

Virtus Balanced 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 Balanced Fund unless preceded or accompanied by an effective prospectus which includes information concerning the sales charge, the Fund’s record and other pertinent information.

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders of Virtus Mutual Funds:

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® 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 AverageSM 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, 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 name "George" and last name "Aylward" clearly distinguishable.

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

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

VIRTUS BALANCED FUND
Disclosure of Fund Expenses (Unaudited) (Continued)
For the six-month period of 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*
Actual				
Class A	\$1,000.00	\$1,264.80	1.17%	\$ 6.64
Class B	1,000.00	1,259.00	1.92	10.87
Class C	1,000.00	1,259.30	1.92	10.87
Hypothetical (5% return before expenses)				
Class A	1,000.00	1,019.13	1.17	5.94
Class B	1,000.00	1,015.32	1.92	9.75
Class C	1,000.00	1,015.32	1.92	9.75

* 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 days to reflect the one-half year period.

If extraordinary expenses were excluded, actual expenses paid and the hypothetical expenses would be as follows:

	<u>Actual Expenses Paid</u>	<u>Hypothetical Expenses</u>
Class A	\$ 6.47	\$5.79
Class B	10.70	9.59
Class C	10.70	9.59

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

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

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2009 (Unaudited)

Asset Allocations

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

Common Stocks		57%
Financials	11%	
Information Technology	11	
Energy	9	
All Other Sectors in Common Stocks	26	
Mortgage-Backed Securities		15
Corporate Bonds		15
Other (includes short-term investments)		<u>13</u>
Total		<u><u>100%</u></u>

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
U.S. GOVERNMENT SECURITIES—7.3%					
U.S. Treasury Bond					
3.500%, 2/15/39	\$ 6,345	\$ 5,748			
U.S. Treasury Note					
0.875%, 4/30/11	1,605	1,609			
2.625%, 6/30/14	16,055	16,341			
4.750%, 8/15/17	4,130	4,602			
3.125%, 5/15/19	19,125	18,819			
TOTAL U.S. GOVERNMENT SECURITIES					
(Identified Cost \$45,595)		47,119			
MUNICIPAL BONDS—0.0%					
New Jersey—0.0%					
New Jersey Turnpike					
Authority Taxable					
Series B Prerefunded					
1/1/15 @ 100					
(AMBAC Insured)					
4.252%, 1/1/16	5	5			
TOTAL MUNICIPAL BONDS					
(Identified Cost \$5)		5			
MORTGAGE-BACKED SECURITIES—15.5%					
Agency—12.2%					
FHLMC					
R010-AB					
5.500%, 12/15/19	1,199	1,250			
5.000%, 1/1/35	8,961	9,306			
5.000%, 7/1/35	197	204			
5.000%, 12/1/35	1,385	1,436			
Agency—continued					
FNMA					
6.000%, 5/1/17	\$ 160	\$ 172			
4.500%, 12/1/18	1,585	1,644			
4.500%, 4/1/19	333	351			
4.000%, 7/1/19	58	60			
4.000%, 6/1/20	994	1,014			
5.000%, 8/1/20	78	83			
4.500%, 11/1/20	2,319	2,405			
6.000%, 12/1/32	344	366			
6.000%, 10/1/34	254	270			
6.000%, 11/1/34	9,974	10,598			
6.000%, 5/1/35	487	517			
5.500%, 3/1/36	4,517	4,744			
6.000%, 9/1/36	831	880			
5.500%, 11/1/36	3,238	3,396			
6.500%, 7/1/37	2,629	2,814			
6.000%, 10/1/37	1,554	1,643			
5.000%, 2/1/38	846	875			
6.000%, 2/1/38	471	498			
5.000%, 3/1/38	1,012	1,047			
5.000%, 3/1/38	856	886			
6.500%, 3/1/38	7,361	7,930			
5.000%, 4/1/38	1,783	1,845			
5.000%, 5/1/38	6,169	6,382			
5.000%, 6/1/38	937	969			
5.500%, 6/1/38	5,638	5,906			
6.500%, 10/1/38	396	424			
6.000%, 11/1/38	1,788	1,888			
6.000%, 3/1/39	1,387	1,465			
FNMA REMICs					
03-42, HC					
4.500%, 12/25/17	573	595			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Agency—continued			Non-Agency—3.3%		
GNMA			Banc of America Commercial		
6.500%, 8/15/23	\$ 58	\$ 62	Mortgage, Inc. 05-1, A4		
6.500%, 11/15/23	226	241	4.986%, 11/10/42 ⁽³⁾	\$ 320	\$ 321
6.500%, 11/15/23	84	89	06-1, A4		
6.500%, 11/15/23	502	534	5.372%, 9/10/45 ⁽³⁾	1,090	1,007
6.500%, 12/15/23	77	82	07-1, A4		
6.500%, 12/15/23	47	50	5.451%, 1/15/49	2,190	1,937
6.500%, 12/15/23	59	63	08-1, A4		
6.500%, 1/15/24	227	243	6.166%, 2/10/51 ⁽³⁾	85	77
6.500%, 1/15/24	22	23	Bear Stearns Commercial		
6.500%, 1/15/24	7	8	Mortgage Securities		
6.500%, 1/15/24	187	200	06-PW12, A4		
6.500%, 1/15/24	51	54	5.719%, 9/11/38 ⁽³⁾	430	417
6.500%, 1/15/24	56	60	Credit Suisse Mortgage		
6.500%, 2/15/24	308	329	Capital Certificates		
6.500%, 2/15/24	127	136	06-C1, A4		
6.500%, 2/15/24	35	38	5.609%, 2/15/39 ⁽³⁾	5,490	5,184
6.500%, 2/15/24	21	23	06-C1, A3		
6.500%, 3/15/24	78	83	5.711%, 2/15/39 ⁽³⁾	575	566
6.500%, 3/15/24	185	199	First Horizon Asset Securities,		
6.500%, 4/15/24	396	424	Inc. 05-AR1, 2A1		
6.500%, 4/15/24	21	23	5.006%, 4/25/35 ⁽³⁾	1,610	1,453
6.500%, 4/15/24	55	59	GS Mortgage Securities Corp. II		
6.500%, 4/15/24	13	14	05-GG4, A3		
6.500%, 5/15/24	8	8	4.607%, 7/10/39	2,975	2,828
6.500%, 1/15/26	167	179	07-GG10, A4		
6.500%, 1/15/26	20	21	5.805%, 8/10/45 ⁽³⁾	1,700	1,405
6.500%, 1/15/26	59	63	JPMorgan Chase Commercial		
6.500%, 2/15/26	55	59	Mortgage Securities Corp.		
6.500%, 3/15/26	83	89	06-CB17, A4		
6.500%, 3/15/26	94	101	5.429%, 12/12/43	1,090	1,008
6.500%, 4/15/26	12	13	Lehman Brothers – UBS		
6.500%, 4/15/26	25	27	Commercial Mortgage Trust		
6.500%, 4/15/26	132	142	04-C7, A6		
6.500%, 6/15/28	15	17	4.786%, 10/15/29 ⁽³⁾	305	286
6.500%, 6/15/28	21	23	Morgan Stanley Capital I		
6.500%, 7/15/31	174	188	06-T23, A4		
6.500%, 11/15/31	29	32	5.810%, 8/12/41 ⁽³⁾	725	711
6.500%, 2/15/32	27	30	05-IQ9, A3		
6.500%, 3/15/32	30	32	4.540%, 7/15/56	715	710
6.500%, 4/15/32	55	59	Wachovia Bank Commercial		
6.000%, 8/15/32	534	569	Mortgage Trust		
		<u>78,552</u>	05-C19, A5		
			4.661%, 5/15/44	645	651

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Non-Agency—continued			Consumer Discretionary—continued		
Wells Fargo Mortgage Backed Securities Trust			Nebraska Book Co., Inc. 144A		
05-AR4, 2A1			10.000%, 12/1/11 ⁽⁴⁾	\$ 1,330	\$ 1,327
4.514%, 4/25/35 ⁽³⁾	\$ 2,667	\$ 2,440	Royal Caribbean Cruises Ltd.		
		21,001	7.250%, 6/15/16	875	814
			Time Warner Cable, Inc.		
			5.850%, 5/1/17	435	459
			8.250%, 4/1/19	1,555	1,879
			Videotron Ltee		
			6.375%, 12/15/15	650	624
			WMG Holdings Corp.		
			0.000%, 12/15/14 ⁽³⁾	1,380	1,335
					<u>12,227</u>
TOTAL MORTGAGE-BACKED SECURITIES (Identified Cost \$99,073)		99,553			
ASSET-BACKED SECURITIES—0.2%			Consumer Staples—1.6%		
AmeriCredit Automobile Receivables Trust 06-BG, A3			Alliance One International, Inc. 144A		
5.210%, 10/6/11	29	29	10.000%, 7/15/16 ⁽⁴⁾	835	866
Associates Manufactured Housing Pass-Through Certificate			Altria Group, Inc.		
97-2, A6			9.250%, 8/6/19	2,160	2,640
7.075%, 3/15/28 ⁽³⁾	388	384	ASG Consolidated LLC/ASG Finance, Inc.		
Bosphorus Financial Services Ltd. 144A			11.500%, 11/1/11 ⁽³⁾	870	848
2.240%, 2/15/12 ⁽³⁾⁽⁴⁾	781	689	CVS Caremark Corp.		
Capital One Auto Finance Trust 07-B, A3A			6.125%, 9/15/39	460	468
5.030%, 4/15/12	449	455	Delhaize Group		
GMAC Mortgage Corp. Loan Trust 05-HE2, A3			6.500%, 6/15/17	1,250	1,360
4.622%, 11/25/35 ⁽³⁾	81	79	Dole Food Co., Inc.		
Wachovia Auto Loan Owner Trust 06-2A, A3 144A			7.250%, 6/15/10	530	533
5.230%, 8/22/11 ⁽⁴⁾	43	43	Kraft Foods, Inc.		
			5.625%, 11/1/11	1,240	1,319
			Lorillard Tobacco Co.		
			8.125%, 6/23/19	1,160	1,317
			Reynolds American, Inc.		
			7.300%, 7/15/15	950	991
					<u>10,342</u>
TOTAL ASSET-BACKED SECURITIES (Identified Cost \$1,772)		1,679			
CORPORATE BONDS—15.2%			Energy—0.8%		
Consumer Discretionary—1.9%			Buckeye Partners LP		
Affinion Group, Inc.			6.050%, 1/15/18	250	261
10.125%, 10/15/13	860	888	Kinder Morgan Finance Co.		
Comcast Corp.			5.700%, 1/5/16	2,420	2,317
5.700%, 7/1/19	2,385	2,520	Petroleos Mexicanos 144A		
COX Communications, Inc. 144A			4.875%, 3/15/15 ⁽⁴⁾	655	647
6.250%, 6/1/18 ⁽⁴⁾	800	849	Petropower I Funding Trust 144A		
Hasbro, Inc.			7.360%, 2/15/14 ⁽⁴⁾	1,082	1,080
6.300%, 9/15/17	775	811			
Mediacom Broadband LLC/ Mediacom Broadband Corp.					
8.500%, 10/15/15	710	721			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Energy—continued			Financials—continued		
Plains All American Pipeline LP/PAA Finance Corp.			JPMorgan Chase & Co.		
4.250%, 9/1/12	\$ 235	\$ 242	5.250%, 5/1/15	\$ 800	\$ 814
Rowan Cos., Inc.			Series 1,		
7.875%, 8/1/19	430	462	7.900%, 12/31/49 ⁽³⁾	536	515
TEPPCO Partners LP			Macquarie Group Ltd. 144A		
7.625%, 2/15/12	420	<u>465</u>	7.300%, 8/1/14 ⁽⁴⁾	2,410	2,574
		<u>5,474</u>	Merrill Lynch & Co., Inc.		
			6.110%, 1/29/37	905	861
			Metropolitan Life Global Funding I 144A		
			2.875%, 9/17/12 ⁽⁴⁾	1,445	1,439
Financials—6.4%			Morgan Stanley		
American Express Co.			6.000%, 4/28/15	1,150	1,218
7.250%, 5/20/14	1,150	1,292	7.300%, 5/13/19	1,140	1,254
Bank of America Corp.			Northern Trust Co. (The)		
6.500%, 8/1/16	215	226	6.500%, 8/15/18	800	914
5.750%, 8/15/16	800	788	Prudential Financial, Inc.		
5.750%, 12/1/17	545	544	3.625%, 9/17/12	1,705	1,716
5.650%, 5/1/18	800	790	Rabobank Nederland NV 144A		
Bank of New York/Mellon Corp. (The)			11.000%, 12/31/49 ⁽³⁾⁽⁴⁾	1,040	1,274
4.950%, 11/1/12	950	1,029	Royal Bank of Scotland Group plc		
Barclays Bank plc			5.050%, 1/8/15	1,840	1,651
5.200%, 7/10/14	1,000	1,056	Series 1,		
Series 1,			9.118%, 3/31/49	1,145	1,059
5.000%, 9/22/16	1,060	1,074	Simon Property Group LP		
Bear Stearns Cos., Inc. LLC (The)			6.750%, 5/15/14	1,260	1,351
7.250%, 2/1/18	900	1,028	SunTrust Banks, Inc.		
Capital One Financial Corp.			5.250%, 11/5/12	980	1,011
7.375%, 5/23/14	1,225	1,367	Wachovia Bank NA		
Citigroup, Inc.			5.000%, 8/15/15	600	578
5.000%, 9/15/14	910	866	Wachovia Corp.		
5.500%, 10/15/14	1,225	1,223	4.875%, 2/15/14	1,145	1,166
4.875%, 5/7/15	1,235	1,153	Westfield Capital Corp. Ltd./Westfield Finance Authority		
Credit Suisse New York			144A		
5.000%, 5/15/13	900	953	4.375%, 11/15/10 ⁽⁴⁾	175	178
Ford Motor Credit Co. LLC			144A		
7.500%, 8/1/12	685	658	5.125%, 11/15/14 ⁽⁴⁾	1,175	<u>1,144</u>
General Electric Capital Corp.					<u>41,196</u>
3.500%, 8/13/12	2,120	2,146			
6.875%, 1/10/39	1,380	1,445			
GMAC, Inc. 144A					
6.750%, 12/1/14 ⁽⁴⁾	245	211	Health Care—0.2%		
Goldman Sachs Group, Inc. (The)			Quest Diagnostics, Inc.		
5.950%, 1/18/18	705	731	6.400%, 7/1/17	930	<u>1,011</u>
6.150%, 4/1/18	1,100	1,157			
International Lease Finance Corp.			Industrials—1.1%		
4.750%, 1/13/12	875	742	Hutchison Whampoa Ltd. 144A		
			5.750%, 9/11/19 ⁽⁴⁾	525	528

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
Industrials—continued			Telecommunication Services—continued		
ITW Cupids Financing			Telefonica Emisiones SAU		
Trust I 144A			5.877%, 7/15/19	\$ 860	\$ 934
6.550%, 12/31/11 ⁽⁴⁾	\$ 5,000	\$ 5,008	Verizon Communications, Inc.		
Pitney Bowes, Inc.			4.900%, 9/15/15	720	761
4.750%, 5/15/18	1,250	1,271	6.350%, 4/1/19	1,015	1,121
Waste Management, Inc.			West Corp.		
5.000%, 3/15/14	175	<u>182</u>	9.500%, 10/15/14	775	763
		<u>6,989</u>	Windstream Corp.		
			7.000%, 3/15/19	1,420	<u>1,335</u>
					<u>12,831</u>
Information Technology—0.4%			Utilities—0.3%		
Fiserv, Inc.			AmeriGas Partners LP		
6.125%, 11/20/12	1,220	1,322	7.250%, 5/20/15	1,000	980
Intuit, Inc.			FirstEnergy Solutions Corp. 144A		
5.750%, 3/15/17	221	231	6.050%, 8/15/21 ⁽⁴⁾	480	496
L-3 Communications Corp. 144A			Northeast Utilities		
5.200%, 10/15/19 ⁽⁴⁾	250	251	5.650%, 6/1/13	715	<u>738</u>
Xerox Corp.					<u>2,214</u>
6.750%, 2/1/17	1,040	<u>1,101</u>			
		<u>2,905</u>			
			TOTAL CORPORATE BONDS		
			(Identified Cost \$94,896)		98,139
Materials—0.5%			<u>SHARES</u>		
Dow Chemical Co. (The)			PREFERRED STOCK—0.0%		
6.000%, 10/1/12	1,240	1,321	Financials—0.0%		
5.900%, 2/15/15	1,080	1,108	Preferred Blocker, Inc.		
Holcim U.S. Finance S.a.r.l. & Cie S.C.S. 144A			(GMAC) Pfd. 144A		
6.000%, 12/30/19 ⁽⁴⁾	515	<u>521</u>	7.000% ⁽⁴⁾	181	105
		<u>2,950</u>			
			TOTAL PREFERRED STOCK		
			(Identified Cost \$57)		105
Telecommunication Services—2.0%			COMMON STOCKS—57.9%		
AT&T, Inc.			Consumer Discretionary—4.0%		
5.800%, 2/15/19	1,240	1,327	McDonald's Corp.	140,000	7,990
Citizen Communications Co.			NIKE, Inc. Class B	146,000	9,446
6.250%, 1/15/13	640	630	Under Armour, Inc. ⁽²⁾	301,000	<u>8,377</u>
France Telecom SA					<u>25,813</u>
4.375%, 7/8/14	410	430	Consumer Staples—6.7%		
Global Crossing Ltd. 144A			Altria Group, Inc.	486,000	8,656
12.000%, 9/15/15 ⁽⁴⁾	125	132	Bunge Ltd.	120,000	7,513
Qwest Corp.			Costco Wholesale Corp.	150,000	8,469
7.875%, 9/1/11	410	423	PepsiCo, Inc.	153,000	8,975
6.500%, 6/1/17	570	536			
Sprint Capital Corp.					
8.375%, 3/15/12	1,955	2,028			
Telecom Italia Capital SA					
6.999%, 6/4/18	1,000	1,105			
7.175%, 6/18/19	1,170	1,306			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
Consumer Staples—continued			Information Technology—continued		
Philip Morris International, Inc.	193,900	\$ 9,451	Microsoft Corp.	333,000	\$ 8,621
		<u>43,064</u>	Nokia Oyj Sponsored ADR	551,000	8,056
			QUALCOMM, Inc.	195,600	8,798
			Research In Motion Ltd. ⁽²⁾	127,000	8,579
					<u>69,653</u>
Energy—7.9%			Materials—4.8%		
ConocoPhillips	193,900	8,757	Alcoa, Inc.	400,000	5,248
Halliburton Co.	341,000	9,248	Freeport-McMoRan Copper & Gold, Inc. ⁽²⁾	136,000	9,331
Massey Energy Co.	182,000	5,076	Nucor Corp.	185,000	8,697
Occidental Petroleum Corp.	114,000	8,938	Potash Corp. of Saskatchewan, Inc.	86,000	7,769
Petroleo Brasileiro SA ADR	197,000	9,042			<u>31,045</u>
Valero Energy Corp.	501,000	9,714			
		<u>50,775</u>	Telecommunication Services—2.8%		
			AT&T, Inc.	333,000	8,994
Financials—4.3%			Verizon Communications, Inc.	294,000	8,900
Allstate Corp. (The)	184,000	5,634			<u>17,894</u>
Goldman Sachs Group, Inc. (The)	47,000	8,664	Utilities—1.3%		
Hudson City Bancorp, Inc.	617,700	8,123	Exelon Corp.	170,000	8,435
Reinsurance Group of America, Inc.	120,000	5,352			
		<u>27,773</u>	TOTAL COMMON STOCKS (Identified Cost \$294,119)		
					372,514
Health Care—7.6%			EXCHANGE-TRADED FUNDS—2.2%		
Biogen Idec, Inc. ⁽²⁾	173,000	8,740	PowerShares Deutsche Bank Agriculture Fund ⁽²⁾	336,000	8,554
Gilead Sciences, Inc. ⁽²⁾	187,000	8,711	ProShares Ultrashort S&P 500 ⁽²⁾	140,000	5,662
Johnson & Johnson	146,500	8,920			
Merck & Co., Inc.	200,000	6,326	TOTAL EXCHANGE-TRADED FUNDS (Identified Cost \$14,705)		
Shire plc ADR	19,812	1,036			14,216
St. Jude Medical, Inc. ⁽²⁾	201,000	7,841	TOTAL LONG-TERM INVESTMENTS—98.3% (Identified Cost \$550,222)		
UnitedHealth Group, Inc.	296,000	7,412			633,330
		<u>48,986</u>	SHORT-TERM INVESTMENTS—3.6%		
			Money Market Mutual Funds—3.6%		
Industrials—7.7%			State Street Institutional Liquid Reserves Fund – Institutional Shares (seven-day effective yield 0.260%)	22,935,096	22,935
Boeing Co. (The)	165,000	8,935			
Caterpillar, Inc.	109,000	5,595	TOTAL SHORT-TERM INVESTMENTS (Identified Cost \$22,935)		
Continental Airlines, Inc. ⁽²⁾	513,000	8,434			22,935
Foster Wheeler AG ⁽²⁾	266,000	8,488			
L-3 Communications Holdings, Inc.	117,000	9,397			
Union Pacific Corp.	141,000	8,227			
		<u>49,076</u>			
Information Technology—10.8%					
Cisco Systems, Inc. ⁽²⁾	389,000	9,157			
Corning, Inc.	552,000	8,451			
Hewlett-Packard Co.	186,000	8,781			
International Business Machines Corp.	77,000	9,210			

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

(\$ reported in thousands)

	VALUE
TOTAL INVESTMENTS—101.9% (Identified Cost \$573,157)	\$656,265⁽¹⁾
Other Assets and Liabilities—(1.9)%	<u>(12,543)</u>
NET ASSETS—100.0%	<u>\$643,722</u>

Abbreviations:

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

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 U.S. bank or trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

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.

REMIC (Real Estate Mortgage Investment Conduits)

A fixed pool of mortgage securities broken apart and marketed to investors as individual securities.

Sponsored ADR (American Depositary Receipt)

An ADR which is issued with the cooperation of the company whose stock will underlie the ADR. Sponsored ADRs generally carry the same rights normally given to stockholders, such as voting rights. ADRs must be sponsored to be able to trade on a major U.S. exchange such as the NYSE.

FOOTNOTE LEGEND

⁽¹⁾ 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.

⁽²⁾ Non-income producing.

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

⁽⁴⁾ Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At September 30, 2009, these securities amounted to a value of \$19,362 or 3.0% of net assets.

See Notes to Financial Statements

VIRTUS BALANCED FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2009 (Unaudited)

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):

	Total Value at September 30, 2009	Level 1 – Quoted Prices	Level 2 – Significant Observable Inputs	Level 3 – Significant Unobservable Inputs
Investment in Securities:				
Debt Securities:				
U.S. Government Securities	\$ 47,119	\$ —	\$ 47,119	\$ —
Asset-Backed Securities	1,679	—	1,679	—
Mortgage-Backed Securities	99,553	—	99,553	—
Municipal Securities	5	—	5	—
Corporate Debt	98,139	—	97,060	1,079
Equity Securities:				
Preferred Stock	105	105	—	—
Common Stock	372,514	372,514	—	—
Exchange Traded Funds	14,216	14,216	—	—
Short-Term Investments	22,935	22,935	—	—
Total Investments	<u>\$656,265</u>	<u>\$409,770</u>	<u>\$245,416</u>	<u>\$1,079</u>

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

	Corporate Debt
Investments in Securities:	
Balance as of March 31, 2009	\$1,056
Accrued discounts/premiums	1
Realized gain (loss)	—
Change in unrealized appreciation (depreciation) ⁽¹⁾	227
Net purchases (sales)	(205)
Transfers in and/or out of Level 3 ⁽²⁾	—
Balance as of September 30, 2009	<u>\$1,079</u>

⁽¹⁾ Disclosed in the Statement of Operations under Net realized and unrealized gain (loss) on investments.

⁽²⁾ "Transfers in and/or out" represent the ending value as of September 30, 2009, for any investment security where a change in the pricing level occurred from the beginning to the end of the period.

Certain level 3 security valuations have been determined based on availability of only a single broker source, which may or may not be a principal market maker. Other level 3 securities are without an active market or market participants and therefore are internally fair valued. These internally fair valued securities derive their valuation based on the review of inputs such as, but not limited to, similar securities, liquidity factors, capital structure, and credit analysis.

See Notes to Financial Statements

VIRTUS BALANCED FUND
Statement of Assets and Liabilities
September 30, 2009 (Unaudited)

(Reported in thousands except shares and per share amounts)

Assets

Investment in securities at value ⁽¹⁾	\$ 656,265
Receivables	
Investment securities sold	14,352
Fund shares sold	6
Dividends and interest receivable	3,060
Prepaid expenses	58
	<hr/>
Total assets	673,741

Liabilities

Payables	
Fund shares repurchased	12,731
Investment securities purchased	16,497
Investment advisory fee	314
Distribution and service fees	175
Administration fee	45
Transfer agent fees and expenses	150
Trustees' fee and expenses	9
Professional fee	43
Other accrued expenses	55
	<hr/>
Total liabilities	30,019

Net Assets

\$ 643,722

Net Assets Consist of:

Capital paid in on shares of beneficial interest	\$ 703,353
Accumulated undistributed net investment income (loss)	(27)
Accumulated undistributed net realized gain (loss)	(142,712)
Net unrealized appreciation (depreciation) on investments	83,108
	<hr/>

Net Assets

\$ 643,722

Class A

Net asset value (net assets/shares outstanding) per share	\$11.78
Maximum offering price per share \$11.78/(1-5.75%)	\$12.50
Shares of beneficial interest outstanding, no par value, unlimited authorization	50,359,589
Net Assets	\$ 593,155

Class B

Net asset value (net assets/shares outstanding) and offering price per share	\$11.73
Shares of beneficial interest outstanding, no par value, unlimited authorization	503,563
Net Assets	\$ 5,906

Class C

Net asset value (net assets/shares outstanding) and offering price per share	\$11.72
Shares of beneficial interest outstanding, no par value, unlimited authorization	3,811,435
Net Assets	\$ 44,661

⁽¹⁾ Investment in securities at cost

\$ 573,157

See Notes to Financial Statements

VIRTUS BALANCED FUND
Statement of Operations
Six Months Ended September 30, 2009 (Unaudited)

(Reported in thousands)

Investment Income

Dividends	\$ 4,398
Interest	6,039
Foreign taxes withheld	(66)
	<hr/>
Total investment income	10,371
	<hr/>

Expenses

Investment advisory fees	1,710
Service fees, Class A	717
Distribution and service fees, Class B	30
Distribution and service fees, Class C	210
Administration fees	264
Transfer agent fee and expenses	477
Custodian fees	32
Printing fees and expenses	215
Professional fees	61
Registration fees	24
Trustees' fee and expenses	29
Miscellaneous expenses	55
	<hr/>
Total expenses	3,824
	<hr/>

Net investment income (loss) **6,547**

Net Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments	6,956
Net realized gain (loss) on foreign currency transactions	1
Net change in unrealized appreciation (depreciation) on investments	128,915
Net change in unrealized appreciation (depreciation) on foreign currency translation	— ⁽¹⁾
	<hr/>

Net gain (loss) on investments **135,872**

Net increase (decrease) in net assets resulting from operations **\$142,419**

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

VIRTUS BALANCED FUND

Statement of Changes in Net Assets

(Reported in thousands)

	Six Months Ended September 30, 2009 (Unaudited)	Year Ended March 31, 2009
Increase/(decrease) in net assets		
From operations		
Net investment income (loss)	\$ 6,547	\$ 21,305
Net realized gain (loss)	6,957	(146,122)
Net change in unrealized appreciation (depreciation)	128,915	(85,888)
	<u>142,419</u>	<u>(210,705)</u>
Increase (decrease) in net assets resulting from operations ..		
From distributions to shareholders		
Net investment income, Class A	(6,581)	(20,336)
Net investment income, Class B	(46)	(202)
Net investment income, Class C	(332)	(1,155)
Net realized long-term gains, Class A	—	(2,742)
Net realized long-term gains, Class B	—	(39)
Net realized long-term gains, Class C	—	(206)
	<u>(6,959)</u>	<u>(24,680)</u>
Decrease in net assets from distributions to shareholders ...		
From share transactions:		
Sale of shares		
Class A (484 and 978 shares, respectively)	5,241	11,036
Class B (9 and 64 shares, respectively)	100	711
Class C (25 and 52 shares, respectively)	259	551
Reinvestment of distributions		
Class A (533 and 1,850 shares, respectively)	5,877	20,839
Class B (4 and 19 shares, respectively)	42	219
Class C (25 and 101 shares, respectively)	268	1,132
Shares repurchased		
Class A (4,588 and 9,700 shares, respectively)	(51,130)	(108,927)
Class B (135 and 371 shares, respectively)	(1,448)	(4,233)
Class C (221 and 777 shares, respectively)	(2,372)	(8,695)
	<u>(43,163)</u>	<u>(87,367)</u>
Increase (decrease) in net assets from share transactions ...		
Capital Contributions		
Fair Funds settlement ⁽¹⁾	2	—
	<u>92,299</u>	<u>(322,752)</u>
Net increase (decrease) in net assets		
Net Assets		
Beginning of period	551,423	874,175
End of period	<u>\$643,722</u>	<u>\$551,423</u>
Accumulated undistributed net investment income (loss) at end of period	\$ (27)	\$ 385

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

See Notes to Financial Statements

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

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains
Class A						
4/1/09 to 9/30/09 ⁽⁶⁾	\$ 9.42	0.12	2.37	2.49	(0.13)	—
4/1/08 to 3/31/09	13.19	0.35	(3.71)	(3.36)	(0.36)	(0.05)
11/1/07 to 3/31/08	15.48	0.16	(1.28)	(1.12)	(0.19)	(0.98)
11/1/06 to 10/31/07	15.74	0.35	1.16	1.51	(0.35)	(1.42)
11/1/05 to 10/31/06	14.55	0.34	1.53	1.87	(0.34)	(0.34)
11/1/04 to 10/31/05	14.98	0.32	0.18	0.50	(0.32)	(0.61)
11/1/03 to 10/31/04	14.31	0.29	0.69	0.98	(0.31)	—
Class B						
4/1/09 to 9/30/09 ⁽⁶⁾	\$ 9.39	0.08	2.35	2.43	(0.09)	—
4/1/08 to 3/31/09	13.13	0.26	(3.67)	(3.41)	(0.28)	(0.05)
11/1/07 to 3/31/08	15.41	0.11	(1.27)	(1.16)	(0.14)	(0.98)
11/1/06 to 10/31/07	15.69	0.24	1.13	1.37	(0.23)	(1.42)
11/1/05 to 10/31/06	14.50	0.23	1.53	1.76	(0.23)	(0.34)
11/1/04 to 10/31/05	14.93	0.21	0.18	0.39	(0.21)	(0.61)
11/1/03 to 10/31/04	14.26	0.18	0.69	0.87	(0.20)	—
Class C						
4/1/09 to 9/30/09 ⁽⁶⁾	\$ 9.38	0.08	2.35	2.43	(0.09)	—
4/1/08 to 3/31/09	13.12	0.26	(3.67)	(3.41)	(0.28)	(0.05)
11/1/07 to 3/31/08	15.40	0.11	(1.27)	(1.16)	(0.14)	(0.98)
11/1/06 to 10/31/07	15.68	0.23	1.14	1.37	(0.23)	(1.42)
11/1/05 to 10/31/06	14.49	0.23	1.53	1.76	(0.23)	(0.34)
4/19/05 ⁽⁵⁾ to 10/31/05	14.47	0.10	0.01	0.11	(0.09)	—

⁽¹⁾ Computed using average shares outstanding.

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

⁽³⁾ Annualized.

⁽⁴⁾ Not annualized.

⁽⁵⁾ Inception date.

⁽⁶⁾ Unaudited.

See Notes to Financial Statements

Total Distributions	Change in Net Asset Value	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in thousands)	Ratio of Expenses to Average Net Assets	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
(0.13)	2.36	\$11.78	26.48% ⁽⁴⁾	\$ 593,155	1.17% ⁽³⁾	2.16% ⁽³⁾	69% ⁽⁴⁾
(0.41)	(3.77)	9.42	(25.95)	508,204	1.10	3.02	91
(1.17)	(2.29)	13.19	(7.62) ⁽⁴⁾	801,724	1.12 ⁽³⁾	2.65 ⁽³⁾	21 ⁽⁴⁾
(1.77)	(0.26)	15.48	10.26	919,363	1.12	2.31	54
(0.68)	1.19	15.74	13.29	973,751	1.08	2.29	78
(0.93)	(0.43)	14.55	3.21	1,000,790	1.05	2.16	58
(0.31)	0.67	14.98	6.91	926,383	1.06	1.98	68
(0.09)	2.34	\$11.73	25.90% ⁽⁴⁾	\$ 5,906	1.92% ⁽³⁾	1.43% ⁽³⁾	69% ⁽⁴⁾
(0.33)	(3.74)	9.39	(26.40)	5,869	1.85	2.24	91
(1.12)	(2.28)	13.13	(7.94) ⁽⁴⁾	11,992	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
(1.65)	(0.28)	15.41	9.41	15,013	1.87	1.58	54
(0.57)	1.19	15.69	12.43	20,676	1.83	1.54	78
(0.82)	(0.43)	14.50	2.47	19,970	1.80	1.39	58
(0.20)	0.67	14.93	6.12	16,814	1.80	1.23	68
(0.09)	2.34	\$11.72	25.93% ⁽⁴⁾	\$ 44,661	1.92% ⁽³⁾	1.41% ⁽³⁾	69% ⁽⁴⁾
(0.33)	(3.74)	9.38	(26.42)	37,350	1.85	2.26	91
(1.12)	(2.28)	13.12	(7.94) ⁽⁴⁾	60,459	1.87 ⁽³⁾	1.91 ⁽³⁾	21 ⁽⁴⁾
(1.65)	(0.28)	15.40	9.42	71,326	1.87	1.56	54
(0.57)	1.19	15.68	12.44	76,874	1.83	1.54	78
(0.09)	0.02	14.49	0.75 ⁽⁴⁾	81,111	1.80 ⁽³⁾	1.22 ⁽³⁾	58 ⁽⁴⁾

See Notes to Financial Statements

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS
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, 13 funds of the Trust are offered for sale, of which the Virtus Balanced Fund (the "Fund") is reported in this semiannual report. The Fund is diversified and has investment objectives to seek to provide reasonable income, long-term capital growth and conservation of capital. There is no guarantee that the Fund will achieve its objectives.

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.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 (Unaudited)

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

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

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 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 BALANCED 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. Loan agreements:

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

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 (Unaudited)

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

At September 30, 2009, the Fund did not hold any loan agreements.

H. 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. 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.

I. When-issued and delayed delivery transactions:

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

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

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>
0.55%	0.50%	0.45%

The Adviser manages the Fund's investment program and general operations of the Fund, including oversight of the Fund's subadviser, SCM Advisors LLC ("SCM"), an affiliate of Virtus. Effective June 8, 2009, SCM is the subadviser of the Fund's Fixed Income Portfolio. For the period April 1, 2009 through June 7, 2009, Goodwin Capital Advisers, Inc. served as the subadviser for the Fund's Fixed Income Portfolio. The Adviser manages the Fund's Equity Portfolio.

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 (Unaudited)

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:

Class A Net Selling Commissions	Class B Deferred Sales Charges	Class C Deferred Sales Charges
\$11	\$3	\$ —*

* 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 \$264. VP Distributors also serves as the Trust's transfer agent. For the period ended September 30, 2009, transfer agent fees were \$477 as reported in the Statement of Operations.

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:

Purchases	Sales
\$161,899	\$290,273

Purchases or sales of long-term U.S. Government and agency securities during the period ended September 30, 2009 were as follows:

Purchases	Sales
\$252,956	\$170,429

5. Credit Risk and Asset Concentrations

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

High-yield/high-risk securities typically entail greater price volatility and/or principal and interest rate risk. There is a greater chance that an issuer will not be able to make principal and interest payments on time. Analysis of the creditworthiness of issuers of

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 (Unaudited)

high-yield securities may be complex, and as a result, it may be more difficult for the Adviser and/or subadviser to accurately predict risk.

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

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

6. Indemnifications

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

7. Regulatory Exams

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

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

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

At September 30, 2009, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

Federal Tax Cost	Unrealized Appreciation	Unrealized Depreciation	Net Unrealized Appreciation (Depreciation)
\$575,483	\$89,549	\$(8,767)	\$80,782

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

Expiration Year		
2010	2017	Total
\$739	\$9,922	\$10,661

VIRTUS BALANCED FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
September 30, 2009 (Unaudited)

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 and/or current year mergers. Utilization of these capital loss carryovers are 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).

CONSIDERATION OF SUBADVISORY AGREEMENT FOR VIRTUS BALANCED FUND (THE “FUND”) BY THE BOARD OF TRUSTEES (Unaudited)

The Board of Trustees (the “Board”) of Virtus Equity Trust (the “Trust”), including a majority of the Trustees who are not interested persons as defined in Section 2(a)(19) of the Investment Company Act of 1940, last renewed the investment advisory agreement between Virtus Investment Advisers, Inc. (the “Adviser” or “VIA”) and the Fund (the “Advisory Agreement”), and the investment subadvisory agreement with Goodwin Capital Advisers, Inc. (“Goodwin”) with respect to the fixed income portion of the Fund’s portfolio, at a meeting held on November 18-20, 2008. At a Board meeting held on February 24-25, 2009, Fund Management proposed that SCM Advisors, LLC (“SCM Advisors” or the “Subadviser”) be appointed as the new subadviser with respect to the fixed income portion of the Fund’s portfolio in place of Goodwin, and that the Adviser enter into a new subadvisory agreement with SCM Advisors (the “Subadvisory Agreement”). The Board considered and approved the Subadvisory Agreement for the Fund with SCM Advisors, as further discussed below. In approving the Subadvisory Agreement, the Board determined that the retention of the Subadviser was in the best interests of the Fund and its shareholders. After approval by the Board and subsequent approval by shareholders, the Subadvisory Agreement became effective on June 8, 2009.

In evaluating the proposal to appoint SCM Advisors, the Board requested and evaluated information provided by the Adviser and SCM Advisors which, in the Board’s view, constituted information necessary for the Board to form a judgment as to whether the subadviser change would be in the best interests of the Fund and its shareholders. Prior to making its final decision, the Board met privately with their independent counsel to discuss the information provided.

Basis for the Board’s Recommendation

In their deliberations, the Trustees did not identify any particular information that was all-important or controlling, and each Trustee attributed different weights to the various factors. In determining to approve the proposal, the Trustees considered various factors, including:

- the nature, extent and quality of the services to be provided by SCM Advisors, with respect to the fixed income investments. The Trustees reviewed biographical information for each portfolio manager of the Subadviser who would be providing services under the Subadvisory Agreement and noted the breadth and depth of experience presented, with the team leaders having over 70 years of cumulative experience. The Board also noted that the Subadviser’s fixed income investment management is team managed, and additional team members with significant experience had been added;
- the rate of the investment subadvisory fee that would be paid by the Adviser (and not the Fund) under the Subadvisory Agreement, and the advisory fee paid by the Fund, both of which would remain unchanged, at this time, from the fees paid under the previous subadvisory agreement and Advisory Agreement;
- the prior performance of a composite of all discretionary accounts and funds managed by the Subadviser with substantially similar investment objectives, strategies and policies as the fixed income portion of the Fund, which composite outperformed the Fund (as well as the Adviser’s calculation of the performance of the fixed income portion of the Fund’s investments) over the one-, three- and five-year periods ended January 30, 2009. While the performance of the composite underperformed the Barclays Capital U.S. Aggregate Bond Index for the one- and three-year periods, it had comparable performance for the five-year period; and

**CONSIDERATION OF SUBADVISORY AGREEMENT FOR
VIRTUS BALANCED FUND (THE “FUND”) BY
THE BOARD OF TRUSTEES (Continued)
(Unaudited)**

- the fact that while the Subadviser is an affiliate of VIA, there are no other tangible benefits to VIA or the Subadviser in the Subadviser providing investment advisory services to the Fund, other than the fees to be earned under the Subadvisory Agreement (although there may be certain intangible benefits gained to the extent that serving the Fund could enhance the Subadviser's reputation in the marketplace and therefore enable the Subadviser to attract additional client relationships).

In considering the profitability to SCM Advisors of its relationship with the Fund, the Board noted that the fees under the Subadvisory Agreement were paid by the Adviser out of the advisory fees that it receives under the Advisory Agreement, and that the subadvisory fees would be paid at the same level as under the previous subadvisory agreement. For these reasons, the profitability to SCM Advisors of its relationship with the Fund was not a material factor in the Board's deliberations. For similar reasons, the Board did not consider the potential economies of scale in SCM Advisors' management of the Fund to be a material factor in its consideration. Based on all the foregoing considerations, the Board concluded that the proposed Subadvisory Agreement was favorable for shareholders because shareholders could benefit from management of the Fund's assets by the fixed income investment team at SCM Advisors.

**RESULTS OF SHAREHOLDER MEETING
VIRTUS EQUITY TRUST
June 4, 2009
(Unaudited)**

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

Number of Eligible Shares Voted:

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

Shareholders of the Fund voted to approve the above proposal.

VIRTUS EQUITY TRUST

101 Munson Street
Greenfield, MA 01301-9668

Trustees

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

Officers

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

Investment Adviser

Virtus Investment Advisers, Inc.
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Principal Underwriter

VP Distributors, Inc.
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Custodian

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How to Contact Us

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Adviser Consulting Group	1-800-243-4361
Telephone Orders	1-800-367-5877
Text Telephone	1-800-243-1926
Web site	Virtus.com

Important Notice to Shareholders

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



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