

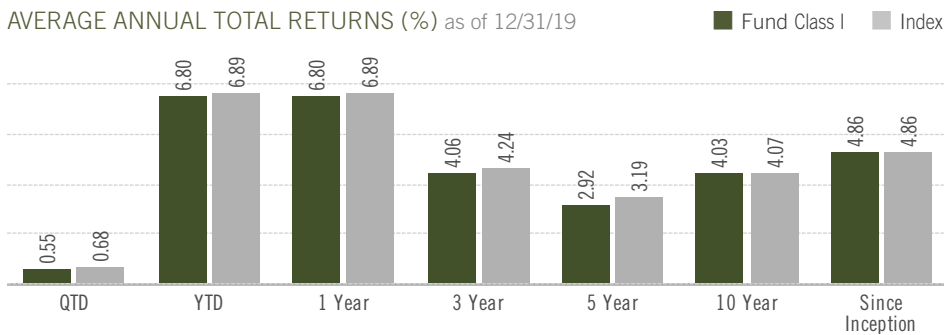
INVESTMENT OVERVIEW

The Fund seeks to provide a high level of current interest income exempt from federal income taxes consistent with the preservation of capital by primarily investing in a diversified portfolio of municipal bonds with varying maturities. Issuers are selected based on sector and geographic opportunity presented by regions experiencing economic stability.

KEY FEATURES

- Tax-Exempt Income** — Strives to generate income free from federal income taxes
- High-Quality Focus** — Emphasis on higher-rated tax-exempt municipal bonds, gauging each security by issue type, credit quality, and bond structure, with a focus on essential service issuers
- Extensive Research** — Macroeconomic and market trends provide context for fundamental credit research to identify the most attractive bond potential, with sector exposures set by relative valuations

AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/19



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.

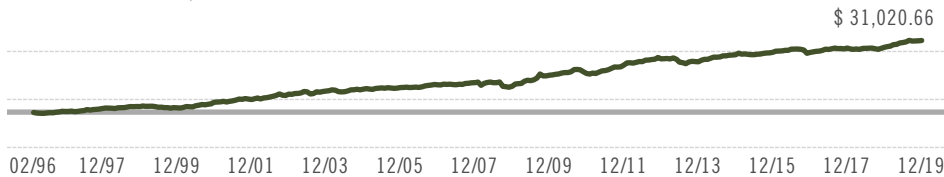
Benchmark life performance is reported from 02/29/96.

The fund class gross expense ratio is 0.79%. The net expense ratio is 0.61%, which reflects a contractual expense reimbursement in effect through 1/31/2021. 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 0.60%. 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 (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Fund	6.80	0.80	4.68	-0.16	2.64	8.30	-3.33	7.72	11.36	2.39
Index	6.89	1.36	4.53	0.24	3.07	7.46	-1.54	6.25	10.70	2.38

GROWTH OF \$10,000



This chart assumes an initial investment of \$10,000 made on 2/23/1996. As of 12/31/2019 the fund value would have been \$31,020.66. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

FUND INFORMATION

	Ticker	CUSIP
A Shares	HXBZX	92828W312
C Shares	PXCZX	92828W296
I Shares	HXBIX	92828W288

Inception Date	02/23/96
AUM (\$ millions)	129.6
Number of Holdings	133
Dividends	Daily
Morningstar Category	Muni National Intern
Lipper Category	General & Insured Municipal Debt Funds
Index	Virtus Tax-Exempt Bond Fund Linked Benchmark

MORNINGSTAR RATINGS

Time Period	# of Stars	# of Funds
Overall	★★★★★	239
3 Year	★★★	239
5 Year	★★★★★	215
10 Year	★★★★★	149

Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive future performance.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER



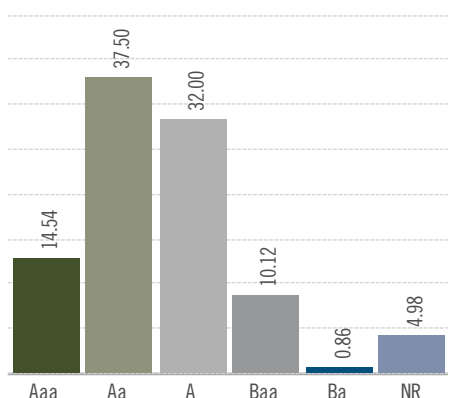
Newfleet Asset Management leverages the knowledge and skill of a team of investment professionals with expertise in every sector of the bond market, including evolving, specialized, and out-of-favor sectors. The team employs active sector rotation and disciplined risk management to portfolio construction.

PORTFOLIO MANAGERS

Tim Heaney, CFA
Industry start date: 1990
Start date as Fund Portfolio Manager: 2012

Lisa Leonard
Industry start date: 1986
Start date as Fund Portfolio Manager: 2012

RATINGS DISTRIBUTION



CHARACTERISTICS

Characteristic	Fund
Effective Duration	5.01
Weighted Average Maturity	5.63
30-day SEC Yield ¹	1.23
30-day SEC Yield (unsubsidized) ²	1.05

¹ 30-day SEC Yield is a standardized yield calculated according to a formula set by the SEC, and is subject to change.

² 30-day SEC Yield (unsubsidized) is the 30 day SEC yield without the effect of applicable expense waivers.

TOP TEN HOLDINGS

Security	% Fund
Corpus Christi Independent School District, 4.0000% 08/15/2043	4.30
Metropolitan Washington Airports Authority Dulles Toll Road Revenue, 6.5000% 10/01/2041	3.97
State of Florida, 5.0000% 07/01/2031	3.95
New Jersey Economic Development Authority, 5.0000% 06/15/2022	2.51
North Texas Tollway Authority, 0.0000% 09/01/2043	2.27
Public Authority for Colorado Energy, 6.2500% 11/15/2028	2.22
Pennsylvania Turnpike Commission, 6.3750% 12/01/2038	2.00
Texas Municipal Gas Acquisition & Supply Corp II, 1.9400% 09/15/2027	2.00
Seminole County School Board, 5.0000% 07/01/2029	1.81
Indiana Finance Authority, 5.0000% 11/01/2043	1.57

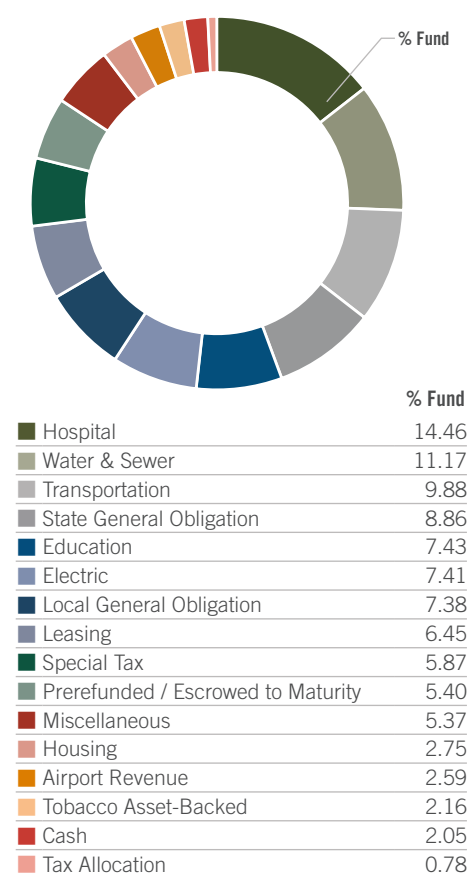
DISTRIBUTIONS

Month	NAV at Month-End
October 2019	\$0.024152 11.33
November 2019	\$0.024127 11.32
December 2019	\$0.023992 11.33

RISK STATISTICS (3 YEAR)

	Fund	Index
Alpha	-0.22	n/a
Beta	1.02	1.00
R ²	0.98	1.00
Sharpe Ratio	1.10	1.21
Standard Deviation	2.20	2.13

SECTOR ALLOCATIONS



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. **Municipal Market:** Events negatively impacting a municipal security, or the municipal bond market in general, may cause the fund to decrease in value. **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. **State & AMT Tax:** A portion of income may be subject to some state and/or local taxes and, for certain investors, a portion may be subject to the federal alternative minimum tax. **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 Virtus Tax-Exempt Bond Fund Linked Benchmark consists of the ICE BofA 1-22 Year US Municipal Securities Index, a subset of the ICE BofA US Municipal Securities Index including all securities with a remaining term to final maturity less than 22 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 Tax-Exempt Bond Linked Benchmark prior to 6/30/2012 is that of the Bloomberg Barclays Municipal Bond Index.

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. 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. If a rating is not available, 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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