Virtus Balanced Allocation Fund

VIRTUS MUTUAL FUNDS

FUND INFORMATION

Symbol and CUSIP

A shares	HIBZX	(92828T103)
C shares	PBCIX	(92828T202)
I shares	HIBLX	(92828T301)

Investment Adviser
Virtus Investment Advisers, Inc.

Investment Subadviser
Harris Investment Management

AUM ($ millions)	72.3
Number of Holdings	422
Dividends	Quarterly

INVESTMENT PROFESSIONALS

Thomas P. Lettenberger, CFA
Industry start date: 1995
Start date with Fund: 2009

Daniel L. Sido
Industry start date: 1984
Start date with Fund: 2006

Maureen R. Svagera, CFA
Industry start date: 1979
Start date with Fund: 2006

Carol H. Lyons
Industry start date: 1982
Start date with Fund: 2011

INVESTMENT OPPORTUNITY

Diversified across stocks and bonds, the fund's strategic allocation approach seeks to generate a combination of growth and current income.

The fund's equity allocation utilizes a proprietary quantitative process to identify stocks with improving fundamentals and compelling valuations.

The fixed income allocation is highly disciplined, combining fundamental and quantitative techniques to exploit opportunities in the bond market.

INVESTMENT PROCESS

Equity Portfolio Construction

STEP 1 – Utilizing a proprietary quantitative model, rank stocks according to earnings, price momentum, and valuation factors

STEP 2 – Review factors of stocks not addressed by the quantitative process

STEP 3 – Construct equity portfolio

Fixed Income Portfolio Construction

STEP 1 – Combine fundamental and quantitative techniques to identify and exploit opportunities

STEP 2 – Maintain focus on investment grade bonds

STEP 3 – Construct fixed income portfolio of securities believed to be undervalued based on future potential

ANNUALIZED PERFORMANCE Class A as of 12/30/2011 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 02/09/1999
NAV	7.76	2.53	2.53	11.32	1.80	4.55	4.54
POP	1.56	-3.36	-3.36	9.15	0.60	3.93	4.06
Index	7.57	4.34	4.34	12.02	3.01	4.67	4.24

QTD, YTD and 1 Year performance is not annualized.

Class A operating expenses are 1.09%.

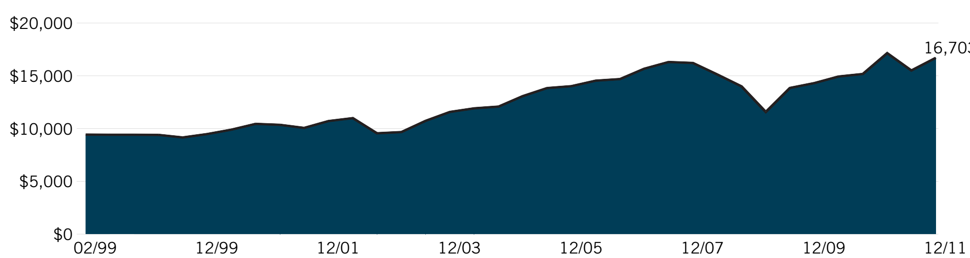
Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Net Asset Value (NAV) returns do not reflect the deduction of any sales charges. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge of 5.75%. A contingent deferred sales charge of 1% may apply on certain redemptions made within 18 months following purchases on which a finder's fee has been paid.

ANNUAL PERFORMANCE Class A at NAV in percent

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-9.26	19.07	13.02	7.14	9.03	6.16	-25.35	18.16	13.88	2.53
Index	-9.53	19.15	8.61	4.81	10.93	6.39	-22.47	19.50	12.74	4.34

Growth of $10,000 Class A for the period ending 12/30/2011

Actual initial investment $9,425



This chart assumes an initial investment of $10,000 made on Feb 09, 1999 for Class A shares including any applicable sales charges. Performance assumes reinvestment of dividends and capital gain distributions.

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Please visit Virtus.com for performance data current to the most recent month-end.

Index: The composite index consists of 60% Russell 1000® Index and 40% Barclays Capital U.S. Aggregate Bond Index. The Russell 1000® Index is a market capitalization-weighted index of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. 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. The index is unmanaged and not available for direct investment.

Top Ten Holdings

Top Ten Holdings	% Fund
Exxon Mobil Corp.	1.97
Apple Inc.	1.96
U.S. Treasury Note, 1.75% 01/31/2014	1.36
U.S. Treasury Note, 2.38% 07/31/2017	1.31
Microsoft Corp.	1.24
U.S. Treasury Note, 2.25% 03/31/2016	1.18
Chevron Corp.	1.08
U.S. Treasury Note, 3.75% 11/15/2018	1.06
ConocoPhillips	1.04
U.S. Treasury Note, 4% 02/15/2015	1.02

Sector Allocations as of 12/31/2011

Sector Allocations as of 12/31/2011	% Equity
Information Technology	19.61
Health Care	14.44
Consumer Discretionary	12.06
Energy	11.70
Financials	11.62
Industrials	9.13
Consumer Staples	8.86
Materials	5.90
Utilities	3.85
Telecommunication Services	2.83

Holdings and Sector weightings are subject to change.

Characteristics

Characteristics	Fund
Average Weighted market Cap (bn)	$70.1
Median Market Cap (bn)	$4.1
Trailing P/E	13.05x
Price-to-Cash Flow	10.08
Price-to-Book Value	2.30
3-Year EPS Growth Rate	9.28

Risk Statistics

Class A 3-Year	Fund	Index
R^2	0.96	1.00
Beta	0.95	1.00
Standard Deviation	11.05	11.40

IMPORTANT RISK CONSIDERATIONS:
Investing internationally involves additional risks such as currency, political, accounting, economic and market risk. Investing in the securities of small and mid-sized companies involves greater risks and price volatility than larger, more established companies. As interest rates rise, existing bond prices fall and can cause the value of an investment in the portfolio to decline. Changes in interest rates will affect the value of longer-term fixed income securities more than shorter-term securities.

GLOSSARY
R^2: A measurement of how closely a portfolio's performance correlates with the performance of a benchmark index.
Beta: A quantitative measure of the volatility of a given portfolio to the overall market. Higher beta suggests higher volatility.
Standard Deviation: measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.
Trailing P/E: Per-share stock price divided by the latest12-months Earnings per Share.
Price/Cash Flow: Per-share stock price divided by the per-share operating cash flow.
Price/Book: Per-share stock price divided by the latest 12-month per-share Book Value.
3-Year EPS Growth Rate: Average of earnings per share growth for latest 3-year period. The 3-Year EPS Growth Rate is not

Investment Manager of the Fund

The subadviser, Harris Investment Management believes that superior long term performance can be achieved through the implementation of a disciplined, unemotional, quantitatively based process that aims to maximize risk adjusted results over time.

About Virtus Investment Partners Virtus (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors.

Please carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. For this and other information about any Virtus mutual fund, call 1-800-243-4361 or visit Virtus.com for a prospectus. Read it carefully before you invest or send money.