INVESTMENT OVERVIEW

The Fund seeks to maximize total return through current income that is exempt from federal income taxes, combined with capital appreciation consistent with capital preservation, by investing in investment grade municipal securities. A dynamic, multifaceted investment process balances emphasis across four facets: duration management, yield curve positioning, sector rotation, and security selection.

KEY FEATURES

Tax-Exempt Income — Strives to generate income free from federal income taxes
Attractive Total Return Potential — Market inefficiencies may create buying and selling opportunities that facilitate meaningful return potential
Extensive Fundamental Research — Bottom-up security selection evaluates factors such as fundamental credit analysis, security structural features, and potential price volatility

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/19

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 0.81%. The net expense ratio is 0.59%, which reflects a contractual expense reimbursement in effect through 4/30/2021. 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 0.58%. 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 (%)

GROWTH OF $10,000

This chart assumes an initial investment of $10,000 made on 10/21/1993. As of 9/30/2019 the fund value would have been $34,736.36. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

FUND INFORMATION

MORNINGSTAR RATINGS

INVESTMENT ADVISER

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

Ronald H. Schwartz CFA
Industry start date: 1982
Start date as Fund Portfolio Manager: 1992

Dusty Self
Industry start date: 1992
Start date as Fund Portfolio Manager: 2018
Q3 19
Virtus Seix Investment Grade Tax-Exempt Bond Fund
Class I
as of 09/30/19

RATINGS DISTRIBUTION
\[
\begin{array}{l|c|c}
& \% Fund \\
AAA & 33.38 \\
AA & 8.69 \\
A & 2.12 \\
BBB & 1.68 \\
& 4.09 \\
\end{array}
\]

CHARACTERISTICS
\[
\begin{array}{l|c}
& Fund \\
Effective Duration & 4.97 \\
Weighted Average Maturity & 5.51 \\
Modified Duration to Worst & 4.77 \\
30-day SEC Yield\(^a\) & 0.96 \\
30-day SEC Yield (unsubsidized)\(^b\) & 0.74 \\
\end{array}
\]

\(^a\) 30-day SEC Yield is a standardized yield calculated according to a formula set by the SEC, and is subject to change.
\(^b\) 30-day SEC Yield (unsubsidized) is the 30 day SEC yield without the effect of applicable expense waivers.

RISK STATISTICS (3 YEAR)
\[
\begin{array}{l|c|c|c|c|c|c|c}
& Fund & Index \\
Alpha & -0.28 & n/a \\
Beta & 1.02 & 1.00 \\
R\(^2\) & 0.96 & 1.00 \\
Sharpe Ratio & 0.30 & 0.40 \\
Standard Deviation & 3.13 & 3.02 \\
\end{array}
\]

SECTOR ALLOCATIONS

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 applied to the fund’s holdings and not the fund itself. Standard & Poor’s, Moody’s, and Fitch ratings are used. If all three agencies have rated the security, then the median rating based on numerical equivalents is used. If only two agencies have rated the security, then the lower of the two ratings is used. If only one agency has rated the security, the rating from that agency is used. Credit ratings are subject to change. AAA, AA, and BBB are investment grade ratings; BB, B, CCC, CC, 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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