

**INVESTMENT OVERVIEW**

The Fund seeks attractive long-term returns by providing U.S. real estate securities exposure, emphasizing companies with revenues driven by rental income. The highly experienced portfolio team applies a disciplined, bottom-up investment process, focusing on high-quality commercial real estate owner/operators that derive more than 70% of revenue from rents.

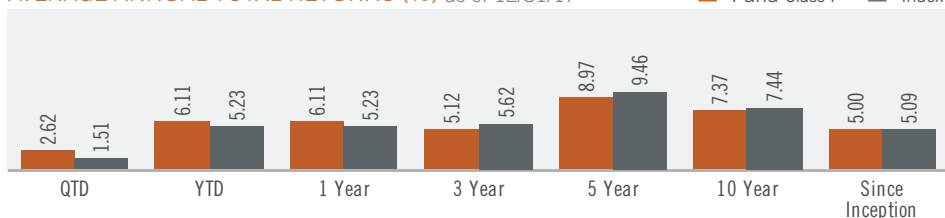
**KEY FEATURES**

**Attractive Income and Growth Potential** – Pursues the stable cash flows offered by rental contractual revenues, emphasizing REITs with strong management teams focused on long-term value creation

**Broadens Portfolio Diversification** – Provides exposure to the lower correlations the U.S. real estate market has historically exhibited to traditional stocks and bonds

**Lower Volatility Approach** – High-conviction, low-turnover portfolio of 30-40 securities, strives to benefit from valuations inefficiencies and the historically higher long-term risk-adjusted returns of rental property companies over non-rental companies

**AVERAGE ANNUAL TOTAL RETURNS (%)** as of 12/31/17

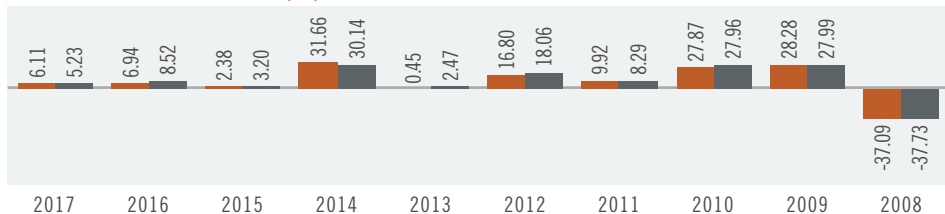


Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original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

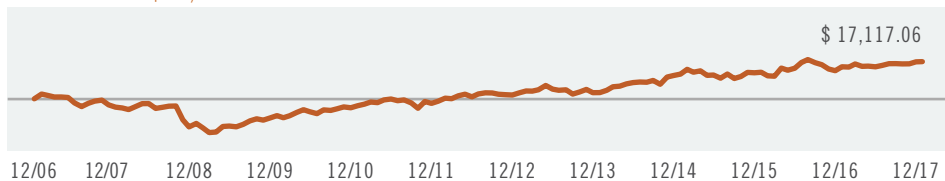
The fund class gross expense ratio is 1.11%.

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](http://www.virtus.com).

**ANNUAL PERFORMANCE (%)**



**GROWTH OF \$10,000**



This chart assumes an initial investment of \$10,000 made on 12/29/2006. As of 12/29/2017 the fund value would have been \$17,117.06. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

The FTSE NAREIT Equity REITs Index is a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria, that are listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market System. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Effective May 8, 2017 this fund changed its name from the Virtus Real Estate Securities Fund.

**FUND INFORMATION**

|           | Ticker | CUSIP     |
|-----------|--------|-----------|
| A Shares  | PHRAX  | 92828R586 |
| C Shares  | PHRCX  | 92828R560 |
| I Shares  | PHRIX  | 92828R552 |
| R6 Shares | VRREX  | 92828W528 |

|                      |                   |
|----------------------|-------------------|
| Inception Date       | 12/29/06          |
| AUM (\$ millions)    | 874.3             |
| Number of Holdings   | 35                |
| Dividends            | Quarterly         |
| Morningstar Category | Real Estate       |
| Lipper Category      | Real Estate Funds |

**MORNINGSTAR RATINGS**

| Time Period | # of Stars | # of Funds |
|-------------|------------|------------|
| Overall     | ★★★★       | 228        |
| 3 Year      | ★★★        | 228        |
| 5 Year      | ★★★★       | 199        |
| 10 Year     | ★★★★       | 145        |

Strong ratings are not indicative of positive fund performance.

**INVESTMENT ADVISER**

Virtus Investment Advisers, Inc.

**INVESTMENT SUBADVISER**

Duff & Phelps Investment Management Co.



Duff & Phelps Investment Management Co. offers specialty investment strategies that strive to enhance client outcomes. The product mix, which includes Global Listed Infrastructure, Global Real Estate, MLPs & Energy, and International Equity, was developed from the fundamental company research expertise first established back in 1932. Today the firm continues to stand for Quality, Reliability, and Specialization.

**PORTFOLIO MANAGERS**

**Geoffrey P. Dybas, CFA**

Industry start date: 1989  
 Start date with Fund: 1998

**Frank J. Haggerty, Jr., CFA**

Industry start date: 1996  
 Start date with Fund: 2007

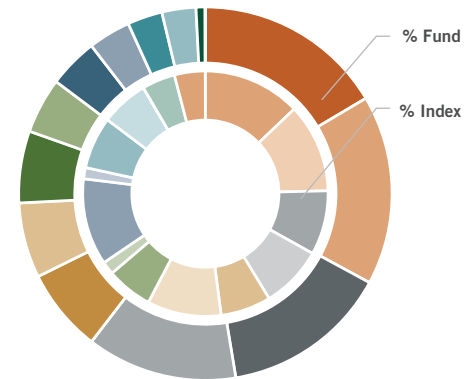
| CHARACTERISTICS                    | Fund  | Index |
|------------------------------------|-------|-------|
| Average Weighted Market Cap (bn)   | 16.36 | 15.99 |
| Median Market Cap (bn)             | 8.71  | 3.22  |
| Trailing P/E                       | 40.87 | 34.49 |
| Price-to-Cash Flow                 | 18.74 | 16.35 |
| Price-to-Book Value                | 2.83  | 2.79  |
| 3-Year EPS Growth Rate             | 28.09 | 22.15 |
| 5-Year EPS Growth Rate             | 27.93 | 17.45 |
| Active Share                       | 53.79 | n/a   |
| Dividend Coverage                  | 1.70  | 1.50  |
| Earnings Growth Rate est. 2018     | 7.10  | 5.80  |
| FFO Multiple (P/E Ratio) est. 2018 | 18.80 | 17.10 |

| RISK STATISTICS<br>(3 YEAR) | Fund  | Index |
|-----------------------------|-------|-------|
| R <sup>2</sup>              | 0.98  | 1.00  |
| Beta                        | 0.99  | 1.00  |
| Standard Deviation          | 13.06 | 13.11 |
| Alpha                       | -0.41 | n/a   |
| Sharpe Ratio                | 0.36  | 0.40  |

| TOP TEN HOLDINGS                                    | % Fund |
|---|--------|
| Prologis, Inc.                                      | 6.86   |
| Simon Property Group, Inc.                          | 6.53   |
| Digital Realty Trust, Inc.                          | 4.94   |
| Equinix, Inc.                                       | 4.69   |
| AvalonBay Communities, Inc.                         | 4.56   |
| DCT Industrial Trust Inc.                           | 3.82   |
| Duke Realty Corporation                             | 3.81   |
| American Homes 4 Rent Class A                       | 3.67   |
| Apartment Investment and Management Company Class A | 3.64   |
| Equity Residential                                  | 3.57   |

Holdings and sector weightings are subject to change.

**SECTOR ALLOCATIONS**



|                                  | % Fund | % Index |
|----------------------------------|--------|---------|
| Residential: Apartments          | 16.47  | 12.89   |
| Office                           | 16.44  | 11.75   |
| Industrial                       | 14.48  | 8.46    |
| Data Centers                     | 13.06  | 8.21    |
| Retail: Shopping Centers         | 7.25   | 6.64    |
| Retail: Regional Malls           | 6.52   | 9.77    |
| Self Storage                     | 6.22   | 6.07    |
| Residential: Manufactured Homes  | 4.83   | 1.72    |
| Health Care                      | 4.30   | 11.44   |
| Residential: Single Family Homes | 3.67   | 1.49    |
| Diversified                      | 3.02   | 6.85    |
| Lodging/Resorts                  | 2.94   | 6.29    |
| Cash & Equivalents               | 0.81   | 0.00    |
| Specialty                        | 0.00   | 4.37    |
| Retail: Free Standing            | 0.00   | 4.06    |

**IMPORTANT RISK CONSIDERATIONS**

**Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Real Estate:** The fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **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**

**3- and 5-Year EPS Growth Rates:** Average of earnings per share growth for latest 3- and 5-year period. **Active Share:** A measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Market Capitalization (Wtd. Avg.):** The total dollar market value of all of a company's outstanding shares. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Dividend Coverage:** Calculated by dividing the company's earning income by the dividend pay-out rate for each stock held by the portfolio. **Earnings Growth Rate:** The company's estimated future earnings for each stock held by the portfolio. **FFO Multiple (P/E) Ratio:** Calculated by dividing the current market price by the estimated earnings (portfolios From Operations) per share for each stock held by the portfolio. **Price-to-Book Ratio (P/B):** A ratio used to compare a stock's market value to its book value. **Price-to-Cash Flow Ratio:** Per-share stock price divided by the per-share operating cash flow. **R<sup>2</sup>:** 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. **Trailing P/E:** Per share stock price divided by the latest 12-months earnings per share.

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 effects of sales charges and loads.

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Fund classification categories developed by Lipper, a Thomson Reuters Company.

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