



## Fund Information

### Symbol and CUSIP

A shares	HXBZX	(92828W312)
C shares	PXCZX	(92828W296)
I shares	HXBIX	(92828W288)

### Investment Adviser

Virtus Investment Advisers, Inc.

### Investment Subadviser

Newfleet Asset Management, LLC

<b>AUM (\$ millions)</b>	168.4
<b>Number of Holdings</b>	158
<b>Dividends</b>	Daily

## Investment Professionals

Tim Heaney, CFA

Industry start date: 1990

Start date with Fund: 2012

Lisa Leonard

Industry start date: 1986

Start date with Fund: 2012

## INVESTMENT OPPORTUNITY

The Fund looks to generate high current income exempt from federal income tax by investing in a diversified portfolio of municipal bonds with varying maturities.

The management team focuses on high quality tax-exempt municipal bonds, gauging the value of a security by issue type, credit quality, and bond structure.

Issuers are selected based on sector (utility, healthcare, transportation, etc.), and the geographic opportunity presented by areas and regions that are experiencing economic stability.

SEC Yield 2.48%

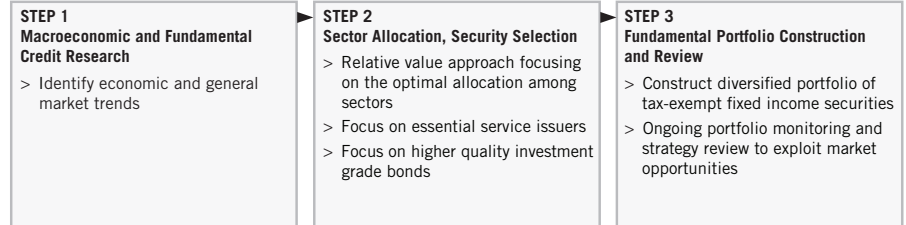
**SEC Yield** (Class A share only) represents net investment income earned by a portfolio over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. All performance figures reflect a partial waiver of fees where applicable. Without the partial waiver of fees, the performance figures would be lower. The SEC Yield would have been 2.32%.

Effective May 8, 2017 this fund changed its name from the Virtus Tax-Exempt Bond Fund.

## Muni National Intern

Overall Morningstar Rating™ Based on risk adjusted returns as of 6/30/17. Rating out of 263 Funds.

## Investment Process



## Average Annual Total Returns Class A as of 06/30/2017 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 1/30/2001
NAV	1.67	3.08	-0.57	2.51	2.46	4.35	4.59
POP	-1.13	0.24	-3.30	1.56	1.89	4.06	4.41
Index	1.72	3.11	-0.22	2.91	2.93	4.43	4.64

The fund class gross expense ratio is 1.01%. The net expense ratio is 0.85%, which reflects a contractual expense reimbursement in effect through 4/30/2018.

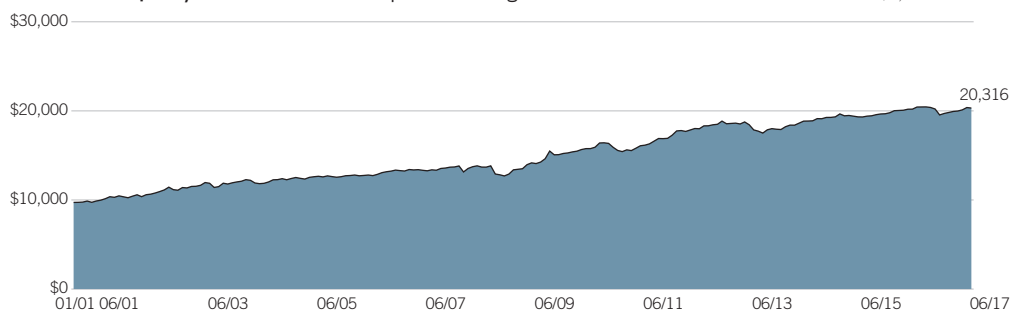
Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Net Asset Value (NAV) returns do not reflect the deduction of any sales charges. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge of 2.75%. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid.

## Annual Performance Class A at NAV in percent

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund	3.09	-5.85	17.96	2.23	10.98	7.45	-3.48	7.94	2.39	-0.41
Index	3.36	-2.47	12.91	2.38	10.70	6.25	-1.54	7.46	3.07	0.24

## Growth of \$10,000 Class A for the period ending 06/30/2017

Actual initial investment \$9,725



This chart assumes an initial investment of \$10,000 made on Jan 30, 2001 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](http://Virtus.com) for performance data current to the most recent month-end.

Index: The Tax-Exempt Bond Linked Benchmark consists of the BofA Merrill Lynch 1-22 Year US Municipal Securities Index, a subset of the BofA Merrill Lynch US Municipal Securities Index including all securities with a remaining term to final maturity less than 22 years, calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Tax-Exempt Bond Linked Benchmark prior to 6/30/2012 is that of the Bloomberg Barclays Municipal Bond Index.

Top Ten States	% Invested Assets	Ratings Distribution	% Fund
New York	12.63	Aaa	11.43
Texas	9.27	Aa	39.18
Florida	8.91	A	32.45
Illinois	8.27	Baa	10.37
Colorado	6.93	Ba	0.68
California	6.33	B	0.58
Arizona	5.19	Caa	0.00
Pennsylvania	4.67	Ca	0.00
New Jersey	4.52	C	0.00
Georgia	3.42	D	0.00
		Not Rated	5.31

Sector Allocations	% Fund
Prerefunded / Escrowed to Maturity	13.72
Water & Sewer	12.88
Transportation	11.79
Hospital	9.84
Education	8.65
Miscellaneous Revenue	7.92
Leasing	6.66
Special Tax	6.24
State General Obligation	4.53
Electric	4.43
Airport Revenue	3.96
Cash	2.84
Local General Obligation	2.28
Housing	1.78
Tax Allocation	1.46
Tobacco Asset-Backed	0.71
Industrial Development / Pollution Control	0.29

Weightings are subject to change.

### Investment Manager of the Fund

Newfleet leverages the knowledge and skill of a team of investment professionals with expertise in every sector of the bond market, including evolving, specialized, and out-of-favor sectors. The team employs active sector rotation and disciplined risk management to portfolio construction.

**Morningstar** For the 3-, 5- and 10-year periods, respectively, the Fund was rated 3, 3, and 4 stars among 263, 227, and 154 funds in the Muni National Intern category for the time period ending 06/30/2017.

**Morningstar Rating™** for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

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### IMPORTANT RISK CONSIDERATIONS:

**Credit & Interest:** Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Municipal Market:** Events negatively impacting a municipal security, or the municipal bond market in general, may cause the fund to decrease in value. **State & AMT Tax:** A portion of income may be subject to some state and/or local taxes and, for certain investors, a portion may be subject to the federal alternative minimum tax. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities. **Prospectus:** For additional information on risks, please see the fund's prospectus.

### RATINGS DISTRIBUTION METHODOLOGY:

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government debt issues. The ratings apply to the fund's holdings and not the fund itself. The higher of the ratings between Moody's, Standard & Poor's and Fitch is used. If one of the three agencies does not have a rating, the higher of the other two ratings is used. If only one agency has rated the bond, the rating from that agency is used. If none of the three agencies have rated the bond the bond is placed in the Not Rated category. Credit ratings are subject to change. Aaa, Aa, A, and Baa are investment grade ratings; Ba, B, Caa, Ca, C and D are below-investment grade ratings.

Characteristics	Fund
Duration	5.44 years
Standard Deviation	2.87

### GLOSSARY

**Duration:** Represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price.

**Standard Deviation** (3 year) measures variability of returns around the average return for an investment fund. Higher standard deviation suggests greater risk.

Income Paid Monthly:	NAV at Month-End	
April	\$0.023050	11.21
May	\$0.025612	11.33
June	\$0.027324	11.27