

Virtus Alternatives Diversifier Fund

A: PDPAX (92828R875)

C: PDPCX (92828R867)

I: VADIX (92828R313)

Asset Allocation

DO YOU BELIEVE THAT ASSET ALLOCATION IS THE PRIMARY DETERMINANT OF EXCESS RETURNS OVER TIME?

A study by Brinson in 1986 showed that 93.6% of performance differential comes from asset allocation and 6.4% from manager selection. Institutional investors, such as pension funds, endowments and foundations, spend thousands of dollars each year to hire investment consultants to help them set the optimal asset allocation with the objective of achieving their return targets. Asset allocation decisions, without a doubt, are the most important decisions made in building an investment portfolio.

INDIVIDUAL INVESTOR		INSTITUTIONAL INVESTOR
No strategy	>	Written investment strategy
Chasing performance	>	Broadly diversified
Emotions	>	Action based on discipline
Lack of risk management	>	Uses risk controls
No patience	>	Longer time horizon for investments

Diversification

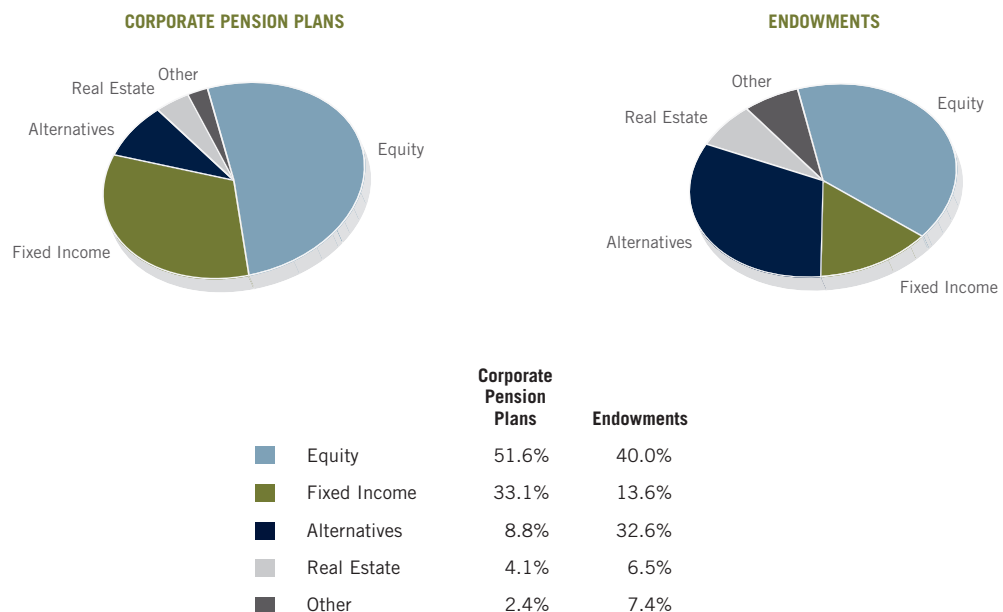
DO YOU BELIEVE THAT DIVERSIFICATION ACROSS DIFFERENT ASSET CLASSES AND INVESTMENT STYLES IS CRITICAL TO AN EFFECTIVE AND SUCCESSFUL ASSET ALLOCATION PLAN?

Institutional investors invest their assets across various traditional and non-traditional asset classes and investment styles in pursuit of achieving their return targets with the lowest possible risk. The basic tenet of modern portfolio theory is that rational investors will seek diversification to achieve the highest level of return for a given level of risk.

Some of the investments shown may involve higher risk. These include, but are not limited to, REITs and Hedge Funds. In addition, some of the investments shown in this section may either not be available to the general public or require a very high initial investment for participation.

As of 12/31/08

Source: J.P. Morgan Asset Management

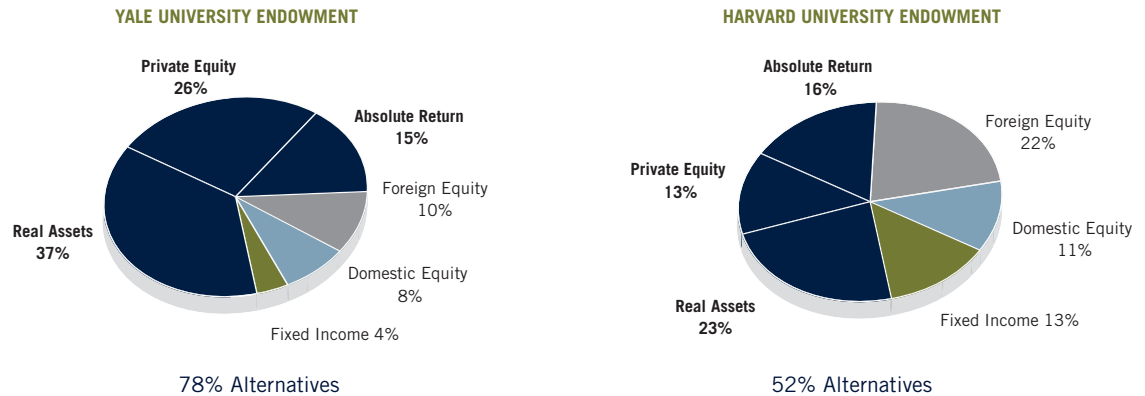


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Correlation

DO YOU BELIEVE THAT, IN ORDER TO ACHIEVE A FULLY DIVERSIFIED PORTFOLIO, YOU MUST INVEST IN ASSETS THAT EXHIBIT LOW CORRELATION TO EACH OTHER AND TO THE OVERALL MARKET?

Institutional investors utilize low correlating assets and strategies such as commodities, currencies, market neutral, domestic and international real estate, and other alternative investments because they offer low correlation to traditional equity and fixed income assets, as well as to the overall market. Since traditional portfolios rely on markets being positive, the addition of low correlating alternative investments may help to smooth return patterns and dampen the risk of the overall portfolio. Superior downside protection and preservation of capital over time may also be benefits of a fully diversified portfolio, although there is no guarantee that a diversified portfolio will outperform a non-diversified portfolio.

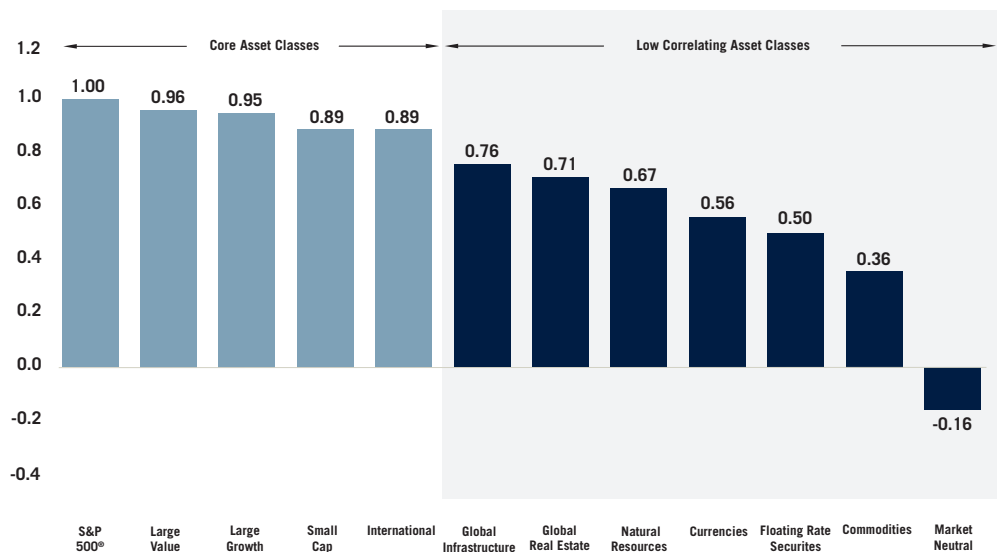


Some of the investments shown above may involve higher risk. These include, but are not limited to, REITs and Hedge Funds. In addition, some of the investments shown above may either not be available to the general public or require a very high initial investment for participation. Real assets represent tangible assets in contrast to financial assets or securities, including real estate, land, gold, coins, stamps, art, and antiques. Private Equity is an asset in which the equity is not freely tradable on a public stock market, including leveraged buyouts, venture capital, growth capital, angel investing, mezzanine capital and others. Absolute return strategies aim to produce positive returns in both bull and bear markets. Harvard allocation does not sum to 100% due to a 2% cash position.

Sources: 2009 Yale Endowment Annual Report, September 2009 Harvard Management Company Endowment Report.

LOWER CORRELATION THROUGH ALTERNATIVE ASSET CLASSES

Chart depicts the monthly correlation of different asset classes to the S&P 500®



Graph above represents the ten-year period ending 9/30/10. 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. See page 4 for index definitions. Source: mpi Stylus

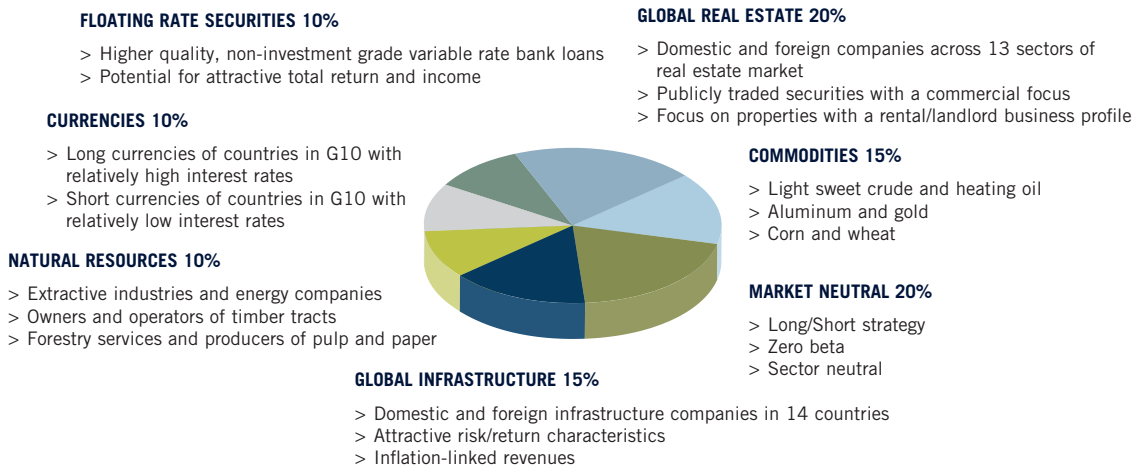
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Product

HOW CAN INDIVIDUAL INVESTORS ACCESS THE SAME TYPE OF LOW CORRELATING INVESTMENT STRATEGIES THAT INSTITUTIONAL INVESTORS HAVE BEEN USING FOR YEARS?

Target Allocation – as of 12/31/09 – actual percentage of fund assets may fluctuate due to daily movements in the value of the underlying investments. Additionally, the adviser may alter target allocations in response to economic or market conditions. All funds may not be available on all broker/dealer platforms. Please contact your financial advisor for more information.

Our investment professionals spent over a year in the development and construction of the Virtus Alternatives Diversifier Fund, which was the first of its kind in the market. The fund offers a fully thought-out and innovative way for individual investors to access a basket of asset classes that have historically demonstrated low correlation in a single portfolio. The fund invests in Market Neutral, Global Real Estate, Global Infrastructure, Commodities, Natural Resources, Currencies, and Floating Rate Securities.



Performance Class A as of 9/30/10 in percent

	3 Year		5 Year		10 Year		Since Inception*	
	Return	Risk	Return	Risk	Return	Risk	Return	Risk
Alternatives Diversifier Fund	-3.72	17.22	NA	NA	NA	NA	1.65	14.19
Alternatives Diversifier Composite	-3.00	16.90	2.79	13.71	6.61	10.86	3.28	13.85
S&P 500	-7.16	21.81	0.64	17.61	-0.43	16.41	0.24	17.82
Stocks & Bonds 80/20	-4.05	17.67	1.98	14.25	1.15	13.09	1.72	14.41
Stocks, Bonds, Alts 60/20/20	-3.19	16.44	2.43	13.23	2.58	11.57	2.34	13.39

Annualized Fund Performance Class A as of 9/30/10 in percent

	QTD	YTD	1 Year	3 Year	Since Inception 11/30/05
NAV	10.21	3.64	8.91	-3.72	1.65
POP	3.87	-2.32	2.65	-5.60	0.42
Index	11.29	3.89	10.16	-7.16	3.28

QTD, YTD and 1 Year performance is not annualized. *11/30/05. Risk represented by standard deviation.

Class A operating expenses are 1.60% and gross operating expenses are 2.37%. Operating expenses reflect a voluntary expense reimbursement, which may be discontinued at any time. Operating expenses do not include expenses related to dividends on short positions.

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. Index: S&P500® Index.

Standard Deviation measures variability of returns around the average return for an investment. Higher standard deviation suggests greater risk.

Alternatives Diversifier Composite is made up of HFRX Equity Market Neutral Index (20%); UBS Global Investors (Real Estate) Index (20%); Global Infrastructure (15%); S&P North American Natural Resources Sector Index (10%); Deutsche Bank Liquid Commodity Index (15%); Deutsche Bank G10 Currency Harvest Index (10%); Credit Suisse Leveraged Loan Index (10%). The indexes are unmanaged and not available for direct investment. Stocks & Bonds are represented by 80% S&P 500 and 20% Barclays Capital Aggregate Bond Index. Stock, Bonds, Alts is represented by 60% S&P 500, 20% Barclays Aggregate Bond Index, and 20% Alternatives Diversifier Composite.

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.

Virtus Alternatives Diversifier Fund

S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies.

Barclays Capital Aggregate Bond Index measures the U.S. investment grade fixed rate bond market.

Large-Cap Growth is represented by the Russell 1000® Growth Index: A market capitalization weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

Large-Cap Value is represented by the Russell 1000® Value Index: A market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

Small Cap is represented by the Russell 2000® Index: A market capitalization-weighted index stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

International is represented by the MSCI EAFE® (Morgan Stanley Capital International Europe, Australasia, Far East) Index: A free-float-adjusted market capitalization index that measures developed foreign market equity performance, excluding the U.S. and Canada.

Market Neutral is represented by the HFRX Equity Market Neutral Index, which measures funds that strive to generate consistent returns in both up and down markets by selecting positions with a total net exposure of zero. Funds are weighted within the index based on quantitative methodology by Hedge Fund Research.

Natural Resources are represented by the S&P North American Natural Resources Sector Index, which measures the performance of U.S.-traded natural resource related stocks in the following categories: extractive industries, energy companies, owners and operators of timber tracts, forestry services, producers of pulp and paper, and owners of plantations.

Global Infrastructure is represented by a blend consisting of a composite index of 65% MSCI US/Utilities Index, 20% MSCI World Telecom Services Index, and 15% MSCI World ex US/Utilities Index from December 1994 through August 2008 and the MSCI World Infrastructure Sector Capped Index since September 2008. The MSCI US/Utilities Index is a market capitalization-weighted index that monitors the performance of utility stocks from the United States. The MSCI World Telecom Services Index is a free float-adjusted market capitalization index that measures telecom-related stocks from developed-market economies around the world. MSCI World ex US/Utilities Index is a market capitalization-weighted index that monitors the performance of utility stocks from around the world excluding the United States. These indexes are unmanaged and not available for direct investment.

Commodities are represented by the Deutsche Bank Liquid Commodity Index (DBLCI). The DBLCI is a rules-based index based on six liquid futures contracts on Light Sweet Crude Oil, Heating Oil, Gold, Aluminum, Corn, and Wheat.

Currencies are represented by the Deutsche Bank G10 Currency Future Harvest (DBCFFH) Index which reflects the return from investing long in currency futures for currencies with relatively high yielding interest rates and short in currency futures for currencies with relatively low yielding interest rates. This is designed to exploit the trend that currencies trading with a forward discount tend to, on average, perform better than those trading at a forward premium. Chicago Mercantile Exchange FX Futures are used in the index calculation. FX Futures based on the G10 currencies vs. USD are eligible for selection in DBCFFH. The G10 currencies are USD, EUR, JPY, CAD, CHF, GBP, AUD, NZD, NOK, SEK. The index is published on a daily basis on New York business days.

International REITs are represented by the Dow Jones ex US Real Estate Securities Index which is a float-adjusted market capitalization weighted index that defines and measures the investable universe of publicly traded real estate securities in the countries outside of the U.S.

Global Real Estate is represented by the UBS Global Investors Index, which is a subset of the UBS Global Real Estate Index. It measures the global investable universe of publicly traded real estate securities that derive 70% or more of total revenue from rental income.

Floating Rate is represented by the Credit Suisse Leveraged Loan Index, which is designed to mirror the investable universe of the U.S. dollar denominated leveraged loan market.

Correlation Coefficient is a measure that determines the degree to which two variables' movements are associated. The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation and +1 indicates perfect positive correlation.

Diversification does not guarantee against a loss and there is no guarantee that a diversified portfolio will outperform a non-diversified portfolio.

Notes on Risk: Investing internationally, especially in emerging markets, 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. Concentrating investments in REITs involves certain risks such as refinancing, property value changes, and management skill. A fund's use of asset class allocations does not assure or guarantee better performance and cannot eliminate the risk of investment loss. Before investing, you should carefully read the applicable risk disclosure for each of the underlying Virtus Mutual Funds, which can be found in the current prospectus. **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. Investing in funds that use leverage, short selling, futures, options, and/or derivatives may expose the fund to additional risks. **Commodity or commodity-related equity prices** may fluctuate widely over short time periods.

Because the Fund invests in other mutual funds, it is a shareholder of those underlying mutual funds and indirectly bears its proportionate share of the operating expenses, including management fees of the underlying mutual funds. These expenses are deducted from the underlying mutual funds before their share prices are calculated and are in addition to the direct fees and expenses borne by the fund and its shareholders.

Be Disciplined, Be Diversified, and Focus on the Long Term. For more information on the Virtus Alternatives Diversifier Fund, contact us at 1.800.243.4361 or Virtus.com

Please carefully consider the Fund's investment objectives, risks, charges and expenses 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.

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