

INVESTMENT OVERVIEW

The Fund seeks to generate both high current income and capital growth by investing in high-yield fixed income securities, selected according to a series of issue-specific, sector, and opportunistic factors. A disciplined, time-tested investment process, coupled with opportunistic trading, strives to take advantage of mispricings, market dislocations, and other special situations.

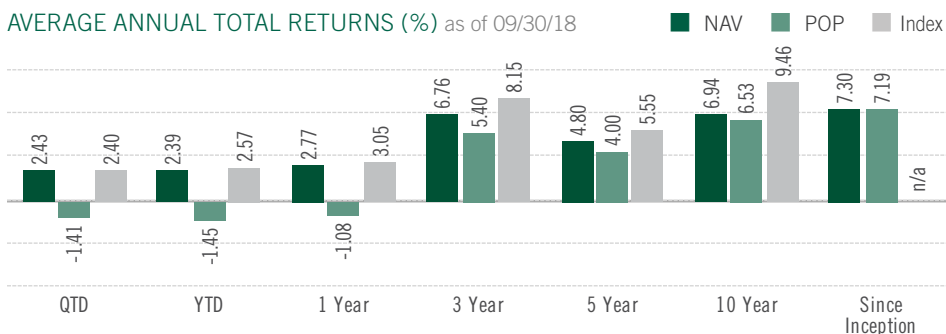
KEY FEATURES

Diversification — Exposure to the expanded diversification and potential investment rewards of high-yield fixed income securities

Active Management — Emphasizes sectors and industries with well-valued companies whose business profiles are viewed to be improving

Extensive Fundamental Research — Security selection driven by bottom-up analysis of individual bond quality, credit risk, business viability, financial strength, and loan structure

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



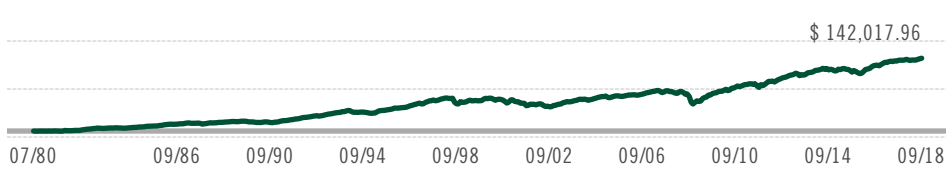
Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, so your shares, when redeemed, may be worth more or less than their original cost. Please visit Virtus.com for performance data current to the most recent month-end.

The fund class gross expense ratio is 1.40%. The net expense ratio is 1.01%, which reflects a contractual expense reimbursement in effect through 1/31/2019. 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 1.00%. 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 A shares have a maximum sales charge of 3.75%. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge.

ANNUAL PERFORMANCE (%)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Fund	6.13	13.04	-2.74	2.14	6.21	16.19	3.12	12.58	31.15	-23.91
Index	7.50	17.13	-4.43	2.46	7.44	15.78	4.96	14.94	58.76	-25.88

GROWTH OF \$10,000



This chart assumes an initial investment of \$10,000 made on 7/28/1980. As of 9/28/2018 the fund value would have been \$142,017.96. Fund performance assumes reinvestment of dividends and capital gain distributions and reflects a front end sales charge of 3.75%.

FUND INFORMATION

	Ticker	CUSIP
A Shares	PHCHX	92828R784
C Shares	PGHCX	92828R768
I Shares	PHCIX	92828W767
R6 Shares	VRHYX	92828W262
Inception Date	07/28/80	
AUM (\$ millions)	67.9	
Number of Holdings	342	
Dividends	Daily	
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	★★★★★	502
10 Year	★★★★	331

Strong ratings are not indicative of positive fund 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

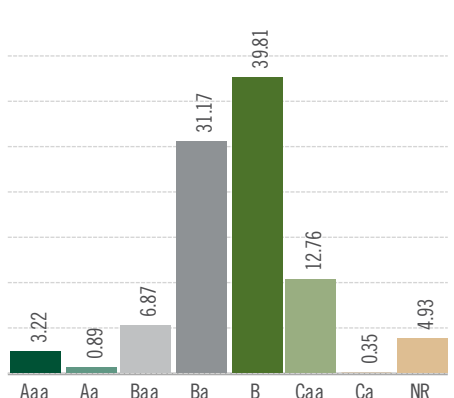
David L. Albrycht, CFA
Industry start date: 1985
Start date with Fund: 2011

Kyle A. Jennings, CFA
Industry start date: 1992
Start date with Fund: 2011

Francesco Ossino
Industry start date: 1996
Start date with Fund: 2012

Jonathan Stanley, CFA
Industry start date: 1997
Start date with Fund: 2012

RATINGS DISTRIBUTION

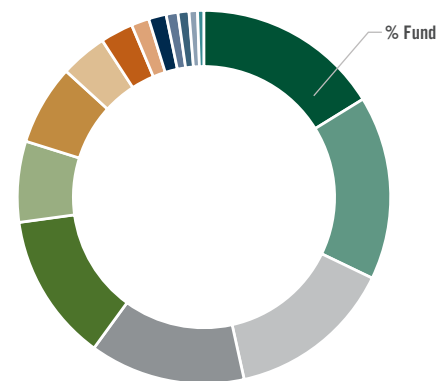


% Fund

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
SPDR Bloomberg Barclays Short Term High Yield Bond ETF	2.01
iShares iBoxx \$ High Yield Corporate Bond ETF	1.95
Clear Channel Worldwide Holdings Inc, 7.6250% 03/15/2020	0.97
BBCMS 2018-TALL Mortgage Trust, 2.8804%	0.96
Bausch Health Cos Inc/US, 8.5000% 01/31/2027	0.93
Sofi Consumer Loan Program 2018-3 Trust, 3.2000% 08/25/2027	0.89
United States Treasury Bill, 2.0275% 03/28/2019	0.73
Sprint Corp, 7.8750% 09/15/2023	0.71
DISH DBS Corp, 5.0000% 03/15/2023	0.68
First Data Corp, 5.7500% 01/15/2024	0.67

SECTOR ALLOCATIONS



SECTOR ALLOCATIONS	% Fund
Consumer Cyclical	16.21
Consumer Non-Cyclical	15.94
Communications	14.41
Financial Institutions	13.48
Energy	12.81
Basic Industry	7.01
Capital Goods	6.94
Technology	4.05
Utility	2.84
Cash	1.54
ABS	1.52
Other Industrial	1.02
CMBS	0.96
Treasury	0.73
Transportation	0.55

CHARACTERISTICS

CHARACTERISTICS	Fund
Effective Duration	3.37
Weighted Average Maturity	4.98
SEC Yield ¹	5.54

¹ SEC Yield (Class A 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: 5.33%.

DISTRIBUTIONS

DISTRIBUTIONS	NAV at Month-End
July 2018	\$0.020005 4.11
August 2018	\$0.022696 4.12
September 2018	\$0.016114 4.13

RISK STATISTICS (3 YEAR)

RISK STATISTICS (3 YEAR)	Fund	Index
Alpha	0.17	n/a
Beta	0.79	1.00
R ²	0.95	1.00
Sharpe Ratio	1.51	1.51
Standard Deviation	3.94	4.86

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. **Foreign Investing:** Investing internationally involves additional risks such as currency, political, accounting, economic, and market risk. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund. **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.

Please carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit Virtus.com for a prospectus or summary prospectus. Read it carefully before investing. Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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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 RatingTM 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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