INVESTMENT OVERVIEW
The Fund seeks to generate attractive total return from both current income and capital appreciation by investing primarily in short-duration debt securities across 14 global bond sectors. A disciplined, time-tested investment process and rigorous risk management approach aim to capitalize on opportunities across undervalued areas of the fixed income markets.

KEY FEATURES
Lower Duration — Highly diversified, one- to three-year average duration bond allocation, primarily focused on higher-quality, more liquid securities
Relative Value Focus — Utilizes relative value analysis across sectors and industries to evaluate yields, spreads, supply/demand dynamics, and sector fundamentals
Extensive Fundamental Research — Security selection driven by bottom-up analysis of individual bond quality, credit risk, valuation, company management, structure, and technical elements

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/20

<table>
<thead>
<tr>
<th>Period</th>
<th>Fund Class I</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>QTD</td>
<td>1.40</td>
<td>1.49</td>
</tr>
<tr>
<td>YTD</td>
<td>2.86</td>
<td>2.86</td>
</tr>
<tr>
<td>1 Year</td>
<td>3.45</td>
<td>3.45</td>
</tr>
<tr>
<td>3 Year</td>
<td>4.22</td>
<td>4.22</td>
</tr>
<tr>
<td>5 Year</td>
<td>2.10</td>
<td>1.97</td>
</tr>
<tr>
<td>10 Year</td>
<td>2.75</td>
<td>2.75</td>
</tr>
<tr>
<td>Since Inception</td>
<td>4.29</td>
<td>4.26</td>
</tr>
</tbody>
</table>

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 0.68%. The net expense ratio is 0.50%, which reflects a contractual expense reimbursement in effect through 1/31/2021.

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.

ANNUAL PERFORMANCE (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>5.43</td>
<td>5.08</td>
</tr>
<tr>
<td>2018</td>
<td>0.76</td>
<td>1.40</td>
</tr>
<tr>
<td>2017</td>
<td>2.62</td>
<td>2.98</td>
</tr>
<tr>
<td>2016</td>
<td>2.58</td>
<td>2.16</td>
</tr>
<tr>
<td>2015</td>
<td>1.24</td>
<td>1.40</td>
</tr>
<tr>
<td>2014</td>
<td>2.10</td>
<td>2.10</td>
</tr>
<tr>
<td>2013</td>
<td>1.02</td>
<td>1.02</td>
</tr>
<tr>
<td>2012</td>
<td>6.40</td>
<td>6.40</td>
</tr>
<tr>
<td>2011</td>
<td>3.25</td>
<td>3.25</td>
</tr>
<tr>
<td>2010</td>
<td>6.93</td>
<td>6.93</td>
</tr>
</tbody>
</table>

GROWTH OF $10,000

This chart assumes an initial investment of $10,000 made on 2/23/1996. As of 9/30/2020 the fund value would have been $28,134.39. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

INVESTMENT ADVISER
Virtus 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 as Fund Portfolio Manager: 2012

Benjamin Caron, CFA
Industry start date: 1997
Start date as Fund Portfolio Manager: 2012

Lisa M. Baribault
Industry start date: 2003
Start date as Fund Portfolio Manager: 2017
RATINGS DISTRIBUTION % Fund
- 4.00% 38.15
- 2.00% 9.96
- 1.00% 20.43
- 0.00% 20.51
- 0.50% 5.37
- 0.50% 0.67
- 0.50% 0.36
- 0.31% 0.31

CHARACTERISTICS
Effective Duration: 1.95
Weighted Average Maturity: 2.84
30-day SEC Yield*: 1.90
30-day SEC Yield (unsubsidized)P*: 1.77

IMPORTANT RISK CONSIDERATIONS
Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments 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 in foreign securities, especially in emerging markets, subjects the fund to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. ABS/MBS: Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the fund. High Yield Fixed Income Securities: There is a greater risk of issuer default, less liquidity, and increased price volatility related to 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 are subject to credit and call risk, may be difficult to value, and have longer settlement times than other investments, which can make loans relatively illiquid at times. Market Volatility: Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including harming the ability of the portfolio manager(s) to invest the portfolio’s assets as intended. 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 asset. It measures an asset’s sensitivity to changes in market interest rates.

RISK STATISTICS
- Alpha: A measure of an investment’s return relative to a benchmark. It is the portion of the return attributable to skill in choosing an investment strategy.
- Beta: A measure of the price sensitivity of an investment to market movements.
- R²: The proportion of the variance in the fund’s returns that can be explained by the returns of the 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 Virtus Newfleet Low Duration Core Plus Linked Benchmark consists of the ICE BofA US Intermediate Government/Credit Bond Index, which tracks the performance of US dollar denominated government and credit bonds issued by the US government, US agencies, and certain foreign government, supranational and corporate securities, with a remaining term to final maturity less than 5 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 Virtus Newfleet Low Duration Core Plus Linked Benchmark prior to 2/1/2017 is that of the Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index.

SECTOR ALLOCATIONS

DISTRIBUTIONS
Month | NAV at Month-End
July 2020 | $0.022752
August 2020 | $0.019037
September 2020 | $0.019332

RATING DISTRIBUTION METHODOLOGY
The ratings issued by Nationally Recognized Statistical Rating Organizations assess the creditworthiness of a corporation’s or government’s debt issues. The ratings apply to the fund’s holdings and not the fund itself. Ratings are provided by Standard & Poor’s, Moody’s, and Fitch. For certain securities that are not rated by any of these three agencies, credit ratings from other agencies may be used. Where the rating agencies rate a security differently, Newfleet uses the higher rating. A rating is not available, the bond is placed in the Not Rated category. Credit ratings are subject to change. A, Aa, and Baa are investment grade ratings; Ba, B, Caa, and C are below-investment grade ratings.

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