



Semiannual
Report

Virtus Mid-Cap Value Fund

TRUST NAME:
VIRTUS
EQUITY
TRUST

September 30, 2011

No Bank Guarantee

Not FDIC Insured



May Lose Value

Table of Contents

Virtus Mid-Cap Value Fund (“Mid-Cap Value Fund”)

Message to Shareholders	1
Disclosure of Fund Expenses	2
Schedule of Investments	4
Statement of Assets and Liabilities	7
Statement of Operations	8
Statement of Changes in Net Assets	9
Financial Highlights	10
Notes to Financial Statements	11

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 Trustees of the Trust (“Trustees,” the “Board”). You may obtain a description of these procedures, along with information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, free of charge, by calling toll-free 1-800-243-1574. This information is also available through the Securities and Exchange Commission’s (the “SEC”) website at <http://www.sec.gov>.

FORM N-Q INFORMATION

The Trust files a complete schedule of portfolio holdings for the Fund with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC’s website at <http://www.sec.gov>. Form N-Q may be reviewed and copied at the SEC’s Public Reference Room. Information on the operation of the SEC’s Public Reference Room can be obtained by calling toll-free 1-800-SEC-0330.

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

MESSAGE TO SHAREHOLDERS

Dear Fellow Shareholders of Virtus Mutual Funds:

For the six months ended September 30, 2011, the financial markets started out strong, but a stream of negative economic data, coupled with the mounting debt troubles of Europe and the U.S., undermined the earlier gains, and the markets retreated rapidly.

U.S. gross domestic product (GDP), a key measure of economic growth, shrank to an annual rate of 1.3%, far below the 3.28% historical average. U.S. manufacturing activity, which had been expanding since the recession ended in June 2009, weakened significantly; the national unemployment rate remained above 9%, hitting a high of 9.2% in July; and global worries mounted over the inability of U.S. and European policymakers to resolve their respective debt predicaments.

On the positive side, U.S. corporations continued to report robust earnings, but that was not enough to offset investors' concerns about slowing global growth, and they shied away from riskier assets. World stock markets suffered the heaviest losses. U.S. equities, as measured by the S&P 500® Index, declined 13.8%, while international equities, represented by the MSCI EAFE® Index, were down 17.5%, with most of the losses occurring in the last three months.

In contrast, fixed income markets experienced positive performance. The Barclays Capital U.S. Aggregate Bond Index, a metric of taxable bond returns, rose 6.2% for the six months, with nearly 4% of that gain achieved in the last three months. At the same time, investor skittishness fueled demand for the relative safety of U.S. bonds, pushing the yield on the 10-year Treasury to fall below 2% for the first time ever.

While the market turbulence will eventually end, it is a good reminder of the importance of portfolio diversification. Diversification cannot guarantee a profit or prevent loss however, owning a mix of asset classes can help cushion your portfolio against market volatility. Your adviser can help you ensure your portfolio is adequately diversified. You may also want to visit our website, www.virtus.com, to learn about the full range of Virtus mutual funds, including new investment strategies that may be used to diversify a core portfolio.

Thank you for investing with Virtus. Our experienced investment team remains committed to your long-term financial success.

Sincerely,



George R. Aylward
President, Virtus Mutual Funds

October 2011

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

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than performance shown above.

VIRTUS MID-CAP VALUE FUND
Disclosure of Fund Expenses (Unaudited)
For the six-month period of April 1, 2011 to September 30, 2011

We believe it is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the Virtus Mid-Cap Value Fund (the "Fund"), you may incur two types of costs: (1) transaction costs, including sales charges on purchases of Class A shares and contingent deferred sales charges on Class C shares; and (2) ongoing costs, including investment advisory fees; distribution and service fees; and other expenses. Class I shares are sold without a sales charge and do not incur distribution and service fees. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire period. The following Expense Table illustrates the Fund's costs in two ways.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

VIRTUS MID-CAP VALUE FUND
Disclosure of Fund Expenses (Unaudited) (Continued)
For the six-month period of April 1, 2011 to September 30, 2011

Expense Table

	Beginning Account Value April 1, 2011	Ending Account Value September 30, 2011	Annualized Expense Ratio	Expenses Paid During Period*
Actual				
Class A	\$1,000.00	\$ 796.40	1.45%	\$ 6.51
Class C	1,000.00	789.80	2.20	9.84
Class I	1,000.00	793.60	1.20	5.38
Hypothetical (5% return before expenses)				
Class A	1,000.00	1,017.66	1.45	7.34
Class C	1,000.00	1,013.86	2.20	11.14
Class I	1,000.00	1,018.92	1.20	6.08

* Expenses are equal to the Fund's annualized expense ratio, which includes waived fees and reimbursed expenses, if applicable, multiplied by the average account value over the period, multiplied by the number of days (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 MID-CAP VALUE FUND
SCHEDULE OF INVESTMENTS
SEPTEMBER 30, 2011 (Unaudited)

Asset Allocations

The following table presents the portfolio holdings within certain sectors as a percentage of total investments at September 30, 2011.

Industrials	20%
Consumer Discretionary	15
Materials	15
Energy	14
Consumer Staples	11
Utilities	10
Other (includes short-term investments and securities lending collateral)	<u>15</u>
Total	<u><u>100%</u></u>

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
COMMON STOCKS—98.9%					
Consumer Discretionary—17.9%					
Big Lots, Inc. ⁽²⁾	402,690	\$ 14,026			
Fortune Brands, Inc. ⁽³⁾	271,000	14,655			
Penney (J.C.) Co., Inc. ⁽³⁾	524,900	14,057			
TJX Cos., Inc.	173,950	9,649			
		<u>52,387</u>			
Consumer Staples—12.7%					
CVS Caremark Corp.	93,080	3,126			
Koninklijke Ahold NV Sponsored ADR	645,300	7,479			
Safeway, Inc. ⁽³⁾	686,940	11,424			
Sara Lee Corp.	936,360	15,309			
		<u>37,338</u>			
Energy—16.8%					
Consol Energy, Inc.	212,510	7,210			
Devon Energy Corp.	129,690	7,190			
El Paso Corp.	943,450	16,492			
Sunoco, Inc.	254,650	7,897			
Williams Cos., Inc. (The)	432,100	10,517			
		<u>49,306</u>			
Industrials—22.9%					
Con-way, Inc.	201,100	\$ 4,450			
ITT Corp.	206,050	8,654			
Masco Corp.	730,380	5,200			
Owens Corning, Inc. ⁽²⁾	311,850	6,761			
Raytheon Co.	226,300	9,249			
Republic Services, Inc.	504,092	14,145			
Thomas & Betts Corp. ⁽²⁾	211,540	8,442			
USG Corp. ⁽²⁾⁽³⁾	360,860	2,429			
Waste Management, Inc.	242,040	7,881			
					<u>67,211</u>
Materials—17.2%					
Ball Corp.	319,900	9,924			
Crown Holdings, Inc. ⁽²⁾	378,050	11,572			
Dow Chemical Co. (The)	320,750	7,204			
FMC Corp.	85,410	5,907			
Owens-Illinois, Inc. ⁽²⁾	528,910	7,997			
Packaging Corp. of America	339,050	7,900			
					<u>50,504</u>

See Notes to Financial Statements

VIRTUS MID-CAP VALUE FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

(\$ reported in thousands)

	SHARES	VALUE
Utilities—11.4%		
Dominion Resources, Inc.	268,650	\$ 13,639
GenOn Energy, Inc. ⁽²⁾	2,215,977	6,161
ONEOK, Inc. ⁽³⁾	204,450	13,502
		<u>33,302</u>
TOTAL COMMON STOCKS		
(Identified Cost \$302,373)		290,048
TOTAL LONG-TERM INVESTMENTS—98.9%		
(Identified Cost \$302,373)		290,048
SHORT-TERM INVESTMENTS—1.2%		
Money Market Mutual Funds—1.2%		
BlackRock Liquidity Funds		
TempFund Portfolio –		
Institutional Shares		
(seven-day effective		
yield 0.090%)	3,608,152	3,608
TOTAL SHORT-TERM INVESTMENTS		
(Identified Cost \$3,608)		3,608

	SHARES	VALUE
SECURITIES LENDING COLLATERAL—16.3%		
BlackRock Liquidity Funds		
TempCash Portfolio –		
Institutional Shares		
(seven-day effective		
yield 0.100%) ⁽⁴⁾	47,871,289	\$ 47,871
TOTAL SECURITIES LENDING COLLATERAL		
(Identified Cost \$47,871)		47,871
TOTAL INVESTMENTS—116.4%		
(Identified Cost \$353,852)		341,527⁽¹⁾
Other assets and liabilities,		
net—(16.4)%		(48,067)
NET ASSETS—100.0%		\$293,460

Abbreviations:

ADR American Depositary Receipt

FOOTNOTE LEGEND

⁽¹⁾ Federal Income Tax Information: For tax information at September 30, 2011, see Note 6, Federal Income Tax Information in the Notes to Financial Statements.

⁽²⁾ Non-income producing.

⁽³⁾ All or a portion of security is on loan.

⁽⁴⁾ Represents security purchased with cash collateral received for securities on loan.

VIRTUS MID-CAP VALUE FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

KEY INVESTMENT TERMS

American Depositary Receipt (ADR)

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

Barclays Capital U.S. Aggregate Bond Index

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

MSCI EAFE® Index

The MSCI EAFE® (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization index that measures equity performance of developed markets, excluding the U.S. and Canada. The index is calculated on a total return basis with gross dividends reinvested.

S&P 500® Index

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

Sponsored ADR

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

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's net assets as of September 30, 2011 (see Security Valuation Note 2A in the Notes to Financial Statements):

	<u>Total Value at September 30, 2011</u>	<u>Level 1 – Quoted Prices</u>
Investment in Securities:		
Equity Securities:		
Common Stocks	\$290,048	\$290,048
Securities Lending Collateral	47,871	47,871
Short-Term Investments	<u>3,608</u>	<u>3,608</u>
Total Investments	<u>\$341,527</u>	<u>\$341,527</u>

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

VIRTUS MID-CAP VALUE FUND
STATEMENT OF ASSETS AND LIABILITIES
SEPTEMBER 30, 2011 (Unaudited)

(Reported in thousands except shares and per share amounts)

Assets

Investment in securities at value ⁽¹⁾⁽²⁾	\$ 341,527
Receivables	
Fund shares sold	140
Dividends and interest receivable	543
Prepaid expenses	48
	<hr/>
Total assets	342,258
	<hr/>

Liabilities

Cash overdraft	9
Payables	
Fund shares repurchased	363
Collateral on securities loaned	47,871
Investment advisory fee	192
Distribution and service fees	83
Administration fee	34
Transfer agent fees and expenses	190
Trustees' fee and expenses	2
Professional fee	19
Other accrued expenses	35
	<hr/>
Total liabilities	48,798
	<hr/>

Net Assets

\$ 293,460

Net Assets Consist of:

Capital paid in on shares of beneficial interest	\$ 436,175
Accumulated undistributed net investment income (loss)	190
Accumulated undistributed net realized gain (loss)	(130,580)
Net unrealized appreciation (depreciation) on investments	(12,325)
	<hr/>

Net Assets

\$ 293,460

Class A

Net asset value (net assets/shares outstanding) per share	\$ 19.55
Maximum offering price per share NAV/(1-5.75%)	\$ 20.74
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	10,356,457
Net Assets	\$ 202,447

Class C

Net asset value (net assets/shares outstanding) and offering price per share	\$ 18.97
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	2,345,503
Net Assets	\$ 44,495

Class I

Net asset value (net assets/shares outstanding) and offering price per share	\$ 19.55
Shares of beneficial interest outstanding, no par value, unlimited authorization ...	2,379,488
Net Assets	\$ 46,518

⁽¹⁾ Investment in securities at cost

\$ 353,852

⁽²⁾ Market value of securities on loan

\$ 45,078

See Notes to Financial Statements

VIRTUS MID-CAP VALUE FUND
STATEMENT OF OPERATIONS
SIX MONTHS ENDED SEPTEMBER 30, 2011 (Unaudited)

(\$ reported in thousands)

Investment Income

Dividends	\$ 3,321
Security lending	15
Foreign taxes withheld	(65)
	3,271
Total investment income	3,271

Expenses

Investment advisory fees	1,413 ⁽¹⁾
Service fees, Class A	319
Distribution and service fees, Class C	282
Administration fees	247
Transfer agent fee and expenses	466
Printing fees and expenses	25
Professional fees	12
Registration fees	29
Trustees' fee and expenses	13
Miscellaneous expenses	8
	2,814
Total expenses	2,814

Net investment income (loss) **457**

Net Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments	10,645
Net change in unrealized appreciation (depreciation) on investments	(90,490)
	(79,845)

Net gain (loss) on investments **(79,845)**

Net increase (decrease) in net assets resulting from operations **\$(79,388)**

⁽¹⁾ Includes expense reimbursement recapture of \$34. See Note 3C in the Notes to Financial Statements.

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

(Reported in thousands)

	Six Months Ended September 30, 2011 (Unaudited)	Year Ended March 31, 2011
Increase/(decrease) in net assets		
From operations		
Net investment income (loss)	\$ 457	\$ 742
Net realized gain (loss)	10,645	(2,259)
Net change in unrealized appreciation (depreciation)	<u>(90,490)</u>	<u>72,628</u>
Increase (decrease) in net assets resulting from operations ..	<u>(79,388)</u>	<u>71,111</u>
From distributions to shareholders		
Net investment income, Class A	(273)	(1,883)
Net investment income, Class C	—	—
Net investment income, Class I	<u>(212)</u>	<u>(321)</u>
Decrease in net assets from distributions to shareholders	<u>(485)</u>	<u>(2,204)</u>
From share transactions:		
Sale of shares		
Class A (1,404 and 2,756 shares, respectively)	33,298	58,682
Class C (57 and 102 shares, respectively)	1,300	2,164
Class I (574 and 1,259 shares, respectively)	13,780	27,299
Reinvestment of distributions		
Class A (10 and 80 shares, respectively)	230	1,562
Class C (0 and 0 shares, respectively)	—	—
Class I (7 and 11 shares, respectively)	176	212
Shares repurchased		
Class A (2,419 and 6,615 shares, respectively)	(56,773)	(139,119)
Class C (300 and 915 shares, respectively)	(6,725)	(18,599)
Class I (423 and 809 shares, respectively)	<u>(9,531)</u>	<u>(17,298)</u>
Increase (decrease) in net assets from share transactions	<u>(24,245)</u>	<u>(85,097)</u>
Net increase (decrease) in net assets	<u>(104,118)</u>	<u>(16,190)</u>
Net Assets		
Beginning of period	<u>397,578</u>	<u>413,768</u>
End of period	<u>\$293,460</u>	<u>\$ 397,578</u>
Accumulated undistributed net investment income (loss) at end of period	\$ 190	\$ 218

See Notes to Financial Statements

**VIRTUS MID-CAP VALUE FUND
FINANCIAL HIGHLIGHTS**

**SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING
THROUGHOUT EACH PERIOD**

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains	Total Distributions	Change in Net Asset Value	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (000's)	Ratio of Net Expenses to Average Net Assets ⁽³⁾	Ratio of Gross Expenses to Average Net Assets (before waivers and reimbursements) ⁽⁴⁾	Ratio of Net Investment Income to Average Net Assets	Portfolio Turnover Rate
Class A															
4/1/11 to															
9/30/11 ⁽⁵⁾	\$24.69	0.04	(5.15)	(5.11)	(0.03)	—	(0.03)	(5.14)	\$19.55	(20.74)% ⁽⁷⁾	\$202,447	1.45% ⁽⁶⁾⁽¹⁰⁾	1.44% ⁽⁶⁾⁽¹⁰⁾	0.33% ⁽⁶⁾	11% ⁽⁷⁾
4/1/10 to															
3/31/11	20.47	0.06	4.29	4.35	(0.13)	—	(0.13)	4.22	24.69	21.42	280,485	1.48	1.49	0.29	11
4/1/09 to															
3/31/10	12.44	0.12	8.04	8.16	(0.13)	—	(0.13)	8.03	20.47	66.04	309,899	1.47	1.47	0.71	15
4/1/08 to															
3/31/09	22.27	0.15	(9.39)	(9.24)	(0.06)	(0.53)	(0.59)	(9.83)	12.44	(42.59)	226,815	1.45	1.45	0.83	11
7/1/07 to															
3/31/08	27.40	0.05	(4.08)	(4.03)	(0.03)	(1.07)	(1.10)	(5.13)	22.27	(14.90) ⁽⁷⁾	521,552	1.35 ⁽⁶⁾⁽⁹⁾	1.42 ⁽⁶⁾	0.24 ⁽⁶⁾	14 ⁽⁷⁾
7/1/06 to															
6/30/07	21.72	0.18	5.66	5.84	(0.10)	(0.06)	(0.16)	5.68	27.40	26.91	842,524	1.27	1.31	0.68	7
7/1/05 to															
6/30/06	19.63	0.10	2.05	2.15	(0.05)	(0.01)	(0.06)	2.09	21.72	11.07	187,701	1.25	1.42	0.50	16
Class C															
4/1/11 to															
9/30/11 ⁽⁵⁾	\$24.02	(0.05)	(5.00)	(5.05)	—	—	—	(5.05)	\$18.97	(21.02)% ⁽⁷⁾	\$ 44,495	2.20% ⁽⁶⁾⁽¹⁰⁾	2.19% ⁽⁶⁾⁽¹⁰⁾	(0.43)% ⁽⁶⁾	11% ⁽⁷⁾
4/1/10 to															
3/31/11	19.93	(0.09)	4.18	4.09	—	—	—	4.09	24.02	20.52	62,174	2.23	2.24	(0.46)	11
4/1/09 to															
3/31/10	12.17	(0.01)	7.85	7.84	(0.08)	—	(0.08)	7.76	19.93	64.71	67,799	2.22	2.22	(0.03)	15
4/1/08 to															
3/31/09	21.87	0.01	(9.18)	(9.17)	—	(0.53)	(0.53)	(9.70)	12.17	(43.01)	57,366	2.19	2.19	0.08	11
7/1/07 to															
3/31/08	27.04	(0.09)	(4.01)	(4.10)	—	(1.07)	(1.07)	(5.17)	21.87	(15.36) ⁽⁷⁾	148,156	2.10 ⁽⁶⁾⁽⁹⁾	2.17 ⁽⁶⁾	(0.50) ⁽⁶⁾	14 ⁽⁷⁾
7/1/06 to															
6/30/07	21.53	(0.03)	5.60	5.57	—	(0.06)	(0.06)	5.51	27.04	25.89	229,293	2.01	2.06	(0.11)	7
7/1/05 to															
6/30/06	19.54	(0.05)	2.05	2.00	—	(0.01)	(0.01)	1.99	21.53	10.26	99,987	2.00	2.17	(0.25)	16
Class I															
4/1/11 to															
9/30/11 ⁽⁵⁾	\$24.72	0.07	(5.15)	(5.08)	(0.09)	—	(0.09)	(5.17)	\$19.55	(20.64)% ⁽⁷⁾	\$ 46,518	1.20% ⁽⁶⁾⁽¹⁰⁾	1.19% ⁽⁶⁾⁽¹⁰⁾	0.57% ⁽⁶⁾	11% ⁽⁷⁾
4/1/10 to															
3/31/11	20.49	0.11	4.30	4.41	(0.18)	—	(0.18)	4.23	24.72	21.74	54,919	1.23	1.24	0.53	11
4/1/09 to															
3/31/10	12.44	0.15	8.05	8.20	(0.15)	—	(0.15)	8.05	20.49	66.39	36,070	1.23	1.23	0.87	15
4/1/08 to															
3/31/09	22.27	0.20	(9.39)	(9.19)	(0.11)	(0.53)	(0.64)	(9.83)	12.44	(42.42)	11,854	1.24	1.24	1.21	11
3/10/08 ⁽⁸⁾ to															
3/31/08	21.20	— ⁽³⁾	1.07	1.07	—	—	—	1.07	22.27	5.05 ⁽⁷⁾	105	1.54 ⁽⁶⁾	1.54 ⁽⁶⁾	(0.05) ⁽⁶⁾	14 ⁽⁷⁾

⁽¹⁾ Computed using average shares outstanding.

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

⁽³⁾ Amount is less than \$0.005.

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

⁽⁵⁾ Represents a blended net operating ratio.

⁽⁶⁾ Annualized.

⁽⁷⁾ Not annualized.

⁽⁸⁾ Inception date.

⁽⁹⁾ Unaudited.

⁽¹⁰⁾ See Note 3C in the Notes to Financial Statements for information on recapture of expenses previously waived.

See Notes to Financial Statements

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 (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, 11 funds of the Trust are offered for sale, of which the Mid-Cap Value Fund (the "Fund") is reported in this semiannual report. The Fund has an investment objective of long-term growth of capital. *There is no guarantee that the Fund will achieve its objective.*

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

Class A shares are sold with a front-end sales charge of up to 5.75% with some exceptions. Generally, Class A shares are not subject to any charges by the Fund when redeemed; however, a 1% contingent deferred sales charge ("CDSC") may be imposed on certain redemptions made within a certain period following purchases on which a finder's fee has been paid. The period for which such CDSC applies for the Fund is 18 months. The CDSC period begins on the last day of the month preceding the month in which the purchase was made.

Class C shares are sold with a 1% CDSC, if applicable, if redeemed within one year of purchase. Class I shares are sold without a front-end sales charge or CDSC.

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

Each class of shares has identical voting, dividend, liquidation and other rights and the same terms and conditions, except that each class bears different distribution and/or service fees under a Board-approved 12b-1 and shareholder service plan, and has exclusive voting rights with respect to this plan. Class I shares are not subject to a 12b-1 plan. Income and other expenses and realized and unrealized gains and losses of the Fund are borne pro rata by the holders of each class of shares.

2. Significant Accounting Policies

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

A. Security valuation:

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

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

- Level 1 – quoted prices in active markets for identical securities

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

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

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

Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded, or if no closing price is available, at the last bid price and are categorized as Level 1 in the hierarchy. Restricted equity securities and private placements that are not widely traded, are illiquid or are internally fair valued by the valuation committee, are generally categorized as Level 3 in the hierarchy.

Certain foreign securities may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time that foreign markets close (where the security is principally traded) and the time that the Fund calculates its net asset value (generally, the close of the New York Stock Exchange (“NYSE”)) that may impact the value of securities traded in these foreign markets. In such cases the Fund fair values foreign securities using an independent pricing service which considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as ADRs, financial futures, exchange traded funds (“ETFs”), and certain indexes as well as prices for similar securities. Such fair valuations are categorized as Level 2 in the hierarchy. Because the frequency of significant events is not predictable, fair valuation of certain Foreign Common Stocks may occur on a frequent basis.

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

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

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

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

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

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

B. Security transactions and related income:

Security transactions are recorded on the trade date. Dividend income is recorded on the ex-dividend date, or in the case of certain foreign securities, as soon as the Fund is notified. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts using the effective interest method. Realized gains and losses are determined on the identified cost basis.

C. Income taxes:

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

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

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. As of September 30, 2011, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations is from the year 2008 forward (with limited exceptions).

D. Distributions to shareholders:

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

E. Expenses:

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

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

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 BNY Mellon Investment Servicing Trust Company. 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 and its agencies. 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 BNY Mellon Investment Servicing Trust Company 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, 2011, the Fund had securities on loan with a combined market value of \$45,078, for which the Fund received cash collateral of \$47,871.

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

A. Adviser:

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

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

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

B. Subadviser:

The subadviser manages the investments of the Fund, for which it is paid a fee by the Adviser. Sasco Capital, Inc. ("Sasco") serves as the Fund's subadviser.

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

C. Expense Recapture:

(\$ reported in thousands)

Effective April 14, 2010, the Adviser will voluntarily limit the Fund's total operating expenses (excluding interest, taxes and extraordinary expenses) to 1.48% for Class A shares, 2.23% for Class C shares and 1.23% for Class I shares. This voluntary expense limitation may be modified or discontinued at any time.

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

During the current fiscal year, the Adviser has recaptured \$34 of the previously waived or reimbursed expenses.

D. Distributor:

(\$ reported in thousands)

As the distributor of the Fund's shares, VP Distributors, LLC. ("VP Distributors"), an indirect wholly-owned subsidiary of Virtus, has advised the Fund that for the period ended September 30, 2011, it retained Class A net commissions of \$6 and Class C deferred sales charges of \$1.

In addition, the Fund pays VP Distributors distribution and/or service fees under a Board-approved 12b-1 and shareholder service plan, at the annual rate of 0.25% for Class A shares and 1.00% for Class C shares applied to the average daily net assets of each respective Class. Class I shares are not subject to a 12b-1 plan.

Under certain circumstances, shares of certain Virtus Mutual Funds may be exchanged for shares of the same class of certain other Virtus Mutual Funds on the basis of the relative net asset values per share at the time of the exchange. On exchanges with share classes that carry a contingent deferred sales charge, the CDSC schedule of the original shares purchased continues to apply.

E. Administration and Transfer Agent Services:

(\$ reported in thousands)

VP Distributors serves as the Administrator to the Trust. For the period ended September 30, 2011, VP Distributors received administration fees totaling \$184 which are included in the Statement of Operations. A portion of these fees is paid to an outside entity that also provides services to the Fund.

VP Distributors also serves as the Trust's transfer agent. For the period ended September 30, 2011, VP Distributors received transfer agent fees totaling \$432 which are included in the Statement of Operations. A portion of these fees is paid to outside entities that also provide services to the Fund.

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (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, 2011, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$39,322	\$52,349

There were no purchases or sales of long-term U.S. Government and agency securities during the period ended September 30, 2011.

5. Indemnifications

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

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

At September 30, 2011, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

<u>Federal Tax Cost</u>	<u>Unrealized Appreciation</u>	<u>Unrealized (Depreciation)</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$354,495	\$60,027	\$(72,995)	\$(12,968)

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

<u>Expiration Year</u>			
<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
\$4,364	\$129,264	\$6,953	\$140,581

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

7. Recent Accounting Pronouncement

In May 2011, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU No. 2011-04 includes common requirements for measurement of and disclosure about fair value between U.S. GAAP and IFRS. ASU No. 2011-04 will require reporting entities to disclose quantitative information about the unobservable inputs used in the fair value measurements and the valuation processes used by the reporting entity categorized within Level 3 of the fair value hierarchy. In addition, ASU No. 2011-04 will require reporting entities to make disclosures about amounts and reasons for all transfers in and

VIRTUS MID-CAP VALUE FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2011 (Unaudited)

out of Level 1 and Level 2 fair value measurements. The new and revised disclosures are effective for interim and annual reporting periods beginning after December 15, 2011. At this time, management is evaluating the implications of ASU No. 2011-04 and its impact on the financial statements has not been determined.

8. Subsequent Event Evaluations

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were available for issuance, and has determined that the following subsequent event requires recognition or disclosure in the financial statements. Effective November 7, 2011, securities lending was suspended on all Virtus funds.

VIRTUS EQUITY TRUST

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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
Francis G. Waltman, Senior Vice President
Nancy J. Engberg, Vice President and
Chief Compliance Officer
W. Patrick Bradley, Vice President,
Chief Financial Officer and Treasurer
Kevin J. Carr, Vice President, Chief Legal
Officer, Counsel and Secretary

Investment Adviser

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Transfer Agent

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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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