

Virtus Mutual Funds has produced this tax guide to help you understand the important tax documents that you may receive this year. This guide will also provide information on the upcoming mandatory cost basis regulations.

IRS Tax Forms

| IRS Tax Form | Tax Form Description |
|--------------|--|
| 1099-DIV | Reports the taxable dividends and capital gain distributions paid in 2011. |
| 1099-INT | Reports the tax-exempt interest, including exempt interest dividends paid during 2011. |
| 1099-B | Reports the proceeds from the sale or exchange of non-retirement shares in 2011. |
| 1099-R | Reports distributions from your retirement plan accounts made in 2011. |
| 5498 | Reports contributions made for 2011 to your Individual Retirement accounts. Mailed by 5/31/2012. (Fair Market Value supplied via your annual statement.) |

Tax Tips

Keep Your Records

It is important to keep your annual mutual fund statements with your important papers. These statements include every transaction in your account for that tax year and will aide you in your tax reporting.

Maximize contributions to IRAs. Both traditional IRAs and Roth IRAs present important tax advantages. With a traditional IRA, your contribution may be tax-deductible if you meet income thresholds established by the IRS. Anyone with earned income may contribute, and contributions compound free of taxes until annual withdrawals commence, which are taxable and are required after age 70 1/2. Contributions to a Roth IRA are permitted for single taxpayers with modified adjusted gross income (MAGI) of \$122,000 or less and couples filing jointly with MAGI of \$179,000 or less. Qualified withdrawals after age 59 1/2 are tax-free. Please consult your tax advisor to determine your eligibility.

2011 Contribution Deadlines and Limits

| Account Type | Contribution Deadline | Contribution Limit | Age 50 Catch-up Contributions |
|-----------------|-----------------------|--------------------------------------|--------------------------------------|
| Traditional IRA | April 17, 2012 | \$5,000 | \$1,000 |
| Roth IRA | April 17, 2012 | \$5,000 | \$1,000 |
| SEP IRA | NA* | Go to Virtus.com for Employer limits | Go to Virtus.com for Employer limits |
| SIMPLE IRA | NA* | \$11,500 | \$2,500 |

*Virtus reports contributions on a calendar year basis. It is the shareholder's responsibility to report the contribution year correctly to the IRS.

Visit the Investors' Knowledge Base/Retirement Center on Virtus.com for additional information.

The Tax Center on Virtus.com has complete tax information for the Virtus Mutual Funds. Within the Tax Center you will find:

- > Personal tax forms and year-end statements (Account access and eDelivery consent required)
- > Information on cost basis and new regulations
- > Tax Form Reference List
- > Glossary of tax terms and Frequently Asked Questions
- > List of 2011 Fund Distributions
- > 2011 Mutual Fund Supplementary Tax Information
- > Foreign tax credit information

Important Cost Basis Information

What is Cost Basis?

Cost basis is the purchase price of shares you paid of a mutual fund plus reinvested dividends and reinvested capital gain distributions. Cost basis is used to determine your gain or loss for tax purposes, should you sell or exchange shares. Any transaction that increases or decreases the number of shares in your account can affect cost basis.

For shares purchased **prior** to January 1, 2012, called **“non-covered” shares**, the cost basis calculation is the responsibility of the shareholder. Virtus does not send the cost basis information to the IRS for **“non-covered” shares**. Virtus may provide estimated cost basis information with Form 1099-B, as a service to you, if all the information required for the calculation is available within our online records.

Effective January 1, 2012, Virtus is required to report cost basis information for shares purchased after January 1, 2012, called **“covered” shares**, to both you and the IRS on Form 1099-B upon a redemption or sale of shares. Mandatory cost basis reporting, which is a requirement of the Emergency Economic Stabilization Act of 2008, is designed for the accurate reporting of gain/loss amounts on the sale or exchange of shares from your mutual fund.

The following account types are subject to the mandatory cost basis reporting:

- > Individual Accounts
- > Joint Accounts
- > Corporate Accounts that have been elected to be treated as S-Corporations under the Federal Tax Code
- > Uniform Gifts and Transfers to Minor Accounts
- > Partnerships
- > Trust Accounts

Electing a Cost Basis Method

Virtus Mutual Funds has selected the Average Cost method as our funds’ default method. Your account will default to the Average Cost Method unless you elect another method.

We provide many IRS-approved methods for determining your cost basis on covered shares - each method has different tax implications. We strongly suggest that you contact your tax professional to determine which method should be considered for your individual tax situation.

You may choose to elect one of the following Cost Basis calculation and depletion methods:

| Default Method | Description |
|---|--|
| Average Cost | Determined by dividing the total cost of the shares owned at the time of the sale/exchange by the total number of shares owned to produce an average cost per share. Shares acquired first are sold first to determine the holding period. |
| Other Methods | Description |
| First In, First Out (FIFO) | Shares acquired first are sold first. |
| Last In, First Out (LIFO) | Shares acquired last are sold first. |
| High Cost In, First Out (HIFO) | Shares with highest purchase price are sold first. |
| Low Cost In, First Out (LOFO) | Shares with lowest cost basis are redeemed first. |
| High Cost Long-Term In, First Out (HILT) | Shares with the long-term highest cost available are sold first. |
| High Cost Short-Term In, First Out (HIST) | Shares with the short-term highest cost available are sold first. |
| Low Cost Long-Term In, First Out (LILT) | Shares with the long-term lowest cost available are sold first. |
| Low Cost Short-Term In, First Out (LIST) | Shares with the short-term lowest cost available are sold first. |
| Specific Lot Description | You identify specific shares to sell, exchange or transfer at the time of each transaction. The original purchase dates and prices of the shares you choose will determine your cost basis and holding period. |

IRS Circular 230 Disclosure: Any information contained in the communication (including any attachments) is not intended to be used, and cannot be used, to avoid penalties imposed under the U.S. Internal Revenue Code.

For more complete information about Virtus mutual funds, please contact your financial representative, call 1-800-243-1574 or visit Virtus.com to obtain a current prospectus. You should consider the Funds’ investment objectives, charges, expenses and risks carefully before you invest. This information and other information about the Funds is contained in the prospectus. Please read the prospectus carefully before you invest or send money.

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