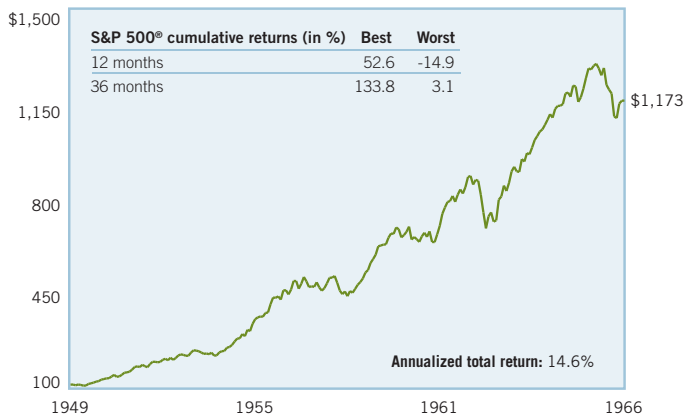


Why Active Asset Allocation?

A Lesson in Market Eras

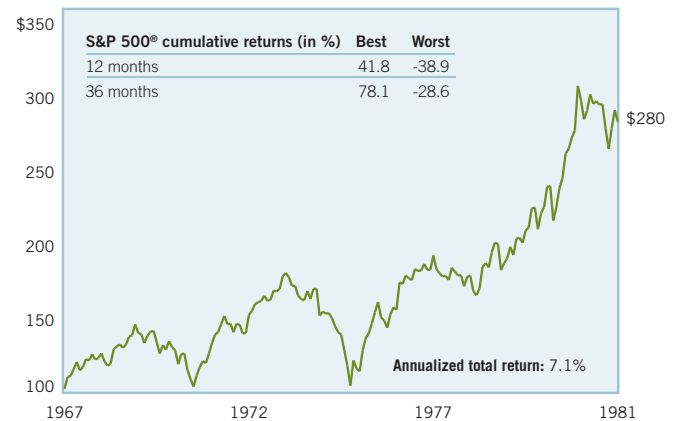
Over the past 61 years, there have been four distinct market eras. Two of these periods have been prolonged bull markets offering investors great financial reward with very little market volatility. The other two have been exceptionally volatile periods, making it extremely difficult to create wealth. Active asset allocation – overweighting or underweighting asset classes and sectors – may be a useful tool to help navigate volatile periods.

Market Era 1: January 3, 1949 – December 31, 1966



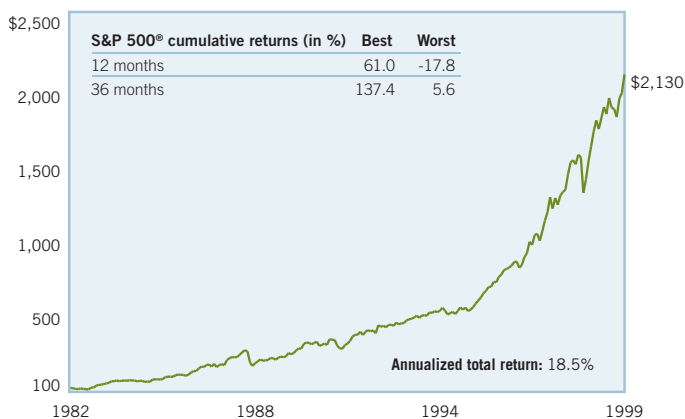
- > 18-year post-WWII bull market
- > Booming economy
- > Low volatility, general S&P uptrend

Market Era 2: January 3, 1967 – December 31, 1981



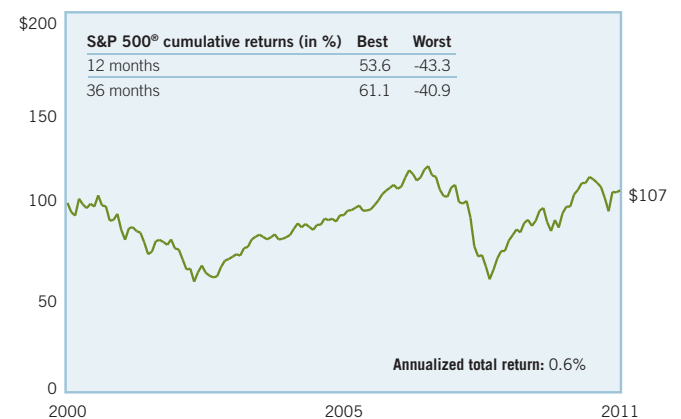
- > Sideways market for 15 years with periods of extreme volatility
- > Stagnant economy, rising inflation
- > Annualized rate of inflation of 7.2%

Market Era 3: January 4, 1982 – December 31, 1999



- > 18-year bull market with most spectacular rise in S&P 500® history
- > Exceptional returns with very little downside risk

Market Era 4: January 3, 2000 – December 30, 2011



- > 10+ years of sideways meanderings – “The lost decade for stocks”
- > Increased volatility with relatively flat total returns
- > As uncertainty persists, active asset allocation may appeal to long-term investors

Chart data source: Standard and Poor's; inflation as measured by CPI. The charts assume an initial investment of \$100 in the S&P 500® Index on the first day of the period. Performance assumes reinvestment of dividends and capital gain distributions. Past performance is not indicative of future results.

Why Active Asset Allocation?

- > No one knows where the markets are headed over the next few years
- > An active asset allocation approach creates the opportunity to limit losses in bear markets while participating in bull markets

Another Challenge – Another Opportunity

Not only is it important to decide **when** to be invested in equities, but also, **where** to allocate your portfolio among different sectors. **Market sector leadership varies dramatically from year to year making it virtually impossible to predict the next sector winners.**

Market Sectors

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
57.2%	3.5%	-4.3%	47.2%	31.5%	31.4%	36.8%	34.4%	-15.4%	61.7%	27.7%	19.9%
37.1%	2.8%	-5.5%	38.2%	24.3%	16.8%	24.2%	22.5%	-22.8%	48.6%	26.7%	14.0%
25.7%	-5.7%	-11.1%	37.4%	19.9%	6.5%	21.0%	19.4%	-29.0%	41.3%	22.2%	12.7%
16.8%	-6.4%	-14.6%	32.2%	18.0%	6.5%	19.2%	16.3%	-30.5%	20.9%	20.5%	6.3%
15.7%	-9.0%	-18.8%	31.0%	13.2%	4.4%	18.6%	14.2%	-33.5%	19.7%	19.0%	6.1%
5.9%	-10.4%	-23.8%	26.3%	13.2%	3.6%	18.6%	12.0%	-34.9%	17.2%	14.1%	4.7%
-15.7%	-12.0%	-26.3%	25.6%	10.9%	2.3%	14.4%	11.9%	-39.9%	14.9%	12.1%	2.4%
-20.0%	-12.3%	-30.0%	15.1%	8.2%	1.0%	13.3%	7.2%	-43.1%	13.8%	10.2%	-0.6%
-38.8%	-25.9%	-34.1%	11.6%	2.6%	-5.6%	8.4%	-13.2%	-45.7%	11.9%	5.5%	-9.8%
-40.9%	-30.4%	-37.4%	7.1%	1.7%	-6.4%	7.5%	-18.6%	-55.3%	8.9%	2.9%	-17.1%

■ Information Technology	■ Materials	■ Consumer Discretionary	■ Financials	■ Industrials
■ Health Care	■ Consumer Staples	■ Energy	■ Utilities	■ Telecomm. Services

As of 12/30/11. Source: mpi Stylus. Represents S&P 500® Index Sectors. *Past performance is not indicative of future results.*

The objective of employing an active asset allocation approach is to pursue opportunities in promising sectors, on a timely basis, while seeking to minimize the impact of downturns in others. This strategy may help cushion a portfolio against big swings in any one sector.

To learn more about products that provide active asset allocation among sectors, contact Virtus at 1-800-243-4361 or visit Virtus.com.

Asset allocation does not guarantee a profit or protect against a loss in declining markets. Actual performance will depend on the ability of the asset allocation model in determining asset class allocations and the performance of the underlying market sectors. The proportions allocated to each market sector may cause the portfolio to underperform relevant benchmarks or other investments with a similar objective. The table above is presented for informational purposes only and is not meant to represent the performance of any Virtus product.

The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. Consumer Price Index (CPI): A measure of the average over time in the prices paid by urban consumers for a market basket of consumer goods and services.

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