

INVESTMENT OVERVIEW

The Fund seeks to generate attractive long-term total returns by searching for compelling investment opportunities in distressed, stressed, and performing credit. A disciplined, time-tested investment process invests across the capital structure and risk spectrum in high-yield bonds, bank loans, convertible bonds, and preferred stocks.

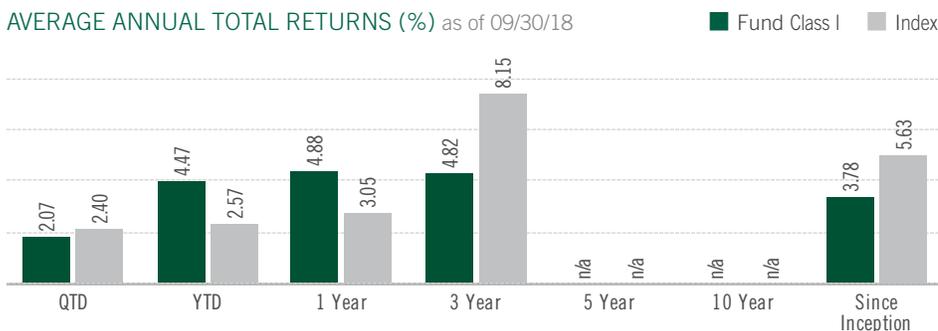
KEY FEATURES

High-Conviction Portfolio — An opportunistic, concentrated portfolio seeks to identify potential catalysts believed to have higher return potential than a stand-alone allocation to high yield bonds or bank loans

Extensive Fundamental Research — Evaluates intrinsic value of each underlying business and identifies the most attractive risk/reward opportunities in the capital structure

Rigorous Risk Management — Daily monitoring of any company changes and absolute and relative security valuations, with close attention to potential liquidity considerations

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/18



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.

Benchmark life performance is reported from 06/30/15.

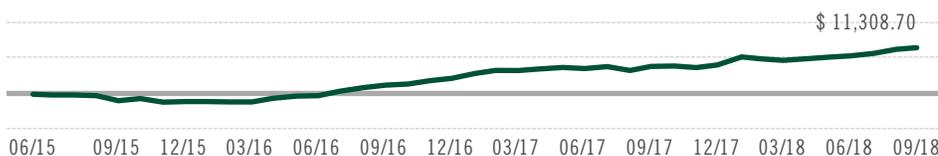
The fund class gross expense ratio is 1.38%. The net expense ratio is 1.14%, which reflects a contractual expense reimbursement in effect through 2/28/2019. This ratio reflects the direct and indirect expenses paid by the Fund. The net expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 1.11%.

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. Class I shares have no sales charges or distribution or service fees, therefore their returns do not reflect these expenses. Fees and expenses vary, and other share classes are subject to sales charges and fees. Class I shares are offered primarily to eligible institutional investors who purchase the minimum amounts required as described in the prospectus and may not be available to all investors. For fund performance on other share classes, please visit www.virtus.com.

ANNUAL PERFORMANCE (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fund	3.60	6.67	n/a							
Index	7.50	17.13	n/a							

GROWTH OF \$10,000



This chart assumes an initial investment of \$10,000 made on 6/5/2015. As of 9/28/2018 the fund value would have been \$11,308.70. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

FUND INFORMATION

	Ticker	CUSIP
A Shares	VCOAX	92835M760
C Shares	VCOCX	92835M752
I Shares	VCOIX	92835M745
R6 Shares	VRCOX	92835M737

Inception Date	06/05/15
AUM (\$ millions)	87.6
Number of Holdings	124
Dividends	Quarterly
Morningstar Category	High Yield Bond
Lipper Category	High Yield Funds
Index	Bloomberg Barclays U.S. High-Yield 2% Issuer Capped Bond Index

MORNINGSTAR RATINGS

Time Period	# of Stars	# of Funds
Overall	★★	592
3 Year	★★	592
5 Year	Not Rated	n/a
10 Year	Not Rated	n/a

Strong ratings are not indicative of positive fund performance.

INVESTMENT ADVISER

Virtus Alternative Investment Advisers, Inc.

INVESTMENT SUBADVISER



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. The team employs active sector rotation and disciplined risk management to portfolio construction.

PORTFOLIO MANAGERS

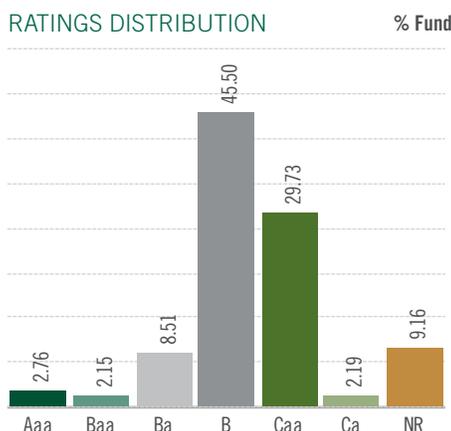
David L. Albrycht, CFA
Industry start date: 1985
Start date with Fund: 2015

Timothy Dias, CFA, CAIA
Industry start date: 2004
Start date with Fund: 2017

Patrick D. Fleming
Industry start date: 2015
Start date with Fund: 2017

Eric Hess, CFA
Industry start date: 2006
Start date with Fund: 2017

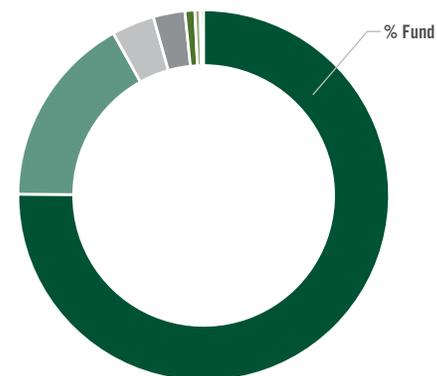
RATINGS DISTRIBUTION



TOP TEN HOLDINGS

Holder	% Fund
Clear Channel Worldwide Holdings Inc, 7.6250% 03/15/2020	2.86
Citgo Holding Inc, 10.7500% 02/15/2020	2.25
Cheniere Energy Inc	1.83
Lee Enterprises Inc, 9.5000% 03/15/2022	1.78
Avantor Inc, 9.0000% 10/01/2025	1.77
iHeartCommunications Inc, 9.0000% 12/15/2019	1.72
Ferrellgas Partners LP / Ferrellgas Partners Finance Corp, 8.6250% 06/15/2020	1.63
Safeway Inc, 7.2500% 02/01/2031	1.51
CPI Acquisition, Inc., Term Loan (First Lien), 08/17/2022	1.51
4finance SA, 10.7500% 05/01/2022	1.47

SECTOR ALLOCATIONS



CHARACTERISTICS

Characteristic	Fund
Effective Duration	2.61
Weighted Average Maturity	4.64
SEC Yield ¹	6.18

¹ SEC Yield (Class I share only) represents net investment income earned by a fund 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. Performance figures represent a partial waiver/reimbursement of fees where applicable. Without the partial waiver/reimbursement of fees, performance figures would be lower and the SEC Yield would have been: 6.18%.

DISTRIBUTIONS

Month	NAV at Month-End
September 2018	\$0.148976 9.65

RISK STATISTICS (3 YEAR)

	Fund	Index
Alpha	2.41	n/a
Beta	0.21	1.00
R ²	0.23	1.00
Sharpe Ratio	1.84	1.51
Standard Deviation	2.18	4.86

Sector	% Fund
Corporate - High Yield	75.11
Bank Loans	16.82
Equity	3.70
Cash	2.76
Treasury	0.86
Municipals	0.47
Corporate - High Quality	0.28

Holdings and sector weightings are subject to change.

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. **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. **Bank Loans:** Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale and/or trade infrequently on the secondary market. Loans can carry significant credit and call risk, can be difficult to value, and have longer settlement times than other investments, which can make loans relatively illiquid at times. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **Non-Diversified:** The fund is non-diversified and may be more susceptible to factors negatively impacting its holdings to the extent that each security represents a larger portion of the fund's assets. **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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

GLOSSARY

Effective Duration: The change in the value of a fixed income security that will result from a 1% change in interest rates while taking into account the way changes in rates will affect the expected cash flows of any bond with an embedded option such as call or prepayment option. This measure assigns a probability to the exercise of a call option, where applicable, based on specified shifts in the yield curve. Duration is expressed as a number of years, and generally, the larger the duration, the greater the interest rate risk or reward for a portfolio's underlying bond prices. **Weighted Average Maturity:** The length of time until the average security in a fund will mature, be redeemed by its issuer, or paid down over time, which is the case with most securitized assets. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **R²:** A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

INDEX DEFINITION

Index: The Bloomberg Barclays U.S. High-Yield 2% Issuer Capped Bond Index is a market capitalization-weighted index that measures fixed rate non-investment grade debt securities of U.S. and non-U.S. corporations.

No single issuer accounts for more than 2% of market cap. The index is 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.

RATINGS DISTRIBUTION METHODOLOGY

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government's 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.

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. Ratings do not take into account the effect of sales charges and loads.

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