

## Virtus Ceredex Large-Cap Value Equity Fund

A: SVIIX (92837F524) | C: SVIFX (92837F516) | I: STVTX (92837F490) | R6: STVZX (92837F482)

### MARKET REVIEW

After a choppy start, U.S. value stocks rebounded strongly in the fourth quarter, lifted higher by a sharp reversal in market sentiment that sparked a broad-based “everything” rally with notable gains across almost all major asset classes.

Encouraging inflation data and easing financial conditions prompted by declines in U.S. Treasury yields, oil prices, and the U.S. dollar—all tumbling from last quarter’s highs—provided significant tailwinds for stock and bond markets. Late-quarter indications that the Federal Reserve (Fed) may cut interest rates sooner than expected, as well as growing signs that it may be achieving a much-hoped-for soft landing for the still-robust U.S. economy, added to the positive momentum.

Against this favorable backdrop, the Russell 1000® Value Index rose 9.50% for the quarter. More than half of the Index’s sectors delivered double-digit gains, with the largest in real estate (+17.17%), financials (+15.66%), and information technology (+14.10%). Energy (-6.93%) was the only sector to move lower.

### PERFORMANCE

The Virtus Ceredex Large-Cap Value Equity Fund gained 13.10% (Class I) for the quarter, while the Russell 1000 Value Index rose 9.50%. Stock selection in the information technology, financials, consumer staples, and materials sectors contributed the most to performance. Stock selection in healthcare detracted the most from returns.

Intel and Qualcomm were among the strongest stock contributors.

- > Semiconductor company Intel outperformed on higher-than-expected earnings and an upbeat revenue outlook. The company has undergone a promising turnaround driven by renewed and refocused research and development efforts, a more competitive product line, and an improving computer market. We trimmed the position but continued to hold the stock on its strengthening fundamentals.
- > Semiconductor company Qualcomm also rose after topping earnings estimates and raising its forward-looking guidance. We trimmed the position but continued to hold the stock. We expect the benefit from the stabilizing smartphone market to extend and the added catalyst of artificial intelligence (AI) to help further increase demand for device upgrades.

Chesapeake Energy and Baker Hughes were among the largest stock detractors.

- > Energy exploration and production company Chesapeake Energy underperformed due to broad sector weakness. We held steady with the stock as the long-term prospects for the gas market appear to remain favorable.

- > Oil field services companies Baker Hughes lagged on general profit taking. The stock has been a strong performer for the portfolio, and we exited the position, as it had become fully valued, in our opinion.

### PORTFOLIO CHANGES

We established new positions in Deere & Company and Zimmer Biomet Holdings. In addition to Baker Hughes (discussed above), exits included Emerson Electric and Parker Hannifin.

- > After an expectations reset provided an attractive entry point, we purchased heavy equipment manufacturer Deere & Company, which offers strong, secular growth potential and an impressive data moat built on decades of agriculture industry experience.
- > We purchased medical device firm Zimmer Biomet Holdings, which appeared to be oversold.
- > We sold technology and engineering firm Emerson Electric and motion and control technologies firm Parker Hannifin as the stocks reached our price targets.

### OUTLOOK

With market valuations back at historically high levels and investors pricing in not only a soft landing but rate cuts as well, we think it is important to keep current euphoria in broader context. In essence, U.S. stocks are coming off two years of net-flat cumulative performance and continue to face considerable macro-driven uncertainty. While inflation has certainly improved, the largely resilient U.S. economy—supported by a still-sturdy labor market and healthy consumer spending—appears to offer the Fed plenty of cover to stay the course for the time being. This is likely to disappoint current expectations for aggressive monetary loosening beginning as early as March. Add in ongoing roller-coaster shifts in investor sentiment, elevated geopolitical risks, and what probably will be a very contentious election year, and there is plenty to be cautious about.

Given all of this, we are leaning even more into our fundamental company research. The fact is that many of the traditional heuristics historically used to help shape broader economic forecasting have broken down following the global financial crisis and pandemic. Consider data points like the inverted yield curve and tightening lending standards, which seem to indicate that a recession is coming. In this type of environment, we believe it is increasingly the stock-specific insights and opportunities that offer the most compelling potential, and at this point in the cycle, we remain very confident in our current portfolio holdings’ abilities to deliver the potential for outperformance.

## INVESTMENT ADVISER

Virtus Fund Advisers, LLC

## INVESTMENT SUBADVISER

Ceredex Value Advisors LLC

## PORTFOLIO MANAGERS



**Mills Riddick, CFA**

Industry start date: 1982  
Start date as Fund Portfolio Manager: 1995



**Jennifer Graff, CFA**

Industry start date: 2001  
Start date as Fund Portfolio Manager: 2021

## TOP TEN HOLDINGS

% Fund

Intel Corp.	2.96
Marvell Technology Inc.	2.91
Honeywell International Inc.	2.83
QUALCOMM Inc.	2.81
Chevron Corp.	2.67
PPL Corp.	2.63
Danaher Corp.	2.62
U.S. Bancorp	2.61
Revvity Inc.	2.58
EOG Resources Inc.	2.49

Holdings are subject to change.

## AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (02/12/93)
Fund Class I	13.10	14.87	14.87	7.39	10.97	7.92	9.07
Index	9.50	11.46	11.46	8.86	10.91	8.40	9.38

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [virtus.com](http://virtus.com) for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See [virtus.com](http://virtus.com) for details.

The fund class gross expense ratio is 1.06%. The net expense ratio is 0.97%, which reflects a contractual expense reimbursement in effect through 4/30/2024.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

Index: The **Russell 1000® Value Index** is 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. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

## TOP FIVE CONTRIBUTORS % Contribution

Intel Corp.	1.17
QUALCOMM Inc.	0.83
U.S. Bancorp	0.73
Equifax Inc.	0.66
Crown Castle Inc.	0.62

## TOP FIVE DETRACTORS % Contribution

Chesapeake Energy Corp.	-0.26
Baker Hughes Co.	-0.15
Hess Corp.	-0.14
Humana Inc.	-0.14
Emerson Electric Co.	-0.10

% Contribution: Absolute weighted contribution.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

**Notes on Risk: 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, medium, or large-sized companies may enhance that risk. **Value Stocks:** Value stocks are subject to the risk that the broad market may not recognize their intrinsic value. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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**Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit [virtus.com](http://virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.**

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