INVESTMENT OVERVIEW
The Fund seeks current income by investing primarily in short duration U.S. government agency asset-backed securities and mortgage-backed securities, U.S. Treasuries, and U.S. government agency debentures. Seix’s bottom-up focused, top-down aware investment approach seeks to provide superior risk-adjusted returns over a full market cycle, as well as competitive absolute and relative returns over shorter horizons.

KEY FEATURES
Lower Duration Risk — Typically maintains an average effective duration between three months and one year
High-Quality Focus — Emphasizes income, quality, diversification, and liquidity with a focus on U.S. government securities
Extensive Fundamental Research — Combines macroeconomic and fundamental analysis to identify securities with the strongest risk/reward profiles

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 0.50%. The net expense ratio is 0.41%, which reflects a contractual expense reimbursement in effect through 4/30/2021.

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 (%)

GROWTH OF $10,000

This chart assumes an initial investment of $10,000 made on 4/11/2002. As of 9/30/2020 the fund value would have been $14,790.64. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

INVESTMENT ADVISER
Virtus Fund Advisers, LLC

INVESTMENT SUBADVISER
Seix Investment Advisors is an investment management boutique focused exclusively on managing fixed income securities since 1992. Seix seeks to generate competitive absolute and relative risk-adjusted returns over the full market cycle through a bottom-up focused, top-down aware process. Seix employs multi-dimensional approaches based on strict portfolio construction methodology, sell disciplines and trading strategies with prudent risk management as a cornerstone.

PORTFOLIO MANAGERS
James F. Keegan
Industry start date: 1982
Start date as Fund Portfolio Manager: 2014
Michael Rieger
Industry start date: 1986
Start date as Fund Portfolio Manager: 2014
Perry Troisi
Industry start date: 1986
Start date as Fund Portfolio Manager: 2014
Reflect any fees, expenses, or sales charges, and is not available for direct investment.

U.S. Government Securities:
U.S. government securities may be subject to price fluctuations. An agency may default on an obligation not backed by the United States. Any guarantee on U.S. government securities does not apply to the value of the fund's shares.

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. ABS/MBS: Changes in interest rates can cause both extension and prepayment risk 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. U.S. Government Securities: U.S. government securities may be subject to price fluctuations. An agency may default on an obligation not backed by the United States. Any guarantee on U.S. government securities does not apply to the value of the fund's shares.

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 hampering 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.

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 longer 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.

Ratings Distribution Methodology
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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, the next 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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