

Virtus Ceredex Mid-Cap Value Equity Fund

A: SAMVX (92837F474) | C: SMVFX (92837F466) | I: SMVTX (92837F458) | R6: SMVZX (92837F441)

MARKET REVIEW

U.S. mid-cap value stocks continued to deliver solid gains in the first quarter, though lagging growth counterparts. The Russell Midcap® Value Index rose 8.23%, with the strongest sector performance in industrials (+14.85%), energy (+13.96%), and financials (+12.01%). Communication services (-5.09%) and real estate (-0.59%) were the only sectors to move lower.

Momentum continued to drive the market, but outperformance largely shifted to higher-quality stocks in contrast to last quarter's risk-on "everything rally" that was led by lower-quality names.

The start of 2024 felt a lot like 2023, as the market continued to be characterized by notable swings in investment sentiment. Investors entered the period excited about moderating inflation, easing financial conditions, a resilient economic picture, and anticipation that the Federal Reserve (Fed) would soon start cutting interest rates. As the quarter progressed, hotter-than-expected inflation readings began to temper expectations around when the Fed might actually start its pivot, particularly since there appeared to be no real urgency to do so given the still-healthy economy and labor market.

PERFORMANCE

The Ceredex Mid-Cap Value Equity Fund gained 9.24% (Class I) for the quarter, versus the Russell Midcap Value Index's rise of 8.23%. Information technology, consumer staples, and financials stock selection and a zero-weight communication services position added the most to performance. Healthcare and real estate stock selection weighed the most on returns.

Dell Technologies and Marvell Technology were among the strongest stock contributors in the quarter.

- > Computer hardware company Dell Technologies outperformed on higher-than-expected revenue, driven by rebounding demand and booming interest in artificial intelligence (AI) solutions, including a strong jump in AI-optimized server orders. We exited the position after the stock reached our price target.
- > Semiconductor company Marvell Technology rose on AI excitement around its 800 Gbps offering. The stock can be volatile, and we took advantage of down days to add to the position given the company's product innovation, which we believe should help it capitalize on a new major market in AI.

Humana and Americold Realty Trust were among the largest stock detractors in the quarter.

- > Health insurance company Humana continued to lag on disappointing earnings and higher medical costs that have weighed on the entire industry. Performance also was pressured by the U.S. government's surprisingly aggressive Medicare Advantage pricing. We continued to like both the industry and the company from a fundamentals perspective but are closely monitoring the position.

- > Temperature-controlled warehouses real estate investment trust (REIT) Americold Realty Trust underperformed on disappointing earnings and continued delays in restocking demand. We sold the stock as we saw stronger potential elsewhere.

PORTFOLIO CHANGES

New holdings included Delta Air Lines and Rockwell Automation. In addition to Dell Technologies and Americold Realty Trust (both discussed above), we exited Best Buy and Howmet Aerospace.

- > We purchased airline carrier Delta Air Lines after it appeared oversold on industry capacity concerns.
- > We bought industrial automation and technologies firm Rockwell Automation, which offers second derivative AI investment potential in areas such as earlier-stage AI reshoring opportunities.
- > We sold consumer electronics retailer Best Buy and advanced engineered solutions company Howmet Aerospace after they reached our price targets.

OUTLOOK

Our bottom-up research continues to identify companies with strong fundamentals and attractive investment potential. We also are generally not overly concerned with current market valuations, even after recent strong performance, though a major, destructive move in bond yields could change that view.

There are a range of potential wild cards that could quickly escalate market volatility: the U.S. election season is beginning to enter full swing, geopolitical risks remain high, and stickier inflation could easily delay investors' rate-cut hopes. Overall, however, we are largely encouraged by the economic and earnings picture we see looking ahead and continue to find opportunities across several key themes.

This includes the market's intense focus on short-term upward earnings revisions, which has provided several potentially attractive entry points for still fundamentally solid companies that have experienced valuation resets on missed expectations and lowered sentiment. Destocking, another key trend that has benefited the portfolio for some time, continues to unlock value potential, although it appears to not be offering as much benefit to end markets experiencing it. We also are leaning into areas of the market where recent momentum trades seem to be overlooking fundamentals. Additionally, the investment potential in AI remains potentially transformative, and we have been focusing on second derivative plays that may be less apparent to the market.

INVESTMENT ADVISER

Virtus Fund Advisers, LLC

INVESTMENT SUBADVISER

Ceredex Value Advisors LLC

PORTFOLIO MANAGERS



Don Wordell, CFA
Industry start date: 1996
Start date as Fund Portfolio Manager: 2001



Cody P. Smith, CFA
Industry start date: 2004
Start date as Fund Portfolio Manager: 2023

TOP TEN HOLDINGS

% Fund

Humana Inc.	3.27
First Citizens BancShares Inc./NC	3.16
Marvell Technology Inc.	2.71
Capital One Financial Corp.	2.68
Chesapeake Energy Corp.	2.60
Global Payments Inc.	2.52
Revvity Inc.	2.27
Microchip Technology Inc.	2.22
Ovintiv Inc.	2.10
Target Corp.	2.07

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

Dell Technologies Inc.	0.74
Marvell Technology Inc.	0.54
Vistra Corp.	0.50
Target Corp.	0.48
First Citizens BancShares Inc./NC	0.45

TOP FIVE DETRACTORS % Contribution

Humana Inc.	-0.82
Americold Realty Trust Inc.	-0.28
Power Integrations Inc.	-0.20
Air Products and Chemicals Inc.	-0.19
Extra Space Storage Inc.	-0.11

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (11/30/01)
Fund Class I	9.24	9.24	21.90	6.48	9.13	8.25	9.44
Index	8.23	8.23	20.40	6.80	9.94	8.57	9.91

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 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 for details.

The fund class gross expense ratio is 1.02%.

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 Midcap® Value Index** is a market capitalization-weighted index of medium-capitalization, value-oriented stocks of 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.

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 or medium-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.

The commentary is the opinion of the subadviser. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

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