



Annual  
Report

## Virtus Mid-Cap Value Fund

TRUST NAME:  
VIRTUS  
EQUITY  
TRUST

March 31, 2011



**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, 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 Mid-Cap Value 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](http://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](http://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 MID-CAP VALUE 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 investment. All mutual funds have operating expenses. As a shareholder of the Virtus Mid-Cap Value Fund (the "Fund"), you may incur two types of costs: (1) transaction costs, including sales charges on purchases of Class A shares and contingent deferred sales charges on Class C shares; and (2) ongoing costs, including investment advisory fees; distribution and service fees; and other expenses. Class I shares are sold without a sales charge and do not incur distribution and service fees. 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 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 line, 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 line 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 the timing of any purchases or redemptions.

**VIRTUS MID-CAP VALUE 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*
<b>Actual</b>				
Class A	\$1,000.00	\$1,248.20	1.48%	\$ 8.30
Class C	1,000.00	1,243.30	2.23	12.47
Class I	1,000.00	1,249.70	1.23	6.90
<b>Hypothetical (5% return before expenses)</b>				
Class A	1,000.00	1,017.46	1.48	7.47
Class C	1,000.00	1,013.67	2.23	11.26
Class I	1,000.00	1,018.72	1.23	6.21

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

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

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

## 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.

### ***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.

### ***Russell 3000® Index***

The Russell 3000® Index is a market capitalization-weighted equity index maintained by the Russell Investment Group that seeks to be a benchmark of the entire U.S. stock market. More specifically, this index encompasses the 3,000 largest U.S.-traded stocks, in which the underlying companies are all incorporated in the U.S.

### ***Russell Midcap® Index***

The Russell Midcap® Index is a market capitalization-weighted index of medium-capitalization stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested.

### ***Russell Midcap® Value Index***

The Russell Midcap® Value Index is a market capitalization-weighted index of medium-capitalization, value-oriented stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested.

### ***S&P 500® Index***

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

### ***Sponsored ADR***

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

*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.*

## MID-CAP VALUE FUND

**Ticker Symbols:**  
A Share: FMIVX  
C Share: FMICX  
I Share: PIMVX

- **Mid-Cap Value Fund (the “Fund”)** is diversified and has an investment objective of long-term growth of capital. *There is no guarantee that the Fund will achieve its objective.*
- For the fiscal year ended March 31, 2011, the Fund’s Class A shares at NAV returned 21.42%, Class C shares returned 20.52% and Class I shares returned 21.74%. For the same period, the Russell Midcap® Index, a broad-based equity index, returned 24.27%; and the Russell Midcap® Value Index, the Fund’s style-specific benchmark, returned 22.26%.

**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](http://Virtus.com) for performance data current to the most recent month-end.**

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

- Broader market averages such as the S&P 500® Index and Russell 3000® Index were up 15.65% and 17.40%, respectively, in the fiscal year ending March 31, 2011. Mid-cap stocks remain standout performers with the Russell Midcap® Value Index ahead 22.26%.
- The strong rally from 2010 continued into the first quarter of 2011 as all major capitalization tiers of the market posted strong double digit returns for the fiscal year ended March 31, 2011, in response to stimulative government policy and decreased economic uncertainty. The market continues to be fueled by extremely low interest rates, very

strong corporate earnings and a shift away from fixed income and cash into equities. Additionally there has been a significant increase in merger and acquisition activity, which historically has enhanced the environment for stocks. All of these factors remain firmly in place as we start the new fiscal year.

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

- The Fund’s performance was driven by substantial gains in energy and cyclical issues. Pipeline and explorations holdings El Paso, Williams Companies and ONEOK were up 67%, 38% and 52%, respectively. All benefited from rising oil prices and company specific actions to improve shareholder value. Strong earnings results in cyclical holdings like Thomas & Betts (electrical products) and beverage can producers, Crown Holdings and Ball Corp., drove gains of 52%, 43% and 35%, respectively.
- Modestly detracting from performance were building products companies, USG and Masco, as housing remains moribund. Fears of defense spending cuts hindered Raytheon; however, with a nice yield, the stock retreated a mere 5%.
- Overall, we’re pleased with the Fund’s performance during the last fiscal year.

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

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

## MID-CAP VALUE FUND (Continued)

### **Asset Allocations**

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

Industrials	21%
Consumer Discretionary	19
Materials	18
Consumer Staples	12
Energy	12
Utilities	9
Other (includes short-term investments and securities lending collateral)	<u>9</u>
Total	<u><u>100%</u></u>

## Average Annual Total Returns<sup>1</sup> for periods ended 3/31/11

	1 Year	5 Years	10 Years	Inception to 3/31/11	Inception Date
<b>Class A Shares at NAV<sup>2</sup></b>	<b>21.42%</b>	<b>5.06%</b>	<b>9.27%</b>	—	—
<b>Class A Shares at POP<sup>3,4</sup></b>	<b>14.44</b>	<b>3.83</b>	<b>8.62</b>	—	—
<b>Class C Shares at NAV and with CDSC<sup>4</sup></b>	<b>20.52</b>	<b>4.27</b>	—	<b>6.09%</b>	<b>10/22/04</b>
<b>Class I Shares at NAV</b>	<b>21.74</b>	—	—	<b>6.87</b>	<b>3/10/08</b>
<b>Russell Midcap<sup>®</sup> Index</b>	<b>24.27</b>	<b>4.67</b>	<b>8.52</b>	— <sup>5</sup>	—
<b>Russell Midcap<sup>®</sup> Value Index</b>	<b>22.26</b>	<b>4.04</b>	<b>9.24</b>	— <sup>6</sup>	—

**Fund Expense Ratios<sup>7</sup>: A Shares: Gross 1.56%, Net 1.48%; C Shares: Gross 2.31%, Net 2.23%; I Shares: Gross 1.31%, Net 1.23%.**

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](http://Virtus.com) for performance data current to the most recent month-end.

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

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

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

<sup>4</sup> "CDSC" (Contingent Deferred Sales Charge) is applied to redemptions of Class C shares that do not have a sales charge applied at the time of purchase. 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.

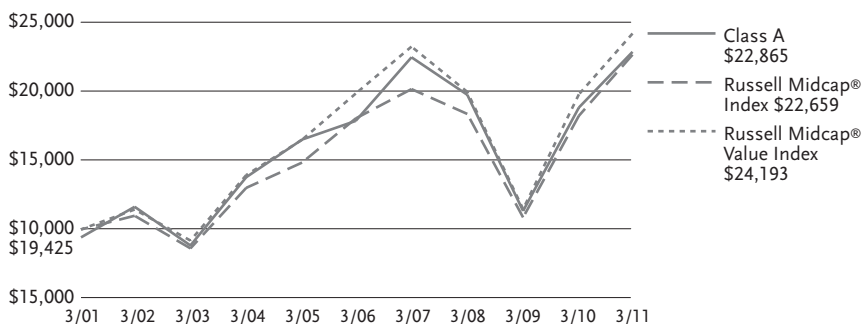
<sup>5</sup> The index returned 8.96% for Class C shares and 8.47% for Class I shares from the inception date of the respective share classes.

<sup>6</sup> The index returned 8.49% for Class C shares and 7.82% for Class I shares from the inception date of the respective share classes.

<sup>7</sup> 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 Highlight tables in this report. Net expenses: Expenses reduced by a voluntary fee waiver and excluding extraordinary expenses. Gross Expense: Does not reflect the effect of voluntary fee waiver. 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 shares including any applicable sales charges or fees. The performance of the other share classes 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 MID-CAP VALUE FUND**  
**SCHEDULE OF INVESTMENTS**  
**MARCH 31, 2011**

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
<b>COMMON STOCKS—96.3%</b>			<b>Materials—continued</b>		
<b>Consumer Discretionary—19.7%</b>			Owens-Illinois, Inc. <sup>(2)</sup>	528,910	\$ 15,968
Big Lots, Inc. <sup>(2)</sup>	454,400	\$ 19,735	Packaging Corp.		
Fortune Brands, Inc.	271,000	16,772	of America	296,150	8,556
Home Depot, Inc. (The)	238,250	8,830			<u>76,963</u>
Penney (J.C.) Co., Inc.	576,650	20,707	<b>Utilities—9.7%</b>		
TJX Cos., Inc.	244,700	12,169	Dominion Resources, Inc. <sup>(3)</sup>	300,850	13,448
		<u>78,213</u>	GenOn Energy, Inc. <sup>(2)</sup>	2,215,977	8,443
			ONEOK, Inc.	247,850	16,576
<b>Consumer Staples—12.6%</b>					<u>38,467</u>
Koninklijke Ahold NV			<b>TOTAL COMMON STOCKS</b>		
Sponsored ADR	1,018,400	13,708	<b>(Identified Cost \$304,754)</b>		
Safeway, Inc. <sup>(3)</sup>	686,940	16,170			<b>382,919</b>
Sara Lee Corp.	1,151,930	20,355	<b>TOTAL LONG-TERM INVESTMENTS—96.3%</b>		
		<u>50,233</u>	<b>(Identified Cost \$304,754)</b>		
			<b>SHORT-TERM INVESTMENTS—3.6%</b>		
<b>Energy—12.3%</b>			<b>Money Market Mutual Funds—3.6%</b>		
Devon Energy Corp.	134,690	12,361	BlackRock Liquidity Funds		
El Paso Corp.	1,018,450	18,332	TempFund Portfolio –		
Williams Cos., Inc. (The)	580,860	18,111	Institutional Shares		
		<u>48,804</u>	(seven-day effective		
			yield 0.150%)	14,322,621	14,323
<b>Industrials—22.7%</b>			<b>TOTAL SHORT-TERM INVESTMENTS</b>		
Con-way, Inc. <sup>(3)</sup>	237,400	9,327	<b>(Identified Cost \$14,323)</b>		
Masco Corp. <sup>(3)</sup>	730,380	10,167	<b>SECURITIES LENDING COLLATERAL—6.1%</b>		
Owens Corning, Inc. <sup>(2)</sup>	343,450	12,361	BlackRock Institutional		
Raytheon Co.	226,300	11,512	Money Market Trust		
Republic Services, Inc.	530,092	15,924	(seven-day effective		
Thomas & Betts Corp. <sup>(2)</sup>	217,040	12,907	yield 0.252%) <sup>(4)</sup>	2,007,894	2,008
USG Corp. <sup>(2)(3)</sup>	360,860	6,012	BlackRock Liquidity		
Waste Management, Inc. <sup>(3)</sup>	322,150	12,029	Funds TempCash		
		<u>90,239</u>	Portfolio –		
			Institutional Shares		
<b>Materials—19.3%</b>			(seven-day effective		
Ball Corp.	331,400	11,880	yield 0.160%) <sup>(4)</sup>	22,310,046	22,310
Crown Holdings, Inc. <sup>(2)</sup>	521,250	20,110	<b>TOTAL SECURITIES LENDING COLLATERAL</b>		
Dow Chemical Co. (The)	320,750	12,108	<b>(Identified Cost \$24,318)</b>		
FMC Corp.	98,210	8,341			<b>24,318</b>

Security abbreviation definitions are located under Key Investment Terms on page 4.

See Notes to Financial Statements

**VIRTUS MID-CAP VALUE FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2011**

(\$ reported in thousands)

	VALUE
<b>TOTAL INVESTMENTS—106.0%</b> <b>(Identified Cost \$343,395)</b>	<b>\$421,560<sup>(1)</sup></b>
Other assets and liabilities, net—(6.0)%	<u>(23,982)</u>
<b>NET ASSETS—100.0%</b>	<b><u>\$397,578</u></b>

**Abbreviation:**

ADR American Depositary Receipt

**FOOTNOTE LEGEND**

<sup>(1)</sup> Federal Income Tax Information: For tax information at March 31, 2011, see Note 6, Federal Income Tax Information in the Notes to Financial Statements.

<sup>(2)</sup> Non-income producing.

<sup>(3)</sup> All or a portion of security is on loan.

<sup>(4)</sup> Represents security purchased with cash collateral received for securities on loan.

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
<b>Investment in Securities:</b>			
Equity Securities:			
Common Stocks	\$382,919	\$382,919	\$ —
Securities Lending Collateral	24,318	22,310	2,008
Short-Term Investments	14,323	14,323	—
Total Investments	<u>\$421,560</u>	<u>\$419,552</u>	<u>\$2,008</u>

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

Security abbreviation definitions are located under Key Investment Terms on page 4.

See Notes to Financial Statements

**VIRTUS MID-CAP VALUE FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**MARCH 31, 2011**

(Reported in thousands except shares and per share amounts)

**Assets**

Investment in securities at value <sup>(1)(2)</sup> .....	\$ 421,560
Receivables	
Investment securities sold .....	1,353
Fund shares sold .....	994
Dividends and interest receivable .....	456
Trustee retainer .....	3
Prepaid expenses .....	28
	<hr/>
Total assets .....	424,394

**Liabilities**

Payables	
Fund shares repurchased .....	1,775
Collateral on securities loaned .....	24,318
Investment advisory fee .....	286
Distribution and service fees .....	111
Administration fee .....	46
Transfer agent fees and expenses .....	205
Professional fee .....	27
Other accrued expenses .....	48
	<hr/>
Total liabilities .....	26,816

**Net Assets** .....

**\$ 397,578**

**Net Assets Consist of:**

Capital paid in on shares of beneficial interest .....	\$ 460,420
Accumulated undistributed net investment income (loss) .....	218
Accumulated undistributed net realized gain (loss) .....	(141,225)
Net unrealized appreciation (depreciation) on investments .....	78,165
	<hr/>

**Net Assets** .....

**\$ 397,578**

**Class A**

Net asset value (net assets/shares outstanding) per share .....	\$ 24.69
Maximum offering price per share NAV/(1-5.75%) .....	\$ 26.20
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	11,361,269
Net Assets .....	\$ 280,485

**Class C**

Net asset value (net assets/shares outstanding) and offering price per share .....	\$ 24.02
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	2,588,198
Net Assets .....	\$ 62,174

**Class I**

Net asset value (net assets/shares outstanding) and offering price per share .....	\$ 24.72
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	2,221,625
Net Assets .....	\$ 54,919

<sup>(1)</sup> Investment in securities at cost .....

\$ 343,395

<sup>(2)</sup> Market value of securities on loan .....

\$ 22,819

See Notes to Financial Statements

**VIRTUS MID-CAP VALUE FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED MARCH 31, 2011**

(\$ reported in thousands)

**Investment Income**

Dividends .....	\$ 6,705
Security lending .....	45
Foreign taxes withheld .....	(57)
	6,693
Total investment income .....	6,693

**Expenses**

Investment advisory fees .....	2,843
Service fees, Class A .....	695
Distribution and service fees, Class C .....	602
Administration fees .....	535
Transfer agent fee and expenses .....	1,054
Custodian fees .....	49
Printing fees and expenses .....	47
Professional fees .....	33
Registration fees .....	52
Trustees' fee and expenses .....	31
Miscellaneous expenses .....	44
	5,985
Total expenses .....	5,985
Less expenses reimbursed by investment adviser .....	(34)
	5,951
Net expenses .....	5,951

**Net investment income (loss) .....** **742**

**Net Realized and Unrealized Gain (Loss) on Investments**

Net realized gain (loss) on investments .....	(2,259)
Net change in unrealized appreciation (depreciation) on investments .....	72,628
	70,369

**Net gain (loss) on investments .....** **70,369**

**Net increase (decrease) in net assets resulting from operations .....** **\$71,111**

See Notes to Financial Statements

**VIRTUS MID-CAP VALUE FUND**  
**STATEMENT OF CHANGES IN NET ASSETS**

(Reported in thousands)

	Year Ended March 31, 2011	Year Ended March 31, 2010
<b>Increase/(decrease) in net assets</b>		
<b>From operations</b>		
Net investment income (loss) .....	\$ 742	\$ 2,234
Net realized gain (loss) .....	(2,259)	(60,291)
Net change in unrealized appreciation (depreciation) .....	72,628	240,632
<b>Increase (decrease) in net assets resulting from operations</b> ..	<b>71,111</b>	<b>182,575</b>
<b>From distributions to shareholders</b>		
Net investment income, Class A .....	(1,883)	(2,280)
Net investment income, Class C .....	—	(364)
Net investment income, Class I .....	(321)	(155)
<b>Decrease in net assets from distributions to shareholders</b> ....	<b>(2,204)</b>	<b>(2,799)</b>
<b>From share transactions:</b>		
<b>Sale of shares</b>		
Class A (2,756 and 3,210 shares, respectively) .....	58,682	55,793
Class C (102 and 201 shares, respectively) .....	2,164	3,335
Class I (1,259 and 1,124 shares, respectively) .....	27,299	20,088
<b>Reinvestment of distributions</b>		
Class A (80 and 125 shares, respectively) .....	1,562	1,818
Class C (0 and 19 shares, respectively) .....	—	264
Class I (11 and 9 shares, respectively) .....	212	133
<b>Shares repurchased</b>		
Class A (6,615 and 6,425 shares, respectively) .....	(139,119)	(111,807)
Class C (915 and 1,533 shares, respectively) .....	(18,599)	(26,022)
Class I (809 and 326 shares, respectively) .....	(17,298)	(5,645)
<b>Increase (decrease) in net assets from share transactions</b> ....	<b>(85,097)</b>	<b>(62,043)</b>
<b>Net increase (decrease) in net assets</b> .....	<b>(16,190)</b>	<b>117,733</b>
<b>Net Assets</b>		
Beginning of period .....	413,768	296,035
<b>End of period</b> .....	<b>\$397,578</b>	<b>\$ 413,768</b>
Accumulated undistributed net investment income (loss) at end of period .....	\$ 218	\$ 1,680

See Notes to Financial Statements

# VIRTUS MID-CAP VALUE 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) <sup>(1)</sup>	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 <sup>(2)</sup>	Net Assets, End of Period (000's)	Ratio of Net Expenses to Average Net Assets <sup>(4)</sup>	Ratio of Gross Expenses to Average Net Assets (before waivers and reimbursements) <sup>(4)</sup>	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
<b>Class A</b>															
4/1/10 to															
3/31/11	\$20.47	0.06	4.29	4.35	(0.13)	—	(0.13)	4.22	\$24.69	21.42%	\$280,485	1.48%	1.49%	0.29%	11%
4/1/09 to															
3/31/10	12.44	0.12	8.04	8.16	(0.13)	—	(0.13)	8.03	20.47	66.04	309,899	1.47	1.47	0.71	15
4/1/08 to															
3/31/09	22.27	0.15	(9.39)	(9.24)	(0.06)	(0.53)	(0.59)	(9.83)	12.44	(42.59)	226,815	1.45	1.45	0.83	11
7/1/07 to															
3/31/08	27.40	0.05	(4.08)	(4.03)	(0.03)	(1.07)	(1.10)	(5.13)	22.27	(14.90) <sup>(7)</sup>	521,552	1.35 <sup>(5)(6)</sup>	1.42 <sup>(6)</sup>	0.24 <sup>(6)</sup>	14 <sup>(7)</sup>
7/1/06 to															
6/30/07	21.72	0.18	5.66	5.84	(0.10)	(0.06)	(0.16)	5.68	27.40	26.91	842,524	1.27	1.31	0.68	7
7/1/05 to															
6/30/06	19.63	0.10	2.05	2.15	(0.05)	(0.01)	(0.06)	2.09	21.72	11.07	187,701	1.25	1.42	0.50	16
<b>Class C</b>															
4/1/10 to															
3/31/11	\$19.93	(0.09)	4.18	4.09	—	—	—	4.09	\$24.02	20.52%	\$ 62,174	2.23%	2.24%	(0.46)%	11%
4/1/09 to															
3/31/10	12.17	(0.01)	7.85	7.84	(0.08)	—	(0.08)	7.76	19.93	64.71	67,799	2.22	2.22	(0.03)	15
4/1/08 to															
3/31/09	21.87	0.01	(9.18)	(9.17)	—	(0.53)	(0.53)	(9.70)	12.17	(43.01)	57,366	2.19	2.19	0.08	11
7/1/07 to															
3/31/08	27.04	(0.09)	(4.01)	(4.10)	—	(1.07)	(1.07)	(5.17)	21.87	(15.36) <sup>(7)</sup>	148,156	2.10 <sup>(5)(6)</sup>	2.17 <sup>(6)</sup>	(0.50) <sup>(6)</sup>	14 <sup>(7)</sup>
7/1/06 to															
6/30/07	21.53	(0.03)	5.60	5.57	—	(0.06)	(0.06)	5.51	27.04	25.89	229,293	2.01	2.06	(0.11)	7
7/1/05 to															
6/30/06	19.54	(0.05)	2.05	2.00	—	(0.01)	(0.01)	1.99	21.53	10.26	99,987	2.00	2.17	(0.25)	16
<b>Class I</b>															
4/1/10 to															
3/31/11	\$20.49	0.11	4.30	4.41	(0.18)	—	(0.18)	4.23	\$24.72	21.74%	\$ 54,919	1.23%	1.24%	0.53%	11%
4/1/09 to															
3/31/10	12.44	0.15	8.05	8.20	(0.15)	—	(0.15)	8.05	20.49	66.39	36,070	1.23	1.23	0.87	15
4/1/08 to															
3/31/09	22.27	0.20	(9.39)	(9.19)	(0.11)	(0.53)	(0.64)	(9.83)	12.44	(42.42)	11,854	1.24	1.24	1.21	11
3/10/08 <sup>(8)</sup> to															
3/31/08	21.20	— <sup>(3)</sup>	1.07	1.07	—	—	—	1.07	22.27	5.05 <sup>(7)</sup>	105	1.54 <sup>(6)</sup>	1.54 <sup>(6)</sup>	(0.05) <sup>(6)</sup>	14 <sup>(7)</sup>

(1) Computed using average shares outstanding.

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

(3) Amount is less than \$0.005.

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

(5) Represents a blended net operating ratio.

(6) Annualized.

(7) Not annualized.

(8) Inception date.

**VIRTUS MID-CAP VALUE 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 Mid-Cap Value 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, Class C shares and Class I shares.

Class A shares are sold with a front-end sales charge of up to 5.75% with some exceptions. Generally, Class A shares are not subject to any charges by the Fund when redeemed; however, a 1% contingent deferred sales charge ("CDSC") may be imposed on certain redemptions made within 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 C shares are sold with a 1% CDSC, if applicable, if redeemed within one year of purchase. Class I shares are sold without a front-end sales charge or CDSC.

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. Class I shares are not subject to a 12b-1 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.

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

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

- 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 depositary 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.

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.

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

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.

**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, 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).

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

**D. Distributions to shareholders:**

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

**E. Expenses:**

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

**F. Foreign currency translation:**

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

**G. Securities lending:**

The Fund may loan securities to qualified brokers through an agreement with 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 \$22,819, for which the Fund received cash collateral of \$24,318.

**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.

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

For managing or directing the management of the investments of the Fund, the Adviser is entitled to a fee based upon the annual rate of 0.75% of the Fund's first \$1 billion of average daily net assets and 0.70% of the Fund's average daily net assets in excess of \$1 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. Sasco Capital, Inc. ("Sasco") serves as the Fund's subadviser.

**C. Expense Recapture:**

Effective April 14, 2010, the Adviser will voluntarily limit the Fund's total operating expenses (excluding interest, taxes and extraordinary expenses) to 1.48% for Class A shares, 2.23% for Class C shares and 1.23% for Class I shares. This voluntary expense limitation may be modified or discontinued at any time. Under certain conditions, the adviser may recapture operating expenses reimbursed under this arrangement for a period of three years following the end of the fiscal year in which such reimbursements are made.

The Adviser may recapture expenses waived or reimbursed under arrangements previously in effect within three years following the end of the fiscal year in which such waiver or reimbursement occurred. The Fund must pay its ordinary operating expenses before the Adviser is entitled to any reimbursement and must remain in compliance with any applicable expense limitations. All or a portion of the following Adviser reimbursed expenses may be recaptured by the end of the fiscal year ended as follows:

<u>2014</u>	<u>Total</u>
\$34	\$34

During the current fiscal year, the expense ratio has not fallen below the rate required for recapture.

**D. 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 year ended March 31, 2011, it retained Class A net commissions of \$11 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 and 1.00% for Class C shares applied to the average daily net assets of each respective Class. Class I shares are not subject to a 12b-1 plan.

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.

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

**E. 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 \$415 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 \$976 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:

<u>Purchases</u>	<u>Sales</u>
\$41,866	\$134,005

There were no purchases or sales of long-term U.S. Government and agency securities during the period ended March 31, 2011.

**5. 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.

**6. 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>
\$344,038	\$110,438	\$(32,916)	\$77,522

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>2019</u>	<u>Total</u>
\$4,364	\$129,264	\$6,953	\$140,581

**VIRTUS MID-CAP VALUE FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2011**

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 these capital loss carryovers.

Under current tax law, foreign currency and capital losses realized after October 31, may be deferred and treated as occurring on the first day of the following fiscal year. For the fiscal period ended March 31, 2011, the Fund deferred post-October capital losses of \$0, and recognized post-October capital losses of \$4,694.

The components of distributable earnings on a tax basis (excluding unrealized appreciation (depreciation) which is disclosed in the first table above) consist of undistributed ordinary income of \$219 and undistributed long-term capital gains of \$0.

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

**7. 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.

**8. 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 Mid-Cap Value 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 Mid-Cap Value 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 provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

May 24, 2011

**VIRTUS MID-CAP VALUE FUND**  
**TAX INFORMATION NOTICE**  
**(Unaudited)**  
**March 31, 2011**

For the fiscal year ended March 31, 2011, the Mid-Cap Value 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 year-end tax statements.

<u>QDI</u>	<u>DRD</u>	<u>LTCG</u>
100%	100%	\$ —

## 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

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<sup>1</sup> 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 subadviser<sup>2</sup> 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.

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<sup>2</sup> F-Squared Investments, Inc. is the subadviser to Virtus AlphaSector<sup>SM</sup> 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 AlphaSector<sup>SM</sup> Fund, Virtus Allocator Premium AlphaSector<sup>SM</sup> Fund and Virtus Global Premium AlphaSector<sup>SM</sup> 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:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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:**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
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 <sup>(1)</sup> 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).

<sup>(1)</sup> 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-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	<b>Virtus.com</b>

### **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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or **Virtus.com**