5.549%, 2/15/39 ⁽³⁾	1,950	2,010		7.625%, 5/15/14	
06-C1, A3				815	811
5.549%, 2/15/39 ⁽³⁾	575	596		Comcast Corp.	
06-C4, A3				5.700%, 7/1/19	
5.467%, 9/15/39	2,435	2,339		2,385	2,490
06-C5, A3					
5.311%, 12/15/39	520	491			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
Consumer Discretionary—continued			Consumer Staples—continued		
COX Communications, Inc.			Lorillard Tobacco Co.		
144A 6.250%, 6/1/18 ⁽⁴⁾	\$ 800	\$ 851	8.125%, 6/23/19	\$ 1,160	\$ 1,278
Fortune Brands, Inc.			Reynolds American, Inc.		
3.000%, 6/1/12	1,050	1,052	7.300%, 7/15/15	950	<u>1,046</u>
Hasbro, Inc.					<u>11,704</u>
6.300%, 9/15/17	775	830			
Nebraska Book Co., Inc.			Energy—1.4%		
10.000%, 12/1/11	1,330	1,380	Aquilex Holdings LLC/Aquilex		
Royal Caribbean Cruises Ltd.			Finance Corp. 144A		
7.250%, 6/15/16	875	868	11.125%, 12/15/16 ⁽⁴⁾	180	194
Scientific Games			Buckeye Partners LP		
International, Inc. 144A			6.050%, 1/15/18	250	265
9.250%, 6/15/19 ⁽⁴⁾	270	288	Enterprise Products		
Time Warner Cable, Inc.			Operating LLC		
3.500%, 2/1/15	170	170	7.625%, 2/15/12	420	463
5.850%, 5/1/17	435	466	Harvest Operations Corp.		
5.000%, 2/1/20	1,080	1,065	7.875%, 10/15/11	1,085	1,107
UPC Germany GmbH 144A			Kinder Morgan Finance Co.		
8.125%, 12/1/17 ⁽⁴⁾	1,285	1,332	5.700%, 1/5/16	2,420	2,384
Valassis Communications, Inc.			Petroleos Mexicanos 144A		
8.250%, 3/1/15	660	681	4.875%, 3/15/15 ⁽⁴⁾	655	673
Videotron Ltee			Petropower I Funding		
6.375%, 12/15/15	650	658	Trust 144A		
WMG Holdings Corp.			7.360%, 2/15/14 ⁽⁴⁾	977	964
9.500%, 12/15/14 ⁽³⁾	645	<u>653</u>	Plains All American Pipeline		
		<u>14,481</u>	LP/PAA Finance Corp.		
			4.250%, 9/1/12	235	244
Consumer Staples—1.8%			Rowan Cos., Inc.		
Alliance One International,			7.875%, 8/1/19	430	492
Inc. 144A			Shell International Finance BV		
10.000%, 7/15/16 ⁽⁴⁾	835	877	4.375%, 3/25/20	1,225	1,214
Altria Group, Inc.			5.500%, 3/25/40	1,225	<u>1,201</u>
9.250%, 8/6/19	2,160	2,625			<u>9,201</u>
Anheuser-Busch Inbev			Financials—7.4%		
Worldwide, Inc.			American Express Co.		
3.000%, 10/15/12	1,025	1,052	7.250%, 5/20/14	1,150	1,303
ASG Consolidated LLC/ASG			Bank of America Corp.		
Finance, Inc.			5.750%, 8/15/16	1,290	1,321
11.500%, 11/1/11 ⁽³⁾	870	879	5.650%, 5/1/18	1,295	1,310
B&G Foods, Inc.			Bank of New York/Mellon		
7.625%, 1/15/18	130	133	Corp. (The)		
Delhaize Group			4.950%, 11/1/12	950	1,030
6.500%, 6/15/17	1,250	1,380	Barclays Bank plc Series 1,		
Kraft Foods, Inc.			5.000%, 9/22/16	2,105	2,164
5.625%, 11/1/11	1,240	1,317	Bear Stearns Cos., Inc. LLC		
2.625%, 5/8/13	425	428	(The)		
6.125%, 2/1/18	630	689	7.250%, 2/1/18	900	1,040

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Financials—continued			Financials—continued		
Capital One Financial Corp. 7.375%, 5/23/14	\$ 1,225	\$ 1,400	Prudential Financial, Inc. 3.625%, 9/17/12	\$ 1,705	\$ 1,753
Capital One Capital VI 8.875%, 5/15/40	380	414	Rabobank Nederland NV 144A 11.000%, 12/31/49 ⁽³⁾⁽⁴⁾	1,040	1,338
Citigroup, Inc. 5.000%, 9/15/14	910	909	Regions Financial Corp. 0.455%, 6/26/12 ⁽³⁾	2,215	2,025
5.500%, 10/15/14	1,225	1,268	Royal Bank of Scotland Group plc 6.400%, 10/21/19	550	550
4.875%, 5/7/15	1,235	1,219	Simon Property Group LP 6.750%, 5/15/14	1,260	1,378
Credit Suisse New York 5.000%, 5/15/13	900	967	SunTrust Banks, Inc. 5.250%, 11/5/12	1,290	1,361
CVS Pass-Through Trust 144A 7.507%, 1/10/32 ⁽⁴⁾	374	416	Teachers Insurance & Annuity Association of America 144A 6.850%, 12/16/39 ⁽⁴⁾	580	629
Developers Diversified Realty Corp. 5.000%, 5/3/10	2,195	2,198	UBS Preferred Funding Trust I 8.622%, 10/29/49 ⁽³⁾	710	703
Ford Motor Credit Co. LLC 7.500%, 8/1/12	685	710	Wachovia Bank NA 5.000%, 8/15/15	600	622
General Electric Capital Corp. 2.800%, 1/8/13	1,570	1,589	Wachovia Corp. 4.875%, 2/15/14	1,145	1,186
5.500%, 1/8/20	1,380	1,408	Westfield Capital Corp. Ltd./Westfield Finance Authority 144A 4.375%, 11/15/10 ⁽⁴⁾	175	178
GMAC, Inc. 0.000%, 6/15/15	690	445	144A 5.125%, 11/15/14 ⁽⁴⁾	1,175	1,210
Icahn Enterprises LP/Icahn Enterprises Finance Corp. 144A 8.000%, 1/15/18 ⁽⁴⁾	1,550	1,502	<u>48,047</u>		
ING Capital Funding Trust III 8.439%, 12/31/49 ⁽³⁾	1,260	1,197	Health Care—0.5%		
International Lease Finance Corp. 144A 8.625%, 9/15/15 ⁽⁴⁾	125	128	Boston Scientific Corp. 6.000%, 1/15/20	515	488
144A 8.750%, 3/15/17 ⁽⁴⁾	590	605	Express Scripts, Inc. 5.250%, 6/15/12	1,250	1,333
JPMorgan Chase & Co. 5.125%, 9/15/14	970	1,025	Novartis Capital Corp. 1.900%, 4/24/13	180	180
3.700%, 1/20/15	785	790	Talecris Biotherapeutics Holdings Corp. 144A 7.750%, 11/15/16 ⁽⁴⁾	720	727
Series 1, 7.900%, 12/31/49 ⁽³⁾	536	571	Thermo Fisher Scientific, Inc. 144A 2.150%, 12/28/12 ⁽⁴⁾	500	498
Macquarie Group Ltd. 144A 7.300%, 8/1/14 ⁽⁴⁾	2,410	2,691	<u>3,226</u>		
Metropolitan Life Global Funding I 144A 2.875%, 9/17/12 ⁽⁴⁾	1,445	1,469			
Morgan Stanley 6.000%, 4/28/15	1,150	1,232			
6.625%, 4/1/18	1,175	1,253			
Northern Trust Co. (The) 6.500%, 8/15/18	800	895			
PNC Funding Corp. 5.125%, 2/8/20	640	645			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

	<u>SHARES</u>	<u>VALUE</u>		<u>SHARES</u>	<u>VALUE</u>
COMMON STOCKS—57.7%			Industrials—continued		
Consumer Discretionary—1.4%			Foster Wheeler AG ⁽²⁾ 266,000 \$ 7,219		
McDonald's Corp.	140,000	\$ 9,341	L-3 Communications		
Consumer Staples—7.8%			Holdings, Inc. 89,000 8,155		
Altria Group, Inc.	430,000	8,824	Union Pacific Corp. 115,000 8,429		
Bunge Ltd.	120,000	7,396	<u>49,074</u>		
Clorox Co. (The)	139,000	8,915	Information Technology—10.5%		
Costco Wholesale Corp.	132,000	7,882	Cisco Systems, Inc. ⁽²⁾ 333,000 8,668		
PepsiCo, Inc.	135,000	8,931	Corning, Inc. 440,000 8,892		
Philip Morris			Hewlett-Packard Co. 167,000 8,876		
International, Inc.	167,000	8,711	International Business		
		<u>50,659</u>	Machines Corp. 66,000 8,465		
Energy—11.6%			Microsoft Corp. 286,000 8,371		
Chesapeake Energy Corp.	315,000	7,447	Nokia Oyj Sponsored ADR 551,000 8,563		
Chevron Corp.	107,000	8,114	QUALCOMM, Inc. 195,600 8,213		
ConocoPhillips	156,000	7,982	Research In Motion Ltd. ⁽²⁾ 113,000 8,356		
Halliburton Co.	276,000	8,316	<u>68,404</u>		
Massey Energy Co.	159,000	8,314	Materials—5.2%		
Occidental Petroleum			Alcoa, Inc. 594,000 8,458		
Corp.	101,000	8,539	Freeport-McMoRan		
Petroleo Brasileiro SA			Copper & Gold, Inc. 98,000 8,187		
ADR	185,000	8,231	Nucor Corp. 185,000 8,395		
Valero Energy Corp.	439,000	8,648	Potash Corp. of		
Williams Cos., Inc. (The)	423,000	9,771	Saskatchewan, Inc. 72,000 8,593		
		<u>75,362</u>	<u>33,633</u>		
Financials—2.6%			Telecommunication Services—2.5%		
Goldman Sachs Group,			AT&T, Inc. 333,000 8,604		
Inc. (The)	47,000	8,019	Verizon Communications,		
Hudson City Bancorp, Inc.	617,700	8,747	Inc. 248,000 7,693		
		<u>16,766</u>	<u>16,297</u>		
Health Care—7.5%			Utilities—1.1%		
Biogen Idec, Inc. ⁽²⁾	146,000	8,375	Exelon Corp. 170,000 7,448		
Gilead Sciences, Inc. ⁽²⁾	171,000	7,777			
Johnson & Johnson	125,000	8,150	TOTAL COMMON STOCKS		
Shire plc ADR	125,000	8,245	(Identified Cost \$284,711)		
St. Jude Medical, Inc. ⁽²⁾	201,000	8,251	375,590		
UnitedHealth Group, Inc.	239,000	7,808	EXCHANGE TRADED FUNDS—1.3%		
		<u>48,606</u>	PowerShares Deutsche Bank		
Industrials—7.5%			Agriculture Fund ⁽²⁾ 336,000 8,145		
Caterpillar, Inc.	135,000	8,485	TOTAL EXCHANGE TRADED FUNDS		
Continental Airlines, Inc.			(Identified Cost \$8,340)		
Class B ⁽²⁾	411,000	9,030	TOTAL LONG-TERM INVESTMENTS—98.3%		
DryShips, Inc. ⁽²⁾	1,328,000	7,756	(Identified Cost \$541,126)		
			639,534		

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

<u>SHARES</u>	<u>VALUE</u>
SHORT-TERM INVESTMENTS—1.5%	
Money Market Mutual Funds—1.5%	
BlackRock Liquidity Funds TempFund Portfolio – Institutional Shares (seven-day effective yield 0.119%)	9,772,294 \$ 9,772
TOTAL SHORT-TERM INVESTMENTS (Identified Cost \$9,772)	9,772
TOTAL INVESTMENTS—99.8% (Identified Cost \$550,898)	649,306⁽¹⁾
Other Assets and Liabilities—0.2%	1,075
NET ASSETS—100.0%	<u>\$650,381</u>

Country Weightings as of 3/31/10†	
United States (includes short-term investments)	86%
Canada	3
Bermuda	2
United Kingdom	2
Brazil	1
Finland	1
Switzerland	1
Other	4
Total	100%

† % of total investments as of March 31, 2010

Abbreviations:

ADR	American Depositary Receipt
AMBAC	American Municipal Bond Assurance Corporation
FHLMC	Federal Home Loan Mortgage Corporation ("Freddie Mac")
FNMA	Federal National Mortgage Association ("Fannie Mae")
GNMA	Government National Mortgage Association ("Ginnie Mae")
REMIC	Real Estate Mortgage Investment Conduit

FOOTNOTE LEGEND

⁽¹⁾ Federal Income Tax Information: For tax information at March 31, 2010, see the Federal Income Tax Information Note 8 in the Notes to Financial Statements.

⁽²⁾ Non-income producing.

⁽³⁾ Variable or step coupon security; interest rate shown reflects the rate currently in effect.

⁽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, 2010, these securities amounted to a value of \$20,399 or 3.1% of net assets.

Security abbreviation definitions are located under Key Investment Terms on page 6.

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
MARCH 31, 2010

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's net assets as of March 31, 2010 (see Security Valuation Note 2A in the Notes to Financial Statements):

	Total Value at March 31, 2010	Level 1 – Quoted Prices	Level 2 – Significant Observable Inputs	Level 3 – Significant Unobservable Inputs
Investment in Securities:				
Debt Securities:				
U.S. Government Securities	\$ 51,142	\$ —	\$ 51,142	\$ —
Asset-Backed Securities	299	—	299	—
Mortgage-Backed Securities	90,194	—	90,194	—
Municipal Securities	5	—	5	—
Corporate Debt	114,021	—	114,021	—
Equity Securities:				
Preferred Stock	138	138	—	—
Common Stocks	375,590	375,590	—	—
Exchange Traded Funds	8,145	8,145	—	—
Short-Term Investments	9,772	9,772	—	—
Total Investments	<u>\$649,306</u>	<u>\$393,645</u>	<u>\$255,661</u>	<u>\$ —</u>

There are no Level 3 (significant unobservable inputs) priced securities.

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:

	Corporate Debt
Investments in Securities:	
Balance as of March 31, 2009	\$1,056
Accrued discounts/premiums ^(a)	3
Realized gain (loss) ^(b)	—
Change in unrealized appreciation (depreciation) ^(b)	114
Net purchases (sales) ^(d)	(209)
Transfers in and/or out of Level 3 ^(c)	<u>(964)</u>
Balance as of March 31, 2010	<u>\$ —</u>

^(a) Disclosed in the Statement of Operations under interest income.

^(b) Disclosed in the Statement of Operations under Net realized and unrealized gain (loss) on investments.

^(c) "Transfers in and/or out" represent the ending value as of March 31, 2010, for any investment security where a change in the pricing level occurred from the beginning to the end of the period.

^(d) Includes paydowns.

Level 3 securities are without an active market or market participants and therefore are internally fair valued. These internally fair valued securities derive their valuation based on the review of inputs such as, but not limited to, similar securities, liquidity factors, capital structure, and credit analysis.

See Notes to Financial Statements

VIRTUS BALANCED FUND
Statement of Assets and Liabilities
March 31, 2010

(Reported in thousands except shares and per share amounts)

Assets

Investment in securities at value ⁽¹⁾	\$ 649,306
Receivables	
Dividends and interest	2,864
Investment securities sold	388
Fund shares sold	4
Prepaid expenses	40
	40
Total assets	652,602

Liabilities

Payables	
Fund shares repurchased	1,047
Investment securities purchased	379
Investment advisory fee	304
Distribution and service fees	169
Administration fee	47
Transfer agent fees and expenses	130
Professional fees	32
Trustees' fee and expenses	8
Other accrued expenses	105
	105
Total liabilities	2,221

Net Assets

\$ 650,381

Net Assets Consist of:

Capital paid in on shares of beneficial interest	\$ 668,939
Accumulated undistributed net investment income (loss)	439
Accumulated undistributed net realized gain (loss)	(117,405)
Net unrealized appreciation (depreciation) on investments	98,408
	98,408

Net Assets

\$ 650,381

Class A

Net asset value (net assets/shares outstanding) per share	\$12.54
Maximum offering price per share NAV/(1-5.75%)	\$13.31
Shares of beneficial interest outstanding, no par value, unlimited authorization ..	47,936,873
Net Assets	\$ 601,065

Class B

Net asset value (net assets/shares outstanding) and offering price per share ..	\$12.48
Shares of beneficial interest outstanding, no par value, unlimited authorization ..	368,039
Net Assets	\$ 4,594

Class C

Net asset value (net assets/shares outstanding) and offering price per share ..	\$12.47
Shares of beneficial interest outstanding, no par value, unlimited authorization ..	3,586,086
Net Assets	\$ 44,722

⁽¹⁾ Investment in securities at cost

\$ 550,898

See Notes to Financial Statements

VIRTUS BALANCED FUND
Statement of Operations
Year Ended March 31, 2010

(Reported in thousands)

Investment Income

Interest	\$ 11,965
Dividends	8,026
Foreign taxes withheld	<u>(83)</u>
Total investment income	<u>19,908</u>

Expenses

Investment advisory fees	3,481
Service fees, Class A	1,460
Distribution and service fees, Class B	56
Distribution and service fees, Class C	433
Administration fees	538
Transfer agent fees and expenses	943
Printing fees and expenses	249
Professional fees	68
Custodian fees	59
Trustees fee and expenses	56
Registration fees	47
Miscellaneous expenses	<u>104</u>
Total expenses	<u>7,494</u>

Net investment income (loss) **12,414**

Net Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments	31,617
Net realized gain (loss) on foreign currency transactions	1
Net change in unrealized appreciation (depreciation) on investments	144,215
Net change in unrealized appreciation (depreciation) on foreign currency translation	<u>—⁽¹⁾</u>

Net gain (loss) on investments **175,833**

Net increase (decrease) in net assets resulting from operations **\$188,247**

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

VIRTUS BALANCED FUND
Statement of Changes in Net Assets

(Reported in thousands)

	Year Ended March 31, 2010	Year Ended March 31, 2009
Increase/(decrease) in net assets		
From operations		
Net investment income (loss)	\$ 12,414	\$ 21,305
Net realized gain (loss)	31,618	(146,122)
Net change in unrealized appreciation (depreciation)	144,215	(85,888)
Increase (decrease) in net assets resulting from operations ..	188,247	(210,705)
From distributions to shareholders		
Net investment income, Class A	(11,811)	(20,336)
Net investment income, Class B	(72)	(202)
Net investment income, Class C	(566)	(1,155)
Net realized long-term gains, Class A	—	(2,742)
Net realized long-term gains, Class B	—	(39)
Net realized long-term gains, Class C	—	(206)
Decrease in net assets from distributions to shareholders ...	(12,449)	(24,680)
From share transactions:		
Sale of shares		
Class A (882 and 978 shares, respectively)	10,092	11,036
Class B (27 and 64 shares, respectively)	316	711
Class C (37 and 52 shares, respectively)	415	551
Reinvestment of distributions		
Class A (909 and 1,850 shares, respectively)	10,538	20,839
Class B (6 and 19 shares, respectively)	67	219
Class C (40 and 101 shares, respectively)	459	1,132
Shares repurchased		
Class A (7,784 and 9,700 shares, respectively)	(89,960)	(108,927)
Class B (291 and 371 shares, respectively)	(3,324)	(4,233)
Class C (475 and 777 shares, respectively)	(5,445)	(8,695)
Increase (decrease) in net assets from share transactions ...	(76,842)	(87,367)
Capital Contributions		
Fair Funds settlement ⁽¹⁾	2	—
Net increase (decrease) in net assets	98,958	(322,752)
Net Assets		
Beginning of year	551,423	874,175
End of year	\$650,381	\$ 551,423
Accumulated undistributed net investment income (loss) at end of period	\$ 439	\$ 385

⁽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

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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
Class A						
4/1/09 to 3/31/10	\$ 9.42	0.23	3.12	3.35	(0.23)	—
4/1/08 to 3/31/09	13.19	0.35	(3.71)	(3.36)	(0.36)	(0.05)
11/1/07 to 3/31/08	15.48	0.16	(1.28)	(1.12)	(0.19)	(0.98)
11/1/06 to 10/31/07	15.74	0.35	1.16	1.51	(0.35)	(1.42)
11/1/05 to 10/31/06	14.55	0.34	1.53	1.87	(0.34)	(0.34)
11/1/04 to 10/31/05	14.98	0.32	0.18	0.50	(0.32)	(0.61)
Class B						
4/1/09 to 3/31/10	\$ 9.39	0.15	3.09	3.24	(0.15)	—
4/1/08 to 3/31/09	13.13	0.26	(3.67)	(3.41)	(0.28)	(0.05)
11/1/07 to 3/31/08	15.41	0.11	(1.27)	(1.16)	(0.14)	(0.98)
11/1/06 to 10/31/07	15.69	0.24	1.13	1.37	(0.23)	(1.42)
11/1/05 to 10/31/06	14.50	0.23	1.53	1.76	(0.23)	(0.34)
11/1/04 to 10/31/05	14.93	0.21	0.18	0.39	(0.21)	(0.61)
Class C						
4/1/09 to 3/31/10	\$ 9.38	0.14	3.10	3.24	(0.15)	—
4/1/08 to 3/31/09	13.12	0.26	(3.67)	(3.41)	(0.28)	(0.05)
11/1/07 to 3/31/08	15.40	0.11	(1.27)	(1.16)	(0.14)	(0.98)
11/1/06 to 10/31/07	15.68	0.23	1.14	1.37	(0.23)	(1.42)
11/1/05 to 10/31/06	14.49	0.23	1.53	1.76	(0.23)	(0.34)
4/19/05 ⁽⁵⁾ to 10/31/05	14.47	0.10	0.01	0.11	(0.09)	—

⁽¹⁾ Computed using average shares outstanding.

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

⁽³⁾ Annualized.

⁽⁴⁾ Not annualized.

⁽⁵⁾ Inception date.

⁽⁶⁾ 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

Total Distributions	Change in Net Asset Value	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in thousands)	Ratio of Expenses to Average Net Assets ⁽⁴⁾	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
(0.23)	3.12	\$12.54	35.82%	\$ 601,065	1.13%	2.02%	111%
(0.41)	(3.77)	9.42	(25.95)	508,204	1.10	3.02	91
(1.17)	(2.29)	13.19	(7.62) ⁽⁴⁾	801,724	1.12 ⁽³⁾	2.65 ⁽³⁾	21 ⁽⁴⁾
(1.77)	(0.26)	15.48	10.26	919,363	1.12	2.31	54
(0.68)	1.19	15.74	13.29	973,751	1.08	2.29	78
(0.93)	(0.43)	14.55	3.21	1,000,790	1.05	2.16	58
(0.15)	3.09	\$12.48	34.65%	\$ 4,594	1.88%	1.29%	111%
(0.33)	(3.74)	9.39	(26.40)	5,869	1.85	2.24	91
(1.12)	(2.28)	13.13	(7.94) ⁽⁴⁾	11,992	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
(1.65)	(0.28)	15.41	9.41	15,013	1.87	1.58	54
(0.57)	1.19	15.69	12.43	20,676	1.83	1.54	78
(0.82)	(0.43)	14.50	2.47	19,970	1.80	1.39	58
(0.15)	3.09	\$12.47	34.69%	\$ 44,722	1.88%	1.27%	111%
(0.33)	(3.74)	9.38	(26.42)	37,350	1.85	2.26	91
(1.12)	(2.28)	13.12	(7.94) ⁽⁴⁾	60,459	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
(1.65)	(0.28)	15.40	9.42	71,326	1.87	1.56	54
(0.57)	1.19	15.68	12.44	76,874	1.83	1.54	78
(0.09)	0.02	14.49	0.75 ⁽⁴⁾	81,111	1.80 ⁽³⁾	1.22 ⁽³⁾	58 ⁽⁴⁾

See Notes to Financial Statements

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2010

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, 12 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 in the Fund summary page.

The Fund offers Class A shares and Class C shares. Effective December 1, 2009 (the "Closing Date"), 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. Prior to January 29, 2010, the CDSC was imposed on certain redemptions made within one year following purchases on which a finder's fee had been paid. As of January 29, 2010, the period for which such CDSC applies for the Fund was modified to be 18 months. In each case, the CDSC period begins on the last day of the month proceeding the month in which the purchase was made.

Class B shares are sold with a contingent deferred sales charge, which declines from 5% to zero depending on the period of time the shares are held. Class C shares are sold with a 1% contingent deferred sales charge, if applicable, if redeemed within one year of purchase.

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

2. Significant Accounting Policies

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

A. Security valuation:

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

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

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

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

Certain foreign 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 NYSE) that may impact the value of securities traded in those foreign markets. In such cases, the Fund fair values foreign securities using an external pricing service which considers the correlation of the trading patterns of the foreign securities to the intraday trading in the U.S. markets for investments such as American depositary receipts, financial futures, exchange-traded funds and certain indexes, as well as prices for similar securities. Because the frequency of significant events is not predictable, fair valuation of certain foreign common stocks may occur on a frequent basis.

Investments in underlying funds are valued at each fund's closing net asset value determined as of the close of business of the New York Stock Exchange (generally 4:00 p.m. Eastern time).

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

The Fund utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

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

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.

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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

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.

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, 2010, 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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

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 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, 2010, the Fund did not hold any loan agreements.

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, 2010, the Fund did not have any securities on loan.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

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.

B. Subadviser:

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

Effective June 8, 2009, SCM Advisors LLC (“SCM”), became the subadviser of the Fund’s Fixed Income Portfolio. SCM is an affiliate of Virtus. For the period April 1, 2009 through June 7, 2009, Goodwin Capital Advisers, Inc. served as the subadviser for the Fund’s Fixed Income Portfolio. 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, 2010, it retained Class A net commissions of \$24; Class B deferred sales charges of \$7; and Class C deferred sales charges of \$ —*.

In addition, the Fund pays VP Distributors distribution and/or service fees 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.

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

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

D. Administration and Transfer Agent Services:

VP Distributors serves as the Administrator to the Trust. For the period ended March 31, 2010, VP Distributors received administration fees totaling \$460 which is included in the Statement of Operations. A portion of these fees was paid to a sub-administrator for certain accounting and administration services. VP Distributors also serves as the Trust's transfer agent. For the period ended March 31, 2010, VP Distributors received transfer agent fees totaling \$859 which is included in the Statement of Operations. A portion of these fees was paid to various outside companies for certain sub-transfer agency services.

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 period ended March 31, 2010, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$322,988	\$478,415

Purchases or sales of long-term U.S. Government and agency securities during the period ended March 31, 2010 were as follows:

<u>Purchases</u>	<u>Sales</u>
\$354,996	\$278,801

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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

6. Indemnifications

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

7. Regulatory Exams

Federal and state regulatory authorities from time to time make inquiries and conduct examinations regarding compliance by Virtus and its subsidiaries (collectively "the Company") with securities and other laws and regulations affecting their registered products.

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

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

At March 31, 2010, 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>
\$553,205	\$100,058	\$(3,957)	\$96,101

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

<u>Expiration Year</u>		
<u>2017</u>	<u>2018</u>	<u>Total</u>
\$9,922	\$105,177	\$115,099

The Fund may not realize the benefit of these losses to the extent the Fund does not realize gains on investments prior to the expiration of the capital loss carryovers.

The Fund had \$739 of capital loss carryover which expired in 2010.

Under current tax law, foreign currency and capital losses realized after October 31 may be deferred and treated as occurring on the first day of the following tax year. For the year ended March 31, 2010, the Fund deferred post-October losses as follows:

<u>Capital Loss Recognized</u>	<u>Currency Loss Recognized</u>
\$136,472	\$156

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 \$439 and undistributed long-term capital gains of \$0.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
March 31, 2010

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.

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

For financial reporting purposes, book basis capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Permanent reclassifications can arise from differing treatment of certain income and gain transactions, nondeductible current year net operating losses, expiring capital loss carryovers and investments in passive foreign investment companies. The reclassifications have no impact on the net assets or net asset value of the Fund. As of March 31, 2010, 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)
\$(735)	\$89	\$646

10. Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06 "Improving Disclosures about Fair Value Measurements." ASU 2010-06 amends FASB Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, to require additional disclosures regarding fair value measurements. Certain disclosures required by ASU No. 2010-06 are effective for interim and annual reporting periods beginning after December 15, 2009, and other required disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. Management is currently evaluating the impact ASU No. 2010-06 will have on its financial statement disclosures.

11. 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.

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.

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, 2010, the results of its operations for the year then ended and the changes in its net assets and the financial highlights for each of the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at March 31, 2010 by correspondence with the custodian, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, PA
May 21, 2010

VIRTUS BALANCED FUND
TAX INFORMATION NOTICE
(Unaudited)
March 31, 2010

For the fiscal year ended March 31, 2010, 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>
65%	59%	\$ —

CONSIDERATION OF ADVISORY AND SUB-ADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES

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 17-19, 2009, 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 Funds¹ 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 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.

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)

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.

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.

² F-Squared Investments, Inc. is the sub-adviser to Virtus AlphaSectorSM Allocation Fund and 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.

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

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 subadvisor, 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. In addition, the Board noted that as part of the contract renewal process, it had voted for the advisory fees for certain of the Funds to be changed from flat fees to fees containing breakpoints and that such changes would reduce the fees paid by the Funds to VIA.³ It was noted by the Board that Fund Management had represented that with respect to such fee changes, VIA would not reduce the quality or quantity of its services, and that its obligations would remain the same in all respects. Finally, the Board also noted that several of the Funds had fee waivers and/or expense caps in place to limit the total expenses incurred by the Funds and their shareholders. Based upon the information presented by VIA and Lipper, the Trustees then determined, in the exercise of their business judgment, that the management fees charged by VIA and the total expenses of the Funds were reasonable, both on an absolute basis and in comparison with the fees and expenses of other funds in each Fund's peer group and the industry at large.

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

³ During the period being reported, the only Funds that had such changes were Virtus Mid-Cap Value Fund and Virtus Small-Cap Core Fund, each a series of Virtus Equity Trust; Virtus Balanced Allocation Fund, Virtus Core Equity Fund, Virtus Emerging Markets Opportunities Fund, Virtus Short/Intermediate Bond Fund and Virtus Value Equity Fund, each a series of Virtus Insight Trust; and, Virtus Bond Fund and Virtus Market Neutral Fund, each a series of Virtus Opportunities Trust.

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

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 4, 2009
(Unaudited)**

At a special meeting of shareholders of Virtus Balanced Fund, a series of Virtus Equity Trust, held on June 4, 2009, shareholders voted on the following proposal:

Number of Eligible Shares Voted:

	For	Against	Abstain
To approve a Subadvisory Agreement between Virtus Investment Advisers, Inc. and SCM Advisors, LLC with regard to Virtus Balanced Fund	26,434,182.016	1,141,201.906	2,290,879.143

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, 2010, 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 Elected: 45 Funds	Chairman, BLOC Global Services Group, LLC (construction and redevelopment company) (2010-present). Managing Director, Almanac Capital Management (commodities business) (2007-2008). Partner, Stonington Partners, Inc. (private equity firm) (2001-2007). Director/Trustee, Evergreen Funds (88 portfolios) (1989-present).
Philip R. McLoughlin YOB: 1946 Elected: 48 Funds	Partner, Cross Pond Partners, LLC (strategy consulting firm) (2006-present). Director, World Trust Fund (1991-present). Chairman and Trustee, The Phoenix Edge Series Fund (2003-present). Director, DTF Tax-Free Income Fund, Inc. (1996-present), Duff & Phelps Utility and Corporate Bond Trust, Inc. (1996-present) and DNP Select Income Fund Inc. (2009-present). Managing Director, SeaCap Asset Management Fund I, L.P. (2009-present). Managing Director, SeaCap Partners, LLC (investment management advisory business) (2009-present).
Geraldine M. McNamara YOB: 1951 Elected: 48 Funds	Retired. Managing Director, U.S. Trust Company of New York (private bank) (1982-2006). Director, DTF Tax-Free Income Fund, Inc. (2003-present), Duff & Phelps Utility and Corporate Bond Trust, Inc. (2003-present) and DNP Select Income Fund Inc. (2009-present).
James M. Oates YOB: 1946 Elected: 45 Funds	Managing Director, Wydown Group (consulting firm) (1994-present). Chairman, Hudson Castle Group, Inc. (Formerly IBEX Capital Markets, Inc.) (financial services) (1997-2006). Director, Stifel Financial. Chairman and Trustee, John Hancock Trust (115 portfolios) and John Hancock Funds II (87 portfolios) (2005-present). Non-Executive Chairman, Hudson Castle Group, Inc. (2007-present).
Richard E. Segerson YOB: 1946 Elected: 45 Funds	Managing Director, Northway Management Company (1998-present).
Ferdinand L.J. Verdonck YOB: 1942 Elected: 45 Funds	Director, Galapagos N.V. (biotechnology) (2005-present). Mr. Verdonck is also a director of several non-U.S. companies.

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⁾ YOB: 1964 Elected: 47 Funds	Director, President and Chief Executive Officer (2008-present), Director and President (2006-2008), Chief Operating Officer (2004-2006), Vice President, Finance, (2001-2002), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Various senior officer and directorship positions with Virtus affiliates (2005-present). Senior Executive Vice President and President, Asset Management (2007-2008), Senior Vice President and Chief Operating Officer, Asset Management (2004-2007), Vice President and Chief of Staff (2001-2004), The Phoenix Companies, Inc. Various senior officer and directorship positions with Phoenix affiliates (2005-2008). President (2006-present), Executive Vice President (2004-2006), the Virtus Mutual Funds Family. Chairman, President and Chief Executive Officer, The Zweig Fund Inc. and The Zweig Total Return Fund Inc. (2006-present).

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

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
Nancy G. Curtiss YOB: 1952	Senior Vice President since 2006.	Executive Vice President, Head of Operations (2009-present), Senior Vice President, Operations (2008-2009), Vice President, Head of Asset Management Operations (2007-2008), Vice President (2003-2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Ms. Curtiss is Treasurer of various other investment companies within the Virtus Mutual Funds Complex (1994-present). Assistant Treasurer (2001-2009), VP Distributors, Inc. (f/k/a Phoenix Equity Planning Corporation).
Francis G. Waltman YOB: 1962	Senior Vice President since 2008.	Executive Vice President, Head of Product Management (2009-present), Senior Vice President, Asset Management Product Development (2008-2009), Senior Vice President, Asset Management Product Development (2005-2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Director (2008-present), Director and President (2006-2007), VP Distributors, Inc. (f/k/a Phoenix Equity Planning Corporation). Director and Senior Vice President, Virtus Investment Advisers, Inc. (2008-present).
Marc Baltuch c/o Zweig-DiMenna Associates, LLC 900 Third Avenue New York, NY 10022 YOB: 1945	Vice President and Chief Compliance Officer since 2004.	Chief Compliance Officer, Zweig-DiMenna Associates LLC (1989-present). Vice President, The Zweig Total Return Fund, Inc. (2004-present). Vice President, The Zweig Fund, Inc. (2004-present). President and Director of Watermark Securities, Inc. (1991-present). Assistant Secretary, Gotham Advisors Inc. (1990-2005).
W. Patrick Bradley YOB: 1972	Chief Financial Officer and Treasurer, Virtus Equity Trust, Virtus Insight Trust and Virtus Institutional Trust (since 2006). Chief Financial Officer and Treasurer of Virtus Opportunities Trust (since 2005).	Senior Vice President, Fund Administration (2009-present), Vice President, Fund Administration (2007-2009), Second Vice President, Fund Control & Tax (2004-2006), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Vice President, Chief Financial Officer, Treasurer and Principal Accounting Officer (2006-present), Assistant Treasurer (2004-2006), The Phoenix Edge Series Fund. Chief Financial Officer and Treasurer (2005-present), Assistant Treasurer (2004-2006), certain funds within the Virtus Mutual Funds Family.
Kevin J. Carr YOB: 1954	Vice President, Chief Legal Officer, Counsel and Secretary since 2005.	Senior Vice President, Legal (2009-present), Counsel and Secretary (2008-present) and Vice President (2008-2009), Virtus Investment Partners, Inc. and/or certain of its subsidiaries. Vice President and Counsel, Phoenix Life Insurance Company (2005-2008). Compliance Officer of Investments and Counsel, Travelers Life & Annuity Company (January 2005-May 2005). Assistant General Counsel and certain other positions, The Hartford Financial Services Group (1995-2005).

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
Nancy G. Curtiss, Senior Vice 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.

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Virtus Balanced Fund, a series of Virtus Equity Trust

Supplement dated April 30, 2010 to the Prospectus dated June 22, 2009,
as supplemented

IMPORTANT NOTICE TO INVESTORS

Effective April 14, 2010, Virtus Equity Trust and VP Distributors, Inc., distributor, administrator and transfer agent of Virtus Mutual Funds, have modified the fee schedules under the Administration Agreement and the Transfer Agency Agreement. Accordingly, expense information for the below-named fund is hereby revised as described below.

BALANCED FUND

On page 10 of the fund's prospectus, the Fees and Expenses table is hereby revised by replacing the Annual Fund Operating Expenses portion of the table with the following:

Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)	Class A Shares	Class B Shares	Class C Shares
Management Fees	0.55%	0.55%	0.55%
Distribution and Shareholder Servicing (12b-1) Fees	0.25%	1.00%	1.00%
Other Expenses ^(d)	0.38%	0.38%	0.38%
Total Annual Fund Operating Expenses^(d)	1.18%	1.93%	1.93%

^(d)Restated to reflect current fees on current assets.

Also on page 11, the Example table is hereby replaced with the following:

Class	Share Status	1 Year	3 Years	5 Years	10 Years
Class A	Sold or Held	\$688	\$928	\$1,187	\$1,924
Class B	Sold	\$596	\$806	\$1,042	\$2,059
	Held	\$196	\$606	\$1,042	\$2,059
Class C	Sold	\$296	\$606	\$1,042	\$2,254
	Held	\$196	\$606	\$1,042	\$2,254

Investors should retain this supplement with the Prospectus for future reference.

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c/o State Street Bank and Trust Company
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Boston, MA 02266-8301

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your financial representative,
contact us at **1-800-243-1574**
or **Virtus.com**