

Fund Information

Symbol and CUSIP

A shares PHBLX (92828N403)
C shares PSBCX (92828N601)

Investment Adviser

Virtus Investment Advisers, Inc.

Investment Subadviser

Kayne Anderson Rudnick Investment Management, LLC
Duff & Phelps Investment Management Co.
Newfleet Asset Management, LLC

AUM (\$ millions) 480.5
Number of Holdings 475
Dividends Quarterly

Investment Professionals

Douglas S. Foreman, CFA
Industry start date: 1989
Start date with Fund: 2016

Frederick A. Brimberg
Industry start date: 1979
Start date with Fund: 2012

David L. Albrycht, CFA
Industry start date: 1985
Start date with Fund: 2012

Stephen H. Hooker, CFA
Industry start date: 1993
Start date with Fund: 2017

INVESTMENT OPPORTUNITY

Invested in approximately 45% U.S. equity, 15% non-U.S. equity, and 40% fixed income, this portfolio may be suitable for investors who want income and growth from one fund.

The U.S. equity allocation emphasizes companies with a competitive advantage, strong management, and low financial risk that are able to grow over market cycles, despite their discounted valuations.

The non-U.S. equity allocation employs bottom-up fundamental analysis along with top-down macro views to identify the best investment opportunities.

The fixed income manager employs a time tested approach of active sector rotation, extensive credit research, and disciplined risk management designed to capitalize on opportunities across undervalued areas of the fixed income markets.

Investment Process

| U.S. Equity Portfolio Construction | Non-U.S. Equity Portfolio Construction | Fixed Income Portfolio Construction |
|--|---|---|
| STEP 1 – Utilize a proprietary quantitative process to rank companies based on value and growth criteria STEP 2 – Perform a risk/return analysis STEP 3 – Identify attractive securities for inclusion in the portfolio – Overweight undervalued securities and sectors | STEP 1 – Conduct fundamental, bottom-up research on individual companies STEP 2 – Evaluate macroeconomic environment factors STEP 3 – Apply Cash Flow Return on Capital approach to security valuation | STEP 1 – Sector Analysis and Allocations – Top-down, relative value approach that looks at yield and spreads; supply and demand; investment environment; and sector fundamentals STEP 2 – Issue Selection – Bottom-up, fundamental analysis with a focus on valuations STEP 3 – Portfolio Construction – Overweight undervalued securities and sectors – Duration neutral strategy |

Average Annual Total Returns Class A as of 09/30/2017 in percent

| | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception 12/31/1975 |
|-------|-------|-------|--------|--------|--------|---------|----------------------------|
| NAV | 4.63 | 16.02 | 12.09 | 4.10 | 6.23 | 4.61 | 9.92 |
| POP | -1.39 | 9.35 | 5.65 | 2.06 | 4.98 | 4.00 | 9.76 |
| Index | 3.79 | 13.31 | 12.37 | 8.12 | 9.62 | 6.61 | 10.18 |

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.

The fund class gross expense ratio is 1.15% and reflects the direct and indirect expenses paid by the Fund.

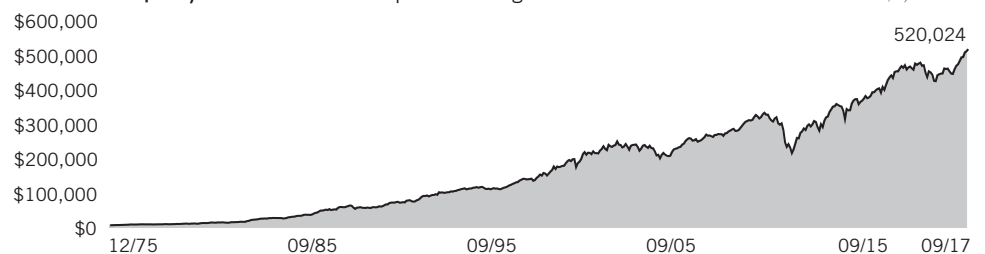
The gross expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 1.14%.

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 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 | 5.88 | -25.84 | 23.38 | 11.82 | 1.48 | 12.09 | 15.44 | 4.67 | -3.99 | 0.45 |
| Index | 6.22 | -22.06 | 18.40 | 12.13 | 4.69 | 11.31 | 17.56 | 10.62 | 1.28 | 6.23 |

Growth of \$10,000 Class A for the period ending 09/30/2017 Actual initial investment \$9,425



An investment of \$10,000 made on 12/31/1975 would be worth \$520,023.78 on 9/30/2017, assuming no front end sales charges. If the front end sales charge of 5.75% had been applied, the investment would be worth \$490,122.42.

Index: The Strategic Allocation Fund Linked Benchmark consists of 45% 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, calculated on a total return basis with dividends reinvested), 15% MSCI EAFE® Index (a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada, calculated on a total return basis with net dividends reinvested), and 40% Bloomberg Barclays U.S. Aggregate Bond Index (an index that measures the U.S. investment grade fixed rate bond market, 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 Strategic Allocation Fund Linked Benchmark prior to 9/7/2016 represents an allocation consisting of 60% S&P 500® Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

| Top Ten Holdings | % Fund |
|--|--------|
| Facebook, Inc. Class A | 4.74 |
| Alibaba Group Holding Ltd. Sponsored ADR | 3.13 |
| Amazon.com, Inc. | 2.01 |
| Visa Inc. Class A | 1.91 |
| Celgene Corporation | 1.77 |
| Monster Beverage Corporation | 1.75 |
| U.S. Treasury Bond, 2.5% 02/15/2046 | 1.62 |
| NVIDIA Corporation | 1.58 |
| Priceline Group Inc | 1.57 |
| Amphenol Corporation Class A | 1.51 |

| Characteristics | Fund |
|----------------------------------|----------|
| Average Weighted Market Cap (bn) | \$139.48 |
| Median Market Cap (bn) | \$33.98 |
| Trailing P/E | 25.93x |
| Price-to-Cash Flow | 25.50 |
| Price-to-Book Value | 5.45 |
| 3-Year EPS Growth Rate | 20.13 |

GLOSSARY

R: A measurement of how closely a portfolio's performance correlates with the performance of a benchmark index.

Beta: A quantitative measure of the volatility of a given portfolio to the overall market. Higher beta suggests higher volatility.

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

Trailing P/E: Per-share stock price divided by the latest 12-months earnings per share.

Price/Cash Flow: Per-share stock price divided by the per-share operating cash flow.

Price/Book: Per-share stock price divided by the latest 12-month per-share book value.

3-Year EPS Growth Rate: Average of earnings per share growth for latest 3-year period. The 3-Year EPS Growth Rate is not a forecast of the portfolio's performance.

Alpha: A measure of performance on a risk-adjusted basis.

Sharpe Ratio: A statistic that measures the efficiency, or excess return per unit of risk, of a manager's returns. It is calculated by taking the portfolio's annualized return, minus the annualized risk-free rate (typically the 30-Day T-Bill return), divided by the portfolio's annualized standard deviation. The greater the Sharpe Ratio, the better the portfolio's risk adjusted return.

| Sector Allocations | % Equity |
|----------------------------|----------|
| Information Technology | 35.09 |
| Consumer Discretionary | 20.52 |
| Financials | 10.13 |
| Health Care | 10.08 |
| Industrials | 7.51 |
| Consumer Staples | 6.59 |
| Energy | 4.04 |
| Materials | 3.94 |
| Real Estate | 0.87 |
| Utilities | 0.65 |
| Telecommunication Services | 0.58 |

| Sector Allocations | % Fixed |
|------------------------------|---------|
| Corporate - High Quality | 39.83 |
| Corporate - High Yield | 12.40 |
| Non-Agency Residential MBS | 8.96 |
| Asset Backed Securities | 7.77 |
| Mortgage Backed Securities | 7.56 |
| Treasury | 4.96 |
| Bank Loans | 4.22 |
| Emerging Market - High Yield | 3.22 |
| Yankee - High Quality | 2.48 |
| Non-Agency Commercial MBS | 2.33 |
| Cash | 2.05 |
| Equity | 1.63 |
| Taxable Municipals | 1.53 |
| Municipals | 1.06 |

Risk Statistics

| Class A 3-Year | Fund | Index |
|--------------------|-------|-------|
| R ² | 0.88 | 1.00 |
| Beta | 1.09 | 1.00 |
| Standard Deviation | 7.02 | 6.06 |
| Alpha | -4.43 | 0.00 |
| Sharpe Ratio | 0.54 | 1.29 |

Holdings and Sector weightings are subject to change.

IMPORTANT RISK CONSIDERATIONS:

Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **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. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **Allocation:** The fund's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets. **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.

Effective September 7, 2016, Kayne Anderson Rudnick became the subadviser to the domestic equity portion of the Fund. Performance and characteristics of the domestic equity portion prior to that date were attained by the previous manager. Concurrently, the subadviser of the international equity portion of the Fund transitioned to Duff & Phelps Investment Management Co. There was no change to the portfolio manager or the investment approach. Prior to October 11, 2016, the fund's name was Virtus Balanced Fund.

Investment Manager of the Fund

Kayne Anderson Rudnick (domestic equity) invests in a select group of large-cap growth companies believed to be undervalued relative to their future growth potential. Duff & Phelps (international equity) manages a high-conviction core portfolio where stock selection is informed by a forward looking analysis of cash flow return on invested capital. Newfleet Asset Management 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.

Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit Virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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