



Semiannual  
Report

## Virtus Capital Growth Fund

TRUST NAME:  
VIRTUS  
EQUITY  
TRUST

September 30, 2009



**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 Capital Growth 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:

Investors who were calmed by the positive news from the financial markets in the second quarter of 2009 may have had a reason to regain some of their enthusiasm during the third quarter. There were numerous signs pointing to an end to the recession: gross domestic product grew by an annualized 3.5 percent, matching its average growth rate of the last 80 years; a measure of stability appeared in the housing market; consumer confidence inched up; and better-than-expected profits and rosier outlooks were reported by many corporations.

The capital markets continued their recovery during the quarter, with most major stock market indices up by double digits for the quarter. The S&P 500<sup>®</sup> Index was up 15.6 percent in the quarter and in late September was at its highest level in nearly a year. The Dow Jones Industrial Average<sup>SM</sup> increased 15.8 percent in the third quarter, and as of September 30 had improved by 13.5 percent for the year. These figures are even more encouraging when compared with market lows in early March and the double-digit losses both indices recorded during the first quarter of the year. Bonds also participated in the third-quarter rally, with the Barclays Capital U.S. Aggregate Bond Index ahead by 3.74 percent and the Barclays Capital U.S. Municipal Bond Index up 7.12 percent.

Although the Federal Open Market Committee acknowledged that “economic activity has picked up following its severe downturn,” these recent gains should not unleash any 1990s-style market “exuberance.” The strength and timing of a full recovery is yet to be realized. Unemployment rates that probably have not peaked remain a drag on consumer spending, and with an expected slowdown of the government’s monetary and fiscal stimulus, some economists speculate that the growth from the second and third quarter may not be sustainable into next year.

These factors suggest this is an important time to rely on the experience of your personal financial adviser and the investment professionals who manage your assets in the Virtus Mutual Funds. We encourage you to meet with your adviser to review your portfolio and, when appropriate, adjust it to fit your current investment objectives and your tolerance for risk.

Our wide range of equity, fixed income, and alternative investments allow you to allocate your assets and design a portfolio tailored to your individual needs. Information about your investments is always available on our website, [www.virtus.com](http://www.virtus.com), and from our customer service staff at 1-800-243-1574. While there are no guarantees in the world of investing, I can assure you that we will do our very best to meet your expectations.

On behalf of the entire team at Virtus Investment Partners, I thank you for entrusting your financial assets to us.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Aylward". The signature is fluid and cursive, with the first letter of the first name being a large, stylized "G".

George R. Aylward  
President, Virtus Mutual Funds

*November 1, 2009*

*Whenever you have questions about your account or require additional information, please visit us at [www.virtus.com](http://www.virtus.com) or call our shareowner services 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 CAPITAL GROWTH FUND**  
**Disclosure of Fund Expenses (Unaudited)**  
**For the six-month period of April 1, 2009 to September 30, 2009**

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

**Actual Expenses**

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

**Hypothetical Example for Comparison Purposes**

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

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

**VIRTUS CAPITAL GROWTH FUND**  
**Disclosure of Fund Expenses (Unaudited) (Continued)**  
**For the six-month period of April 1, 2009 to September 30, 2009**

**Expense Table**

	Beginning Account Value April 1, 2009	Ending Account Value September 30, 2009	Annualized Expense Ratio	Expenses Paid During Period*
<b>Actual</b>				
Class A	\$1,000.00	\$1,274.90	1.45%	\$ 8.27
Class B	1,000.00	1,270.40	2.20	12.52
Class C	1,000.00	1,270.50	2.20	12.52
<b>Hypothetical (5% return before expenses)</b>				
Class A	1,000.00	1,017.71	1.45	7.36
Class B	1,000.00	1,013.90	2.20	11.17
Class C	1,000.00	1,013.90	2.20	11.17

\* 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 (183) 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.

**VIRTUS CAPITAL GROWTH FUND**  
**SCHEDULE OF INVESTMENTS**  
**SEPTEMBER 30, 2009 (Unaudited)**

Asset Allocations

The table presents asset allocations within certain sectors as a percentage of total investments as of September 30, 2009.

Information Technology	36%
Health Care	18
Consumer Staples	10
Consumer Discretionary	9
Financials	8
Energy	5
Industrials	4
Other (includes short-term investments)	<u>10</u>
Total	<u><u>100%</u></u>

(\$ reported in thousands)

<u>SHARES</u>	<u>VALUE</u>	<u>SHARES</u>	<u>VALUE</u>
<b>COMMON STOCKS—99.0%</b>		<b>Energy—4.9%</b>	
<b>Consumer Discretionary—9.3%</b>		Exxon Mobil Corp.	70,775 \$ 4,856
Aeropostale, Inc. <sup>(2)</sup>	36,950 \$ 1,606	National Oilwell Varco, Inc. <sup>(2)</sup>	44,900 1,937
Amazon.com, Inc. <sup>(2)</sup>	39,400 3,678	Occidental Petroleum Corp.	43,600 3,418
Apollo Group, Inc. Class A <sup>(2)</sup>	24,200 1,783	Southwestern Energy Co. <sup>(2)</sup>	60,250 2,571
Chipotle Mexican Grill, Inc. Class A <sup>(2)</sup>	15,600 1,514		<u>12,782</u>
Expedia, Inc. <sup>(2)</sup>	70,300 1,684	<b>Financials—8.0%</b>	
ITT Educational Services, Inc. <sup>(2)</sup>	14,925 1,648	AFLAC, Inc.	49,000 2,094
Panera Bread Co. Class A <sup>(2)</sup>	43,600 2,398	BlackRock, Inc.	7,850 1,702
priceline.com, Inc. <sup>(2)</sup>	28,300 4,693	Digital Realty Trust, Inc.	93,050 4,253
Ross Stores, Inc.	48,025 2,294	Goldman Sachs Group, Inc. (The)	29,500 5,439
Yum! Brands, Inc.	82,000 2,768	HCC Insurance Holdings, Inc.	58,950 1,612
	<u>24,066</u>	Hudson City Bancorp, Inc.	141,650 1,863
		IntercontinentalExchange, Inc. <sup>(2)</sup>	15,850 1,541
<b>Consumer Staples—10.2%</b>		Morgan Stanley	71,700 2,214
Archer-Daniels-Midland Co.	161,850 4,729		<u>20,718</u>
Colgate-Palmolive Co.	104,075 7,939	<b>Health Care—18.1%</b>	
Hansen Natural Corp. <sup>(2)</sup>	73,650 2,706	Amgen, Inc. <sup>(2)</sup>	108,400 6,529
Wal-Mart Stores, Inc.	126,425 6,206	Biogen Idec, Inc. <sup>(2)</sup>	32,500 1,642
Walgreen Co.	127,650 4,783		
	<u>26,363</u>		

See Notes to Financial Statements



**VIRTUS CAPITAL GROWTH FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**SEPTEMBER 30, 2009 (Unaudited)**

**KEY INVESTMENT TERM**

***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.

**FOOTNOTE LEGEND**

- <sup>(1)</sup> Federal Income Tax Information: For tax information at September 30, 2009, see the Federal Income Tax Information Note 8 in the Notes to Financial Statements.
- <sup>(2)</sup> Non-income producing.

The following table provides a summary of inputs used to value the Fund's net assets as of September 30, 2009 (see Security Valuation Note 2A in the Notes to Financial Statements):

	<u>Total Value at September 30, 2009</u>	<u>Level 1 – Quoted Prices</u>
<b>Investment in Securities:</b>		
Equity Securities:		
Common Stocks	\$256,922	\$256,922
Short-Term Investments	<u>7,480</u>	<u>7,480</u>
Total Investments	<u>\$264,402</u>	<u>\$264,402</u>

There are no Level 2 (significant observable inputs) or Level 3 (significant unobservable inputs) priced securities.

**VIRTUS CAPITAL GROWTH FUND**  
**Statement of Assets and Liabilities**  
**September 30, 2009 (Unaudited)**

(Reported in thousands except shares and per share amounts)

**Assets**

Investment securities at value <sup>(1)</sup> .....	\$ 264,402
Receivables	
Investment securities sold .....	1,629
Fund shares sold .....	2
Dividends and interest receivable .....	31
Prepaid expenses .....	33
	<hr/>
Total assets .....	266,097

**Liabilities**

Payables	
Fund shares repurchased .....	6,323
Investment advisory fees .....	149
Distribution and service fees .....	57
Administration fees .....	18
Transfer agent fees and expenses .....	115
Trustees' fee and expenses .....	4
Professional fees .....	19
Other accrued expenses .....	25
	<hr/>
Total liabilities .....	6,710

**Net Assets** .....

**\$ 259,387**

**Net Assets Consist of:**

Capital paid in on shares of beneficial interest .....	\$ 417,621
Accumulated undistributed net investment income (loss) .....	(851)
Accumulated undistributed net realized gain (loss) .....	(210,684)
Net unrealized appreciation (depreciation) on investments .....	53,301
	<hr/>

**Net Assets** .....

**\$ 259,387**

**Class A**

Net asset value (net assets/shares outstanding) per share .....	\$12.52
Maximum offering price per share \$12.52/(1-5.75%) .....	\$13.28
Shares of beneficial interest outstanding, no par value, unlimited authorization .....	20,223,946
Net Assets .....	\$ 253,268

**Class B**

Net asset value (net assets/shares outstanding) and offering price per share .....	\$11.23
Shares of beneficial interest outstanding, no par value, unlimited authorization .....	384,224
Net Assets .....	\$ 4,316

**Class C**

Net asset value (net assets/shares outstanding) and offering price per share .....	\$12.26
Shares of beneficial interest outstanding, no par value, unlimited authorization .....	147,080
Net Assets .....	\$ 1,803

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

\$ 211,101

See Notes to Financial Statements

**VIRTUS CAPITAL GROWTH FUND**  
**Statement of Operations**  
**Six Months Ended September 30, 2009 (Unaudited)**

(Reported in thousands)

**Investment Income**

Dividends .....	\$ 966
Total investment income .....	966

**Expenses**

Investment advisory fees .....	865
Service fees, Class A .....	302
Distribution and service fees, Class B .....	20
Distribution and service fees, Class C .....	8
Administration fees .....	105
Transfer agent fee and expenses .....	390
Custodian fees .....	12
Printing fees and expenses .....	44
Professional fees .....	17
Registration fees .....	20
Trustees' fee and expenses .....	12
Miscellaneous expenses .....	22
Total expenses .....	1,817

**Net investment income (loss) .....** **(851)**

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

Net realized gain (loss) on investments .....	(13,626)
Net change in unrealized appreciation (depreciation) on investments .....	74,200

**Net gain (loss) on investments .....** **60,574**

**Net increase (decrease) in net assets resulting from operations .....** **\$59,723**

See Notes to Financial Statements

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

(Reported in thousands)

	Six Months Ended September 30, 2009 (Unaudited)	Year Ended March 31, 2009
<b>Increase/(decrease) in net assets</b>		
<b>From operations</b>		
Net investment income (loss) .....	\$ (851)	\$ (1,101)
Net realized gain (loss) .....	(13,626)	(76,683)
Net change in unrealized appreciation (depreciation) .....	74,200	(48,521)
<b>Increase (decrease) in net assets resulting from operations</b> .....	<b>59,723</b>	<b>(126,305)</b>
<b>From share transactions:</b>		
<b>Sale of shares</b>		
Class A (189 and 675 shares, respectively) .....	2,070	8,170
Class B (20 and 56 shares, respectively) .....	205	627
Class C (1 and 5 shares, respectively) .....	14	52
<b>Shares repurchased</b>		
Class A (2,262 and 3,839 shares, respectively) .....	(26,087)	(48,364)
Class B (72 and 198 shares, respectively) .....	(718)	(2,326)
Class C (22 and 55 shares, respectively) .....	(230)	(609)
<b>Increase (decrease) in net assets from share transactions</b> .....	<b>(24,746)</b>	<b>(42,450)</b>
<b>Capital Contributions</b>		
Fair Funds settlement <sup>(1)</sup> .....	21	—
<b>Net increase (decrease) in net assets</b> .....	<b>34,998</b>	<b>(168,755)</b>
<b>Net Assets</b>		
Beginning of period .....	224,389	393,144
<b>End of period</b> .....	<b>\$259,387</b>	<b>\$224,389</b>
Accumulated undistributed net investment income (loss) at end of period ...	\$ (851)	\$ —

<sup>(1)</sup> 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 CAPITAL GROWTH FUND**  
**Financial Highlights**  
**Selected Per Share Data and Ratios For a Share Outstanding**  
**Throughout Each Period**

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) <sup>(1)</sup>	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains
<b>Class A</b>						
4/1/09 to 9/30/09 <sup>(6)</sup>	\$ 9.82	(0.04)	2.74	2.70	—	—
4/1/08 to 3/31/09	15.00	(0.04)	(5.14)	(5.18)	—	—
11/1/07 to 3/31/08	18.18	(0.03)	(3.15)	(3.18)	—	—
11/1/06 to 10/31/07	15.78	(0.03)	2.43	2.40	—	—
11/1/05 to 10/31/06	14.89	(0.05)	1.02	0.97	(0.08)	—
11/1/04 to 10/31/05	14.21	0.07	0.61	0.68	—	—
11/1/03 to 10/31/04	13.90	(0.06)	0.37	0.31	—	—
<b>Class B</b>						
4/1/09 to 9/30/09 <sup>(6)</sup>	\$ 8.84	(0.07)	2.46	2.39	—	—
4/1/08 to 3/31/09	13.61	(0.13)	(4.64)	(4.77)	—	—
11/1/07 to 3/31/08	16.55	(0.07)	(2.87)	(2.94)	—	—
11/1/06 to 10/31/07	14.47	(0.14)	2.22	2.08	—	—
11/1/05 to 10/31/06	13.69	(0.15)	0.93	0.78	—	—
11/1/04 to 10/31/05	13.16	(0.05)	0.58	0.53	—	—
11/1/03 to 10/31/04	12.96	(0.15)	0.35	0.20	—	—
<b>Class C</b>						
4/1/09 to 9/30/09 <sup>(6)</sup>	\$ 9.65	(0.08)	2.69	2.61	—	—
4/1/08 to 3/31/09	14.85	(0.14)	(5.06)	(5.20)	—	—
11/1/07 to 3/31/08	18.06	(0.08)	(3.13)	(3.21)	—	—
11/21/06 <sup>(5)</sup> to 10/31/07	15.95	(0.16)	2.27	2.11	—	—

<sup>(1)</sup> Computed using average shares outstanding.

<sup>(2)</sup> Sales charges are not reflected in total return calculation.

<sup>(3)</sup> Annualized.

<sup>(4)</sup> Not annualized.

<sup>(5)</sup> Inception date.

<sup>(6)</sup> Unaudited.

See Notes to Financial Statements

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 Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
—	2.70	\$12.52	27.49% <sup>(4)</sup>	\$253,268	1.45% <sup>(3)</sup>	(0.67)% <sup>(3)</sup>	46% <sup>(4)</sup>
—	(5.18)	9.82	(34.53)	218,922	1.42	(0.33)	92
—	(3.18)	15.00	(17.49) <sup>(4)</sup>	382,033	1.43 <sup>(3)</sup>	(0.46) <sup>(3)</sup>	33 <sup>(4)</sup>
—	2.40	18.18	15.21	493,633	1.41	(0.16)	90
(0.08)	0.89	15.78	6.54	486,845	1.37	(0.31)	167
—	0.68	14.89	4.79	580,058	1.36	0.45	67
—	0.31	14.21	2.23	844,523	1.34	(0.39)	57
—	2.39	\$11.23	27.04% <sup>(4)</sup>	\$ 4,316	2.20% <sup>(3)</sup>	(1.42)% <sup>(3)</sup>	46% <sup>(4)</sup>
—	(4.77)	8.84	(35.05)	3,852	2.17	(1.09)	92
—	(2.94)	13.61	(17.76) <sup>(4)</sup>	7,874	2.17 <sup>(3)</sup>	(1.20) <sup>(3)</sup>	33 <sup>(4)</sup>
—	2.08	16.55	14.37	10,937	2.16	(0.93)	90
—	0.78	14.47	5.70	9,038	2.12	(1.06)	167
—	0.53	13.69	4.03	11,918	2.11	(0.34)	67
—	0.20	13.16	1.54	16,314	2.09	(1.13)	57
—	2.61	\$12.26	27.05% <sup>(4)</sup>	\$ 1,803	2.20% <sup>(3)</sup>	(1.42)% <sup>(3)</sup>	46% <sup>(4)</sup>
—	(5.20)	9.65	(35.02)	1,615	2.17	(1.09)	92
—	(3.21)	14.85	(17.77) <sup>(4)</sup>	3,237	2.17 <sup>(3)</sup>	(1.20) <sup>(3)</sup>	33 <sup>(4)</sup>
—	2.11	18.06	13.23 <sup>(4)</sup>	4,546	2.15 <sup>(3)</sup>	(1.03) <sup>(3)</sup>	90 <sup>(4)</sup>

See Notes to Financial Statements

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2009 (Unaudited)**

**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, thirteen funds of the Trust are offered for sale, of which the Virtus Capital Growth Fund (the "Fund") is reported in this semiannual report. The Fund is diversified and has an investment objective to seek to provide long-term capital appreciation. There is no guarantee that the Fund will achieve its objective.

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

Class A shares are sold with a front-end sales charge of up to 5.75% with some exceptions. Generally, Class A shares are not subject to any charges by the Fund when redeemed; however, a 1% contingent deferred sales charge ("CDSC") may be imposed on certain redemptions made within one year following purchases on which a finder's fee has been paid. The one-year period begins on the last day of the month preceding the month in which the purchase was made. Class B shares are sold with a contingent deferred sales charge which declines from 5% to zero depending on the period of time the shares are held (see Note 9). 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.

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.

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009 (Unaudited)**

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

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.

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

**C. Income taxes:**

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

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009 (Unaudited)**

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

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

**D. Distributions to shareholders:**

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

**E. Expenses:**

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

**F. Foreign currency translation:**

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

**G. Securities lending:**

The Fund may loan securities to qualified brokers through an agreement with State Street Bank and Trust Company ("State Street"). 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.

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009 (Unaudited)**

Dividends earned on the collateral and premiums paid by the borrower are recorded as income by the Fund net of fees charged by State Street 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 September 30, 2009, the Fund did not have any securities on loan.

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

Virtus Investment Advisers, Inc. (“VIA,” the “Adviser”), is an indirect, wholly-owned subsidiary of Virtus Investment Partners, Inc. (“Virtus”). As compensation for its services to the Trust, the Adviser is entitled to a fee based upon the following annual rates as a percentage of the average daily net assets of the Fund:

<u>1st \$1 Billion</u>	<u>\$1+ Billion – \$2 Billion</u>	<u>\$2+ Billion</u>
0.70%	0.65%	0.60%

The Adviser manages the Fund’s investment program and general operations of the Fund, including oversight of the Fund’s subadviser, Harris Investment Management, Inc.

As distributor of the Fund’s shares, VP Distributors, Inc. (“VP Distributors”), an indirect, wholly-owned subsidiary of Virtus, has advised the Fund that it retained net selling commissions and deferred sales charges for the six months ended (the “period”) September 30, 2009, as follows:

<u>Class A Net Selling Commissions</u>	<u>Class B Deferred Sales Charges</u>	<u>Class C Deferred Sales Charges</u>
\$12	\$5	\$ —*

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

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.

VP Distributors serves as the Administrator to the Trust. For the period ended September 30, 2009, the Fund incurred administration fees totaling \$105. VP Distributors also serves as the Trust’s transfer agent. For the period ended September 30, 2009, transfer agent fees were \$390 as reported in the Statement of Operations.

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009 (Unaudited)**

**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 September 30, 2009, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$109,978	\$131,885

There were no purchases or sales of long-term U.S. Government and agency securities during the period ended September 30, 2009.

**5. Credit Risk and Asset Concentrations**

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

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

At September 30, 2009, the Fund held securities issued by various companies in the Information Technology sector, representing 36% of the total investments of the Fund.

**6. Indemnifications**

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

**7. Regulatory Exams**

Federal and state regulatory authorities from time to time make inquiries and conduct examinations regarding compliance by Virtus and 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.

**VIRTUS CAPITAL GROWTH FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**September 30, 2009 (Unaudited)**

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

At September 30, 2009, federal tax cost and aggregate gross 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>
\$212,562	\$55,184	\$(3,344)	\$751,840

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

<u>Expiration Year</u>				
<u>2010</u>	<u>2011</u>	<u>2016</u>	<u>2017</u>	<u>Total</u>
\$97,731	\$15,274	\$4,365	\$25,431	\$142,801

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

**9. Subsequent Event Evaluations**

Management has evaluated the impact of all subsequent events on the Funds through November 19, 2009, the date the financial statements were available for issuance, and has determined that the following subsequent events require recognition or disclosure in the financial statements.

Effective on December 1, 2009 (the "Closing Date"), Class B Shares of the Virtus Mutual Funds will no longer be available for purchase by new or existing shareholders, except by existing shareholders through Qualifying Transactions (for information regarding Qualifying Transactions refer to each Fund's prospectus).

## **VIRTUS EQUITY TRUST**

101 Munson Street  
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### **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  
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### **Custodian**

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### **How to Contact Us**

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Text Telephone	1-800-243-1926
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### **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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