



VIRTUS VARIABLE INSURANCE TRUST  
PROSPECTUS

Virtus Small-Cap Value Series

*The Prospectus describes the Virtus Small-Cap Value Series (the "Series"), which is available as an underlying investment through a variable life insurance policy or a variable annuity contract ("a variable contract"). For information about your variable contract, including information about insurance-related expenses, see the prospectus for your variable contract.*

*The Securities and Exchange Commission has not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense. 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](http://virtus.com) for a prospectus. Read it carefully before you invest.*

May 1, 2012

**Not FDIC Insured  
No Bank Guarantee  
May Lose Value**

# Virtus Small-Cap Value Series

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# Virtus Small-Cap Value Series

## Fund Summary

### Investment Objective

Long-term capital appreciation.

### Fees and Expenses

This table describes the fees and expenses that you may pay if you buy and hold shares of the Virtus Small-Cap Value Series (the "Series"). The table and the example do not include any fees or sales charges imposed under the variable contracts for which the Series is an investment option. If they were included, your costs would be higher.

**Shareholder Fees** (fees paid directly from your investment): **None**

Annual Series Operating Expenses (expenses that you pay each year as a percentage of the value of your investment.)	
Management Fees	0.90%
Distribution and/or Service (12b-1) Fees	0.25%
Other Expenses	0.20%
Acquired Fund Fees and Expenses	0.01%
Total Annual Series Operating Expenses <sup>(1)</sup>	1.36%

(1) Restated to reflect current expenses.

### Example

This example is intended to help you compare the cost of investing in the Series with the cost of investing in other mutual funds. The example assumes that you invest \$10,000 in the Series for the time periods indicated and then redeem all of your shares at the end of those periods. The example also assumes that your investment has a 5% return each year and that the Series' total operating expenses remain the same. The example does not reflect variable contract fees and charges, and if it did, the costs shown would be higher. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Virtus Small-Cap Value Series	\$138	\$431	\$745	\$1,635

### Portfolio Turnover

The Series pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs. These costs, which are not reflected in Annual Series Operating Expenses or in the Example, affect the Series' performance. During the most recent fiscal year, the Series' portfolio turnover rate was 22% of the average value of its portfolio.

### Principal Investment Strategies

The Series pursues long-term capital appreciation in the small-cap sector while seeking to provide the risk characteristics of the less volatile large-cap S&P 500<sup>®</sup> Index. The Series invests in a select group of small-cap companies believed by the subadviser to be value companies and undervalued relative to their future growth potential. The investment strategy emphasizes companies assessed by the subadviser as having a competitive advantage, strong management and low financial risk and as able to grow over market cycles, despite their discounted valuations.

Under normal circumstances, the Series invests at least 80% of its assets in common stocks of small capitalization companies. As of the date of this Prospectus, the subadviser considers small capitalization companies for this purpose to be those companies that, at the time of initial purchase, have market capitalizations within the range of companies included in the Russell 2000<sup>®</sup> Value Index. Because small capitalization companies are defined by reference to an index, the market capitalization of companies in which the Series invests may vary with market conditions. As of December 31, 2011, the market capitalization range of companies included in the Russell 2000<sup>®</sup> Value Index was \$37 million to \$3.7 billion. Generally, the Series invests in approximately 20-35 securities at any given time.

### Principal Risks

The Series may not achieve its objective, and it is not intended to be a complete investment program. The value of the Series' investments that supports your share value may decrease. If between the time you purchase shares and the time

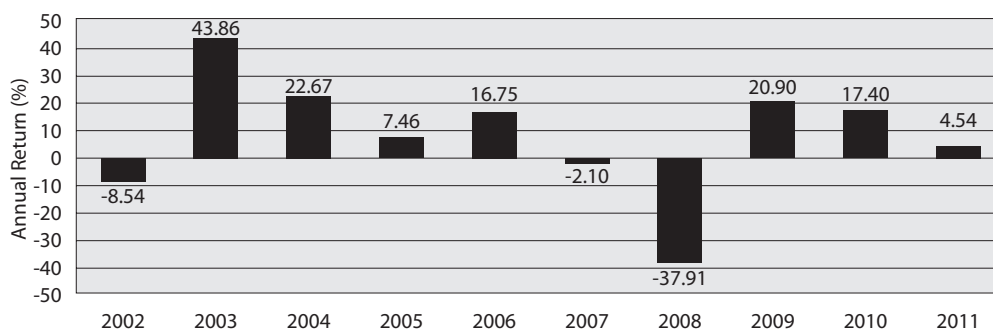
you sell shares the value of the Series' investments decreases, you will lose money. Investment values can decrease for a number of reasons. Conditions affecting the overall economy, specific industries or companies in which the Series invests can be worse than expected, and investments may fail to perform as the subadviser expects. As a result, the value of your shares may decrease. The principal risks of investing in the Series are:

- > **Equity Securities Risk.** The risk that events negatively affecting issuers, industries or financial markets in which the Series invests will impact the value of the stocks held by the Series and thus, the value of the Series' shares over short or extended periods.
- > **Limited Number of Investments Risk.** The risk that the Series' portfolio will be more susceptible factors adversely affecting issuers of securities in the Series' portfolio than would the Series holding a greater number of securities.
- > **Market Volatility Risk.** The risk that the value of the securities in which the Series invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be temporary or may last for extended periods.
- > **Small Company Risk.** The risk that the Series' investments in small companies will be more volatile than investments in larger companies.
- > **Value Stocks Risk.** The risk that the Series will underperform when value investing is out of favor or that the Series' investments will not appreciate as anticipated.

## Performance

The following bar chart and table provide some indication of the risks of investing in the Series. The bar chart shows changes in the Series' performance from year to year over a 10-year period. The table shows how the Series' average annual returns compare to those of a broad-based securities market index (the S&P 500® Index) and another index that reflects the market sectors in which the Series invests (the Russell 2000® Value Index). The Series' past performance is not necessarily an indication of how the Series will perform in the future. The Series' returns in the chart and table do not reflect the deduction of any separate account or variable contract charges. The returns would have been less than those shown if such charges were deducted.

**Calendar Year Annual Total Returns**



Best Quarter: 2Q/2003: 21.15%    Worst Quarter: 4Q/2008: -29.64%    Year to date: (3/31/12): 11.14%

Average Annual Total Returns (for the periods ended 12/31/11)	1 Year	5 Years	10 Years
Virtus Small-Cap Value Series	4.54%	(2.04%)	6.21%
S&P 500® Index (does not reflect fees or expenses)	2.11%	(0.25%)	2.92%
Russell 2000® Value Index (does not reflect fees or expenses)	(5.50%)	(1.87%)	6.40%

Updated performance information is available at [virtus.com](http://virtus.com) or by calling 1-800-367-5877.

## Management

### The Adviser and Subadviser

Virtus Investment Advisers, Inc. ("VIA") is the investment adviser to the Series.

Kayne Anderson Rudnick Investment Management LLC ("Kayne"), an affiliate of VIA, is the subadviser to the Series.

## Portfolio Managers

- > **Julie Kutasov**, Senior Research Analyst at Kayne. Ms. Kutasov has been Portfolio Manager since November 2010.
- > **Robert Schwarzkopf, CFA**, Chief Investment Officer at Kayne. Mr. Schwarzkopf has been Portfolio Manager since November 2010.
- > **Craig Stone**, Senior Research Analyst at Kayne. Mr. Stone has been Portfolio Manager since November 2010.

## Purchase and Sale of Series Shares

The Series does not offer its shares to the general public. The Series currently offers shares only to the separate accounts of participating insurance companies. Virtus Variable Insurance Trust (the "Trust"), of which the Series is a separate investment portfolio, has entered into an agreement with the insurance company sponsor of each separate account (participation agreement) setting forth the terms and conditions pursuant to which the insurance company will purchase and redeem shares of the Series. For information concerning the purchase of units of the separate accounts, see the variable contract prospectus.

## Tax Information

Since the separate accounts are the only shareholders of the Series, no discussion is included herein as to the federal income tax consequences at the shareholder level. For information concerning the federal income tax consequences to the purchasers of variable contracts, see the variable contract prospectus which describes the particular separate account and variable contract.

## Payments to Insurance Companies and Other Financial Intermediaries

Series shares are generally available only through intermediaries, *i.e.*, the separate accounts. The Series (and/or its related companies) may pay the insurance companies (and/or their related companies) for distribution and/or other services; some of the payments may, in turn, go to broker-dealers and other financial intermediaries. For example, the Series may make payments for sub-transfer agency services to one or more of the insurance companies. Such payments may create a conflict of interest for an intermediary by influencing the intermediary's investment recommendations, or be a factor in the insurance company's decision to include the Series as an underlying investment option in a variable contract. Ask your salesperson or review your variable contract prospectus for more information.

## More About Principal Investment Strategies

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Under normal circumstances, the Series invests at least 80% of its assets in common stocks of small capitalization companies. As of the date of this Prospectus, the subadviser considers small capitalization companies for this purpose to be those companies that, at the time of initial purchase, have market capitalizations within the range of companies included in the Russell 2000® Value Index. Because small capitalization companies are defined by reference to an index, the market capitalization of companies in which the Series may invest may vary with market conditions. As of December 31, 2011, the market capitalization range of companies included in the Russell 2000® Value Index was \$37 million to \$3.7 billion. The Series' policy of investing 80% of its assets in small capitalization companies may be changed only upon 60 days written notice to shareholders.

The subadviser uses a strategy emphasizing consistently growing, highly profitable, low-debt companies in mature industries with rising cash flows which the subadviser deems to be of high quality. If a company meets these criteria, the subadviser researches and analyzes that company's strength of management, relative competitive position in the industry and its financial structure. A proprietary model is used to determine relative value. Generally, the Series invests in approximately 20-35 securities at any given time.

The subadviser's sell discipline seeks to dispose of holdings that, among other things, achieve a target price, or are the subject of negative developments individually or as an industry, or as necessary to provide funding to upgrade and improve portfolio holdings or meet diversification requirements.

**Temporary Defensive Strategy:** During periods of adverse market conditions, the Series may take temporary defensive positions that are inconsistent with its principal investment strategies by holding all or part of its assets in cash or short-term money market instruments including obligations of the U.S. Government, high-quality commercial paper, certificates of deposit, bankers acceptances, bank interest-bearing demand accounts, and repurchase agreements secured by U.S. Government securities. When this allocation happens, the Series may not achieve its objective.

*Please see "More About Principal Risks" for information about the risks of investing in the Series.*

## More About Principal Risks

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### Equity Securities Risks

Generally, prices of equity securities are more volatile than those of fixed income securities. The prices of equity securities will rise and fall in response to a number of different factors. In particular, equity securities will respond to events that affect entire financial markets or industries (such as changes in inflation or consumer demand) and to events that affect particular issuers (such as news about the success or failure of a new product). Equity securities also are subject to "stock market risk," meaning that stock prices in general may decline over short or extended periods of time. When the value of the stocks held by the Series goes down, the value of the Series' shares will be affected.

- **Small Capitalization Companies.** Small companies often have narrower markets, fewer products or services to offer, and more limited managerial and financial resources than larger, more established companies. As a result, the performance of small companies may be more volatile, and they may face a greater risk of business failure, which could increase the volatility and risk of loss to the Series.
- **Value Stocks.** There is a possibility that the Series' focus on value investing will cause the Series to underperform when value investing is out of favor, or that investments in companies whose securities are believed to be undervalued do not appreciate as anticipated. Value investing may increase the volatility of the Series' share price.

### Limited Number of Investments Risk

The risk that the Series' portfolio will be more susceptible to factors adversely affecting issuers of securities in the Series' portfolio than would the Series holding a greater number of securities.

## Market Volatility Risk

The value of the securities in which the Series invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be temporary or may last for extended periods.

Instability in the financial markets has exposed the Series to greater market and liquidity risk and potential difficulty in valuing portfolio instruments that they hold. In response to financial markets that experienced extreme volatility, and in some cases a lack of liquidity, the U.S. Government has taken a number of unprecedented actions, including acquiring distressed assets from financial institutions and acquiring ownership interests in those institutions. The implications of government ownership and disposition of these assets are unclear. Additional legislation or government regulation may also change the way in which funds themselves are regulated, which could limit or preclude the Series' ability to achieve its investment objective.

## Management of the Series

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### The Adviser

VIA has served as the investment adviser to the Series since November 2010. VIA, located at 100 Pearl Street, Hartford, CT 06103, acts as the investment adviser for over 50 mutual funds and as adviser to institutional clients. As of December 31, 2011, VIA had approximately \$20.8 billion in assets under management. VIA has acted as an investment adviser for over 70 years and is an indirect wholly-owned subsidiary of Virtus Investment Partners, Inc., a publicly traded multi-manager asset management business.

Pursuant to the Investment Advisory Agreement with the Series and subject to the direction of the Trust's Board of Trustees, VIA is responsible for managing the Series' investment program in conformity with the stated policies of the Series as described in this prospectus. VIA, with the approval of the Trust's Board of Trustees, has selected Kayne, an affiliate of VIA, to serve as subadviser and perform the day-to-day management of the Series. Kayne, subject to the supervision of VIA, is responsible for deciding which securities to purchase and sell for the Series and for placing the Series' transactions.

The Series pays VIA an investment management fee that is accrued daily against the value of the Series' net assets at the annual rate of 0.90%.

For its last fiscal year, the Series paid advisory fees at the rate 0.90% of its average net assets.

The Trust has entered into an expense limitation agreement with VIA whereby VIA has agreed to reimburse the Series for expenses necessary or appropriate for the operation of the Series (excluding interest, taxes, extraordinary expenses and acquired fund fees and expenses, if any) to the extent that such expenses exceed 1.30% of the Series' average net assets. This expense limitation agreement is in place through November 5, 2012.

VIA serves as a manager of managers of the Series. In this capacity, VIA: (i) sets the Series' overall investment strategies; (ii) evaluates, selects, and recommends to the Board one or more subadvisers needed to manage all or part of the assets of the Series; (iii) monitors and evaluates the subadvisers' investment programs and results as well as the performance of the subadvisers relative to the applicable benchmark indexes; and (iv) reviews the Series' compliance with its investment objectives, policies and restrictions.

The Trust and VIA have each received an exemptive order from the Securities and Exchange Commission ("SEC") that permits VIA, subject to certain conditions and without the approval of shareholders to: (a) employ a new unaffiliated subadviser for a Series pursuant to the terms of a new subadvisory agreement, in each case either as a replacement for an exiting subadviser or as an additional subadviser; (b) change the terms of any subadvisory agreement; and (c) continue the employment of an existing subadviser on the same subadvisory agreement terms where an agreement has been assigned because of a change in control of the subadviser. In such circumstances, shareholders would receive notice of such action, including the information concerning the new subadviser that normally is provided in a proxy statement.

## The Subadviser

Kayne has served as the subadviser to the Series since November 2010. Kayne, an affiliate of VIA, is located at 1800 Avenue of the Stars, 2<sup>nd</sup> Floor, Los Angeles, CA 90067. Kayne acts as subadviser to mutual funds and as investment adviser to institutions and individuals. As of December 31, 2011, Kayne had approximately \$5.5 billion in assets under management.

From its investment advisory fee, VIA, not the Series, pays Kayne for its subadvisory services at the rate of 50% of the net advisory fee.

## Board of Trustees Approval of Investment Advisory and Subadvisory Agreements

The Trust's annual report to shareholders for the year ended December 31, 2011 contains a discussion regarding the basis for the Trust's Board of Trustees approval of the investment advisory and investment subadvisory agreements for the Series.

## Portfolio Management

The following individuals are the members of the team of equity investment professionals jointly and primarily responsible for the day-to-day management of the Series' portfolio.

- **Julie Kutasov.** Ms. Kutasov has served as Co-Portfolio Manager since November 2010. She is also a Co-Portfolio Manager of one or more other funds managed by Kayne. Ms. Kutasov is a Senior Research Analyst with primary research responsibilities for the small- and mid-capitalization financials sector. Before joining Kayne in 2001, Ms. Kutasov worked in the investment management group at Goldman Sachs. She has approximately 10 years of investment industry experience.
- **Robert Schwarzkopf, CFA.** Mr. Schwarzkopf has served as Co-Portfolio Manager since November 2010. He is also a Co-Portfolio Manager of one or more other funds managed by Kayne. Mr. Schwarzkopf is Chief Investment Officer (since 2007), a portfolio manager for the small- and mid-cap equity portfolios (since 1992), and a member of the Executive Management Committee of Kayne. Before joining Kayne in 1991, Mr. Schwarzkopf was a member of the Investment Policy Committee at the Pilgrim Group of Mutual Funds and portfolio manager for Pilgrim Regional Bankshares. He has approximately 30 years of investment industry experience.
- **Craig Stone.** Mr. Stone has served as Co-Portfolio Manager since November 2010. He is also a Co-Portfolio Manager of one or more other funds managed by Kayne. Mr. Stone is a Senior Research Analyst with primary research responsibilities for the small- and mid-capitalization capital goods and energy sectors. Before joining Kayne in 2000, Mr. Stone was a Portfolio Manager at Doheny Asset Management. He has approximately 22 years of investment industry experience.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed by the portfolio managers and the portfolio managers' ownership of securities in the Series.

## Other Investment Strategies and Risks

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Information about the Series' principal investment strategies and risks appears in the Fund Summary section and the sections entitled "More About Principal Investment Strategies" and "More About Principal Risks" above. The Series' policy of investing 80% of its assets in small-cap equity securities is not fundamental and, therefore, may be changed without shareholder approval, but only upon 60 days' written notice to shareholders.

The information below describes other investment strategies that the Series may use that are not principal strategies and the risks of those strategies, arranged in alphabetical order. Further descriptions of these investment strategies and practices can be found in the SAI. The greater an investment in a particular asset class by the Series, the greater the impact to the Series of the risks related to the class.

## **Borrowing**

When the Series borrows money it is required to maintain continuous asset coverage (total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed. If the asset coverage declines, for example as a result of market fluctuations, the Series may be required to sell some of its portfolio holdings quickly to reduce the debt and restore the required asset coverage, even though it may be disadvantageous from an investment standpoint to do so. Borrowing may exaggerate the effect on the Series' net asset value of any increase or decrease in the market value of the portfolio. Money borrowed will be subject to interest costs that may or may not be offset by appreciation of the securities purchased. The Series also may be subject to other conditions or fees that would increase the cost of borrowing over the stated interest rate. The various costs of borrowing may therefore ultimately exceed the income from investments made with such leverage.

## **Depository Receipts**

The Series may invest in American Depositary Receipts (ADRs), sponsored by U.S. banks, European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs), ADRs not sponsored by U.S. banks, other types of depository receipts (including non-voting depository receipts) and other similar instruments representing securities of foreign companies. Although certain depository receipts may reduce or eliminate some of the risks associated with foreign investing, these types of securities generally are subject to many of the same risks as direct investments in securities of foreign issuers.

## **Foreign Investing**

Investing in securities of non-U.S. companies involves special risks and considerations not typically associated with investing in U.S. companies, and the values of non-U.S. securities may be more volatile than those of U.S. securities. The values of non-U.S. securities are subject to economic and political developments in countries and regions where the issuers operate or are domiciled, or where the securities are traded, such as changes in economic or monetary policies, and to changes in currency exchange rates. Values may also be affected by restrictions on receiving the investment proceeds from a non-U.S. country.

In general, less information is publicly available about non-U.S. companies than about U.S. companies. Non-U.S. companies are generally not subject to the same accounting, auditing and financial reporting standards as are U.S. companies. Certain foreign issuers classified as passive foreign investment companies may be subject to additional taxation risk.

- **Currency Rate Risk.** Because the foreign securities in which the Series invests generally trade in currencies other than the U.S. dollar, changes in currency exchange rates will affect the Series' net asset value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. Because the value of the Series' shares is calculated in U.S. dollars, it is possible for the Series to lose money by investing in a foreign security if the local currency of a foreign market depreciates against the U.S. dollar, even if the local currency value of the Series' holdings goes up. Generally, a strong U.S. dollar relative to such other currencies will adversely affect the value of the Series' holdings in foreign securities.

## **Illiquid and Restricted Securities**

Certain securities in which the Series invests may be difficult to sell at the time and price beneficial to the Series, for example due to low trading volumes or legal restrictions. When there is no willing buyer or a security cannot be readily sold, the Series may have to sell at a lower price or may be unable to sell the security at all. The sale of such securities may also require the Series to incur expenses in addition to those normally associated with the sale of a security.

## **Mutual Fund Investing**

Through its investments in other mutual funds, the Series is exposed to not only to the risks of the underlying funds' investments but also to certain additional risks. Assets invested in other mutual funds incur a layering of expenses, including operating costs, advisory fees and administrative fees that you, as a shareholder in the Series, indirectly bear. Such fees and expenses may exceed the fees and expenses the Series would have incurred if it invested in the underlying Series' assets directly. To the extent that the expense ratio of an underlying fund changes, the weighted

average operating expenses borne by the Series may increase or decrease. An underlying fund may change its investment objective or policies without the approval of the Series, and the Series might be forced to withdraw its investment from the underlying fund at a time that is unfavorable to the Series. If the Series invests in closed-end funds, it may incur added expenses such as additional management fees and trading costs.

### **Securities Lending**

The Series may loan portfolio securities with a value up to one-third of its total assets to increase its investment returns. If the borrower is unwilling or unable to return the borrowed securities when due, the respective Series can suffer losses. In addition, there is a risk of delay in receiving additional collateral or in the recovery of the securities, and a risk of loss of rights in the collateral, in the event that the borrower fails financially. There is also a risk that the value of the investment of the collateral could decline, causing a loss to the Series.

### **Short-Term Investments**

The Series may invest in short-term investments, which may include money market instruments, repurchase agreements, certificates of deposits and bankers' acceptances and other short-term instruments that are not U.S. Government securities. These securities generally present less risk than many other investments, but they are generally subject to credit risk and may be subject to other risks as well.

## **Distribution Plan**

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The Trust, on behalf of each series of the Trust, including the Small-Cap Value Series, has adopted a plan pursuant to Rule 12b-1 under the Investment Company Act of 1940 (the "Distribution Plan"). Pursuant to the Distribution Plan, the Trust has entered into a Distribution Agreement relating to the Distribution Plan with VP Distributors, LLC (the "Distributor") located at 100 Pearl Street, Hartford, CT 06103. The Distributor is an affiliate of the adviser, and serves as principal underwriter for the Trust. The Distribution Plan permits the use of Series assets to help finance the distribution of the shares of the Series.

Under the Distribution Plan, the Trust, on behalf of each Series, is permitted to pay to the Distributor (who may in turn pay service providers) up to a total of 0.25% of the average daily net assets of the Series, as payment for services rendered in connection with the distribution of shares. Because these fees are paid out of Series assets on an ongoing basis, over time these costs will increase the cost of your investment and may cost you more than other types of sales charges.

## **More About the Trust and the Series**

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### **Organization of the Trust**

The Trust was organized as a Massachusetts business trust on February 18, 1986. It was subsequently reorganized into a Delaware statutory trust on February 14, 2011. The Trust currently consists of nine series of which the Series is one. The Trust's business and affairs are managed by its Board of Trustees.

### **Shares of Beneficial Interest**

Shares (including fractional shares) of the Series have equal rights with regard to voting, redemptions, dividends, distributions and liquidations with respect to the Series. All voting rights of the separate accounts as shareholders are passed through to the variable contract owners. Shareholders of all series of the Trust currently vote on the election of Trustees and other matters. On matters affecting an individual series such as the Series (such as approval of an advisory or subadvisory agreement or a change in fundamental investment policies), a separate vote of that series is required. The Trust is not required to hold annual shareholder meetings.

Series shares attributable to any insurance company assets and Series shares for which no timely instructions from variable contract owners are received will be voted by the appropriate insurance company in the same proportion as those shares for which instructions are received.

The assets received by the Trust for the issue or sale of shares of the Series, and all income, earnings, profits and proceeds thereof, subject only to the rights of creditors, are allocated to the Series, and constitute the underlying assets of the Series. The underlying assets of the Series are required to be segregated on the books of account, and are to be charged with the expenses of the Series and with a share of the general expenses of the Trust. Any general expenses of the Trust not readily identifiable as belonging to a particular series shall be allocated by or under the direction of the Trustees in such manner as the Trustees determine to be fair and equitable.

## **Taxes**

The Trust intends for the Series to qualify as a regulated investment company (“RIC”) by satisfying the requirements under Subchapter M of the Internal Revenue Code of 1986, as amended (the “Code”), including requirements with respect to diversification of assets, distribution of income, and sources of income. In general, a series that qualifies as a RIC will be relieved of Federal income tax on its net investment income and net capital gains distributed to its shareholders. In addition, the Trust intends for the Series to comply with the investment diversification requirements for variable contracts contained in the Code. Moreover, the Trust intends to distribute sufficient net investment income and net capital gains of the Series to avoid imposition of any Federal excise tax.

Accordingly, the Trust intends that, at the close of each quarter of the taxable year, (i) not more than 25% of the market value of the Series’ total assets will be invested in the securities of a single issuer and (ii) with respect to 50% of the market value of the Series’ total assets, not more than 5% of the market value of the Series’ total assets will be invested in the securities of a single issuer and the Series will not own more than 10% of the outstanding voting securities of a single issuer.

Actual and deemed distributions of ordinary income and net capital gains generally are taxable to the Series’ shareholders, which in this case are the separate accounts. Because the sole shareholders of the Series will be the separate accounts, no discussion is included in this prospectus as to the Federal income tax consequences at the shareholder level. For information concerning the Federal income tax consequences to purchasers of the variable contracts, please see the variable contract prospectuses.

## **Disruptive Trading and Market Timing**

As an investment vehicle for variable contracts, which are designed as long-term investments, the Series is not appropriate for “market timing” or other trading strategies that entail rapid or frequent investment and trading. Frequent purchases, redemptions and transfers, transfers into and then out of the Series in a short period of time, and transfers of large amounts at one time may be indicative of market timing and otherwise disruptive trading (“Disruptive Trading”), which can have risks and harmful effects for other investors. These risks and harmful effects include:

- dilution of the interests of long-term investors, if market timers or others transfer into a fund at prices that are below the true value or exchange out of the Series at prices that are higher than the true value;
- an adverse effect on portfolio management, such as causing the Series to maintain a higher level of cash than would otherwise be the case, or causing the Series to liquidate investments prematurely; and
- increased brokerage and administrative expenses.

Because the Series invests primarily in small-cap securities, it may be more susceptible to arbitrage opportunities because of the less liquid nature of small-cap securities.

For example, mutual funds that invest primarily in international securities may be more susceptible to pricing arbitrage opportunities because of time zone differences between the closing of international and domestic markets. Funds that invest primarily in small and mid-cap securities may be more susceptible to arbitrage opportunities because of the less liquid nature of small and mid-cap securities. To the extent that the Series investors in these types of securities, it may be more susceptible to the tasks of Disruptive Trading.

In order to attempt to protect Trust investors, the Trust’s Board of Trustees has adopted market timing policies reasonably designed to discourage Disruptive Trading. The Trust reserves the right to amend these policies at any time without prior notice. Because the record owners of the Series are the insurance companies and not the variable contract owners, the Trust is not ordinarily in a position to monitor for or uncover Disruptive Trading by variable contract

owners. Therefore, under the Trust's policies, the Trust delegates to each insurance company the duty to establish and maintain policies and procedures designed to detect, monitor and deter (including, without limitation, by rejecting specific purchase orders) investors (or their agents) whose purchase and redemption activity follows a Disruptive Trading pattern, and to take such other actions as the insurance company may deem necessary to discourage or reduce Disruptive Trading activities. An insurance company may only modify such policies and procedures if it provides reasonable notice to the Trust and the Trust's Chief Compliance Officer. Please see your variable contract prospectus for information relating to applicable restrictions on purchases or transfers through your variable contract.

The Trust may also take certain actions to stop Disruptive Trading, including imposing redemption fees for the Series and ceasing sales of additional shares of the Series to a separate account through which variable contract owners are engaging in Disruptive Trading. Because the Trust reserves discretion in applying these policies, they may not be applied uniformly. In addition, the Trust, as required under SEC regulations, has entered into an agreement with each insurance company under which the insurance companies have agreed to provide the Trust or its designee with information about variable contract owner transactions in the Series upon request. Although the Trust will endeavor to ensure that each insurance company can and does identify and deter Disruptive Trading by its variable contract owners, the Trust cannot control their efforts or guarantee their success at deterrence. In addition, the Trust cannot guarantee that monitoring by the insurance companies and the Trust will be 100% successful in detecting all Disruptive Trading activity. Consequently, there is a risk that some investors could engage in Disruptive Trading while others will bear the effects of their Disruptive Trading activities.

### **Portfolio Holdings**

A description of the Trust's policies and procedures with respect to the disclosure of the Series' portfolio securities is available in the SAI.

## **Investing in the Series**

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Shares of the Series are not available to the public directly. You may invest in the Series by buying a variable accumulation annuity contract or a variable universal life insurance policy from an insurance company and directing the allocation of the net purchase payment(s) to the investment option corresponding to the Series. The appropriate insurance company will, in turn, invest payments in shares of the Series as the investor directs at the net asset value next determined.

### **Sales Charge and Surrender Charges**

The Series does not assess any sales charge, either when it sells or when it redeems securities. The sales charges that may be assessed under the variable contracts or policies are described in the variable contract prospectuses, as are other charges.

### **Determination of Net Asset Value**

The net asset value ("NAV") per share of the Series is determined as of the close of regular trading of the New York Stock Exchange ("NYSE") on days when the NYSE is open for trading. Since the Series does not price securities on weekends or United States national holidays, but foreign markets may be open on these days, the value of any foreign assets of the Series and, therefore, the Series' NAV may be significantly affected on days when an investor has no access to the Series. The NAV per share of the Series is determined by adding the values of all securities and other assets of the Series, subtracting liabilities and dividing by the total number of outstanding shares of the Series. Assets and liabilities are determined in accordance with generally accepted accounting principles and applicable rules and regulations of the SEC.

*Assets:* Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are principally traded or, if no closing price is available or there had been no sale that day, at the last bid price. Debt securities are valued on the basis of broker quotations or valuations provided by a pricing service which utilizes information with respect to recent sales, market transactions in comparable securities, quotations from dealers, and various relationships between securities in determining value. Short-term investments having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market value. Shares of other investment

companies are valued at their respective NAVs. All other securities and assets are valued at their fair value as determined in good faith by or under the direction of the Trustees. Other assets, such as accrued interest, accrued dividends and cash are also included in determining the Series' NAV.

A security that is listed or traded on more than one exchange is valued at the quotation on the exchange determined to be the primary exchange for such security by the Trustees or their delegates. Because of the need to obtain prices as of the close of trading on exchanges throughout the world, the calculation of the net asset value of the Series may not take place contemporaneously with the determination of the prices of certain portfolio securities of the Series. All assets and liabilities initially expressed in foreign currency values will be converted into United States dollar values using the foreign currency exchange rate of such currencies against United States dollars as last quoted by any recognized dealer. If an event were to occur after the value of an investment was so established but before the net asset value per share was determined, which was likely to materially change the NAV, then the instrument would be valued using fair value considerations by the Board or its delegates.

*Liabilities:* Accrued liabilities for the Series-specific expenses (if any) and other liabilities are deducted from the assets of the Series. Accrued expenses and liabilities that are not Series-specific are allocated among the series in proportion to each series' net assets except where an alternative allocation can be more appropriately made.

### **Fair Valuation**

If market quotations are not readily available or where available prices are not reliable, the Series determines a "fair value" for an investment according to rules and procedures approved by the Board. The types of assets for which such pricing might be required include: (i) securities whose trading has been suspended; (ii) securities where the trading market is unusually thin or trades have been infrequent; (iii) debt securities that have recently gone into default and for which there is no current market quotation; (iv) a security whose market price is not available from an independent pricing source and for which otherwise reliable quotes are not available; (v) securities of an issuer that has entered into a restructuring; (vi) a security whose price as provided by any pricing source, does not, in the opinion of the adviser/subadviser, reflect the security's market value; (vii) foreign securities subject to trading collars for which limited or no trading takes place; and (viii) securities where the market quotations are not readily available as a result of "significant" events. This list does not include all situations that may require a security to be fair valued, nor is it intended to be conclusive in determining whether a specific event requires fair valuation.

The value of a portfolio security held by the Series for which market quotations are not readily available shall be determined in good faith and in a manner that assesses the security's "fair value" on the valuation date (*i.e.*, the amount that the Series might reasonably expect to receive for the security upon its current sale), based on a consideration of all available facts and all available information, including, but not limited to, the following: (i) the fundamental analytical data relating to the investment; (ii) an evaluation of the forces which influence the market in which these securities are purchased and sold (*e.g.*, the existence of merger proposals or tender offers that might affect the value of the security); (iii) price quotes from dealers and/or pricing services; (iv) an analysis of the issuer's financial statements; (v) trading volume on markets, exchanges or among dealers; (vi) recent news about the security or issuer; (vii) changes in interest rates; (viii) information obtained from the issuer, analysts, other financial institutions and/or the appropriate stock exchange (for exchange traded securities); (ix) whether two or more dealers with whom the adviser regularly effects trades are willing to purchase or sell the security at comparable prices; (x) other news events or relevant matters; and (xi) government (domestic or foreign) actions or pronouncements.

Certain foreign common stocks may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time of closing of the foreign market where the security is principally traded and the time that the Series calculates its NAV (generally, the close of the NYSE) that may impact the value of securities traded in these foreign markets. In such cases, information from an external vendor may be utilized to adjust closing market prices of certain foreign common stocks to reflect their fair value. Because the frequency of significant events is not predictable, fair valuation of certain foreign common stocks may occur on a frequent basis.

The value of a security, as determined using the Series' fair valuation procedures, may not reflect such security's market value.

## Financial Highlights

The financial highlights table provided below is intended to help you understand the Series' financial performance for the past five years. Certain information reflects financial results for a single share. The total returns in the table represent the rate that an investor would have earned (or lost) on an investment in the Series (assuming reinvestment of all dividends and distributions). These figures do not include the imposition of separate account fees or expenses. If such fees or expenses were reflected, performance would be lower. This information has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm for the Series. Their report and the Series' financial statements are included in the Series' annual report to shareholders and incorporated by reference in the SAI.

### Virtus Small-Cap Value Series

	01/01/11 to 12/31/11	01/01/10 to 12/31/10	01/01/09 to 12/31/09	01/01/08 to 12/31/08	01/01/07 to 12/31/07
Net Asset Value, Beginning of Period	\$ 12.33	\$ 10.55	\$ 8.77	\$ 14.46	\$ 17.03
Net Investment Income (Loss) <sup>(1)</sup>	0.12	0.15	0.01	0.04	— <sup>(2)</sup>
Net Realized and Unrealized Gain (Loss)	0.48	1.69	1.81	(5.42)	(0.30)
<b>Total from Investment Operations</b>	<b>0.60</b>	<b>1.84</b>	<b>1.82</b>	<b>(5.38)</b>	<b>(0.30)</b>
Dividends from Net Investment Income	(0.10)	(0.06)	(0.04)	(0.01)	—
Distributions from Net Realized Gains	(0.84)	—	—	(0.30)	(2.27)
<b>Total Distributions</b>	<b>(0.94)</b>	<b>(0.06)</b>	<b>(0.04)</b>	<b>(0.31)</b>	<b>(2.27)</b>
<b>Change in Net Asset Value</b>	<b>(0.34)</b>	<b>1.78</b>	<b>1.78</b>	<b>(5.69)</b>	<b>(2.57)</b>
<b>Net Asset Value, End of Period</b>	<b>\$ 11.99</b>	<b>\$ 12.33</b>	<b>\$ 10.55</b>	<b>\$ 8.77</b>	<b>\$ 14.46</b>
Total Return <sup>(3)</sup>	4.54%	17.40%	20.90%	(37.91)%	(2.10)%
Net Assets, End of Period (in thousands)	\$129,907	\$151,281	\$38,421	\$38,012	\$73,242
Ratio of Net Operating Expenses to Average Net Assets <sup>(4)</sup>	1.30%	1.30%	1.30%	1.30%	1.30%
Ratio of Gross Operating Expenses to Average Net Assets (before Waivers and Reimbursements) <sup>(4)</sup>	1.36%	1.41%	1.51%	1.38%	1.31%
Ratio of Net Investment Income to Average Net Assets	0.95%	1.34%	0.14%	0.33%	(0.03)%
Portfolio Turnover Rate	22%	69%	153%	50%	32%

#### Footnote Legend:

<sup>(1)</sup> Computed using average shares outstanding.

<sup>(2)</sup> Amount is less than \$0.005.

<sup>(3)</sup> The total return does not include the expenses associated with the annuity or life insurance policy through which you invest.

<sup>(4)</sup> The Series will also indirectly bear its prorated share of expenses of the underlying funds in which it invests. Such expenses are not included in the calculation of this ratio.



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## **ADDITIONAL INFORMATION**

You can find more information about the Series in the following documents:

### **Annual and Semiannual Reports**

Annual and semiannual reports contain more information about the Series' investments. The annual report discusses the market conditions and investment strategies that significantly affected the Series' performance during the last fiscal year.

### **Statement of Additional Information (SAI)**

The SAI contains more detailed information about the Series. It is incorporated by reference and is legally part of the prospectus.

To obtain free copies of these documents, you can download copies from the Institutional Investors section of our Web site, *virtus.com*, or you can request copies by calling us toll-free at 1-800-367-5877.

Information about the Series (including the SAI) can be reviewed and copied at the Securities and Exchange Commission's (SEC) Public Reference Room in Washington, DC. For information about the operation of the Public Reference Room, call 1-202-551-8090. This information is also available on the SEC's Internet site at *sec.gov*. You may also obtain copies upon payment of a duplicating fee by writing the Public Reference Section of the SEC, Washington, DC 20549-6009 or by electronic request at *publicinfo@sec.gov*.

Virtus Customer Service: 1-800-367-5877