

PORTFOLIO OVERVIEW

The Virtus Small-Cap Value Series slightly underperformed its benchmark, the Russell 2000® Value Index, during the quarter ended March 31, 2012. Portfolio performance was helped primarily by strong stock selection in the producer durables and consumer discretionary sectors, where the Series' high-quality sector holdings differ from those of the benchmark.

Companies contributing the most to performance during the quarter included Tempur-Pedic International and Graco. Tempur-Pedic's financial results have been exceptional as the company has enhanced its brand awareness and broadened its customer appeal, which is driving its products to displace traditional mattresses. Graco's stock has seen a reversal from the decline experienced during the second half of last year as the fundamentals of the business continue to flourish from the global economic rebound. Though the company has seen its earnings per share post new highs, its main contractor business is still below that of its previous peak for both sales and operating margin. If the housing market ever starts to recover in earnest, Graco should see good leverage in this segment.

Companies contributing the least to performance during the quarter included Balchem and CARBO Ceramics. Balchem saw its shares fall in the quarter after posting mixed financial results that showed strength in its sterilization business, which was offset by its higher growth areas of animal health and nutrition. The shares performed very well in 2011, and we continue to have a favorable long-term view of the company.

CARBO Ceramics' stock declined as a sharp drop in natural gas prices caused E&P companies to shift drilling to oil plays, which is disrupting the near-term proppant supply chain. Oil regions, such as Bakken, have logistical bottlenecks that need to be addressed, and as a result will temporarily cause CARBO to see much lower volume growth in the short term. Longer term, the company is still committed to adding additional capacity for lower strength proppants.

PURCHASES AND SALES

We added National Beverage to the Series' portfolio in the quarter. There were no complete sales from the portfolio during the quarter.

National Beverage develops, manufactures, markets, and distributes beverage products in the U.S. The company offers a range of flavored soft drinks, juices, sparkling waters, energy drinks, and nutritionally-enhanced waters. National Beverage provides its soft drink products under the Shasta and Faygo brand names. The company also provides health-conscious beverage products, including juice and juice-based products under the Everfresh, Home Juice, and Mr. Pure brand names; sparkling and spring water products under the LaCroix, Crystal Bay, and ClearFruit brand names; and nutritionally-enhanced water under the Asante brand. In addition, the company offers energy drinks under the Rip It brand. National Beverage provides its products through national and regional grocery stores, warehouse clubs, mass-merchandisers, wholesalers and dollar stores, convenience stores, gas stations, and independent and specialized distributors, as well as through direct store distribution facilities.

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VIRTUS VARIABLE INSURANCE TRUST

CUSIP 92829L802

INVESTMENT PROFESSIONALS

Robert A. Schwarzkopf, CFA
 Chief Investment Officer
 Industry start date: 1980
 Start date with the Series: 2010

Julie Kutasov
 Portfolio Manager &
 Senior Research Analyst
 Industry start date: 2001
 Start date with the Series: 2010

Craig Stone
 Portfolio Manager &
 Senior Research Analyst
 Industry start date: 1990
 Start date with the Series: 2010

The Virtus Small-Cap Value Series invests in a select group of small-cap value companies that exhibit a competitive advantage, have strong management and low financial risk, and that are able to grow over market cycles.

TOP TEN HOLDINGS	% Series
Landstar System Inc.	5.89
WD-40 Co.	5.15
Hillenbrand Inc.	5.12
First Cash Financial Services Inc.	4.95
Graco Inc.	4.86
John Wiley & Sons Inc. CI A	4.86
Owens & Minor Inc.	4.83
Lincoln Electric Holdings Inc.	4.75
Syntel Inc.	4.65
World Fuel Services Corp.	4.53

Holdings are subject to change.

NOTES ON RISK

A portfolio that holds a limited number of securities will be impacted by each security's performance more than a portfolio with a larger number of holdings. Investing in the securities of small and mid-sized companies involves greater risks and price volatility than larger, more established companies. Because the portfolio is heavily weighted in a single sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification.

continued

Virtus Small-Cap Value Series Commentary

OUTLOOK

The economic recovery has clearly taken hold and there are a number of key factors that have improved:

1) Reduced unemployment is driving improved consumer spending; 2) corporate cash balances are plentiful and ready to be deployed into investment opportunities; and 3) the Fed remains vigilant in sustaining positive economic growth.

Despite these positive developments, we continue to operate in an environment where small- and mid-sized businesses, the backbone of the U.S. economy, are increasingly optimistic about future growth but still hesitant to commit to meaningful increases in human and physical capital. Further, while improved, unemployment levels still remain high, thus restraining ongoing consumer spending, which accounts for nearly three-quarters of the U.S. economy; and the housing market appears to be in a long drawn-out bottoming phase. November's presidential election further contributes to already-elevated overall uncertainty levels.

“We believe the economy will continue to grow at a below-average rate over the next year or two. It will take time to work off excessive government debt, both in the U.S. and abroad.”

All of these factors diminish the likelihood of a swift economic recovery. We believe the economy will continue to grow at a below-average rate over the next year or two. It will take time to work off excessive government debt, both in the U.S. and abroad. While fears of the eurozone collapse have subsided, we are by no means confident that policymakers have permanently resolved the European debt crisis, and the European Union's future as an economic entity remains highly uncertain, in our view.

We believe that the businesses in which we invest—those that have significant control over their markets and do not depend on external financing—will prosper in such an environment. As always, we endeavor to manage the Series with the highest quality businesses, outgrowing their markets, purchased at discount values.

Annualized Performance as of 3/31/12 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 11/20/2000
Series	11.14	11.14	6.02	25.04	-1.12	6.11	8.40
Index	11.59	11.59	-1.07	25.36	0.01	6.59	8.73

QTD, YTD and 1 Year performance is not annualized. Operating expenses are 1.31% and gross operating expenses are 1.42%. Operating expenses reflect a contractual expense reimbursement in effect through 11/30/2012.

Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains.

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 Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the smallest 2,000 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 index is unmanaged and not available for direct investment.

The commentary is the opinion of the subadviser. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

The investments for the Series are managed by the same portfolio manager(s) who manage one or more of the other funds that have similar names, investment objectives and investment styles as the Series. You should be aware that the Series is likely to differ from the other mutual funds in size, cash flow pattern and tax matters. Accordingly, the holdings and performance of the Series can be expected to vary from those of the other mutual funds.

Shares of the separate Series of Virtus Variable Insurance Trust are sold only through the currently effective prospectuses and are not available to the general public. Shares of the VIT Series may be purchased only by life insurance companies to be used with their separate accounts which fund variable annuity and variable life insurance policies or qualified retirement plans and are also available as an underlying investment fund for certain qualified retirement plans. The performance information for the Series does not reflect fees and expenses of the insurance companies. If such fees and expenses were deducted, performance would be lower.

Please carefully consider the investment objectives, risks, charges, and expenses of the Series before investing. For this and other information about any Virtus Variable Insurance Trust Series, call 1-800-367-5877 or visit Virtus.com for a prospectus. Read it carefully before you invest or send money.

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