

# THINK ALL FLOATING RATE FUNDS ARE THE SAME? THINK AGAIN.



## SPOTLIGHT ON: VIRTUS SEIX FLOATING RATE HIGH INCOME FUND

A: SFRAX / C: SFRCX / I: SAMBX / R6: SFRZX

**Not all floating rate leveraged loan strategies are the same.** Some portfolios extend well beyond traditional credit-based holdings, with risk profiles closer to alternative investments. Evaluating a manager's investment approach can help focus on potential interest rate protection without unnecessarily "dialing up" portfolio risk.

### FIVE QUESTIONS TO ASK

→ THINGS TO CONSIDER	+ VIRTUS SEIX FLOATING RATE HIGH INCOME FUND
<p><b>1 What is the fund's credit quality?</b></p> <ul style="list-style-type: none"> <li>→ Some funds have larger exposure to CCC-rated holdings</li> </ul>	<p><b>Invests primarily in a targeted universe that consists of the healthiest segment of BB and B rated loans</b></p> <ul style="list-style-type: none"> <li>+ Focuses on assets with positive price action; historically low default rates</li> </ul>
<p><b>2 How risky is the portfolio?</b></p> <ul style="list-style-type: none"> <li>→ Some funds include mezzanine financing, direct lending, or other esoteric assets—which can dramatically amplify risk in volatile markets</li> </ul>	<p><b>Strict company selection through careful bottom-up, fundamental analysis</b></p> <ul style="list-style-type: none"> <li>+ No leveraging, shorting, derivatives (beyond basic cash management)</li> <li>+ Fund has experienced an average annual default rate of 0.5% versus 2.1% for the Credit Suisse Leveraged Loan Index<sup>1</sup></li> </ul>
<p><b>3 How experienced is the manager?</b></p> <ul style="list-style-type: none"> <li>→ Only 18% of floating rate funds have had the same portfolio manager for 10 years<sup>2</sup></li> </ul>	<p><b>Proven track record since 2006 with experience through market cycles</b></p> <ul style="list-style-type: none"> <li>+ Same lead manager since inception (lead manager with firm since 2001)</li> <li>+ Seix helped pioneer floating rate fund daily net asset value (NAV) valuation</li> </ul>
<p><b>4 How has the fund performed throughout market cycles?</b></p> <ul style="list-style-type: none"> <li>→ Nearly 70% of floating rate funds are less than 10 years old<sup>2</sup> and therefore may not have been tested in different types of markets</li> </ul>	<p><b>Delivered top quartile returns and Sharpe Ratio since inception periods<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>+ Within Morningstar Bank Loan Category</li> </ul>
<p><b>5 What are the expenses?</b></p> <ul style="list-style-type: none"> <li>→ Nearly half of floating rate funds charge over 0.75% in annual expenses—the most expensive is 1.81%<sup>2</sup></li> </ul>	<p><b>Low 0.62% net expense ratio (I shares), compared to category average of 0.79%<sup>2</sup></b></p> <ul style="list-style-type: none"> <li>+ Different investment styles may come in and out of favor, but low expenses coupled with a consistent, conservative approach can be timeless</li> </ul>

Past performance is not indicative of future results.

As of 3/31/2019.

<sup>1</sup>2006 to 3/31/2019. Data Source: Credit Suisse.

<sup>2</sup>Source: Morningstar Direct.

## Virtus Seix Floating Rate High Income Fund

The Fund invests in floating rate leveraged loans and seeks to generate an attractive spread above LIBOR. The investment team typically emphasizes issues that are within the BB and B segment of the high yield market.

### Average Annual Total Returns and Peer Rankings Class I at NAV as of 3/31/2019

	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEP <sup>3</sup> 3/1/2006	LIPPER LOAN PARTICIPATION CATEGORY					
								1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEP <sup>3</sup> 3/1/2006	
Fund	4.01	4.01	2.84	5.64	3.48	6.58	4.26	Percentile Ranking	13	24	13	47	10
Index	3.78	3.78	3.33	5.87	3.83	7.95	4.46	# of Funds	(30/231)	(48/207)	(24/189)	(38/81)	(4/42)

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.

<sup>3</sup>Benchmark life performance is reported from 2/28/2006.

The fund class gross expense ratio is 0.70%. The net expense ratio is 0.62%, which reflects a contractual expense reimbursement in effect through 4/30/2020.

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).

	MORNINGSTAR BANK LOAN CATEGORY				SINCE INCEP <sup>3</sup> 3/1/2006
	1 YEAR	3 YEAR	5 YEAR	10 YEAR	
Percentile Ranking	19	18	11	51	22
# of Funds	(34/240)	(47/215)	(24/196)	(38/81)	(7/45)



To learn more, please contact us  
at 1-800-243-4361 or visit [virtus.com](http://virtus.com)

**Lipper:** Lipper Category Classification is provided by Lipper. © 2019 Lipper. All rights reserved. Each fund is ranked within a universe of funds similar in portfolio characteristics and capitalization. Rankings do not include the effect of the fund's sales load, if applicable. Lipper, Inc. is a nationally recognized organization that ranks the performance of mutual funds. Lipper ranking for Life of the fund is based on the first month end after the actual inception date of the fund.

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**Index:** The **Credit Suisse Leveraged Loan Index** is a market-weighted index that tracks the investable universe of the U.S. dollar denominated leveraged loans. The index is calculated on a total return basis, is unmanaged and not available for direct investment. The unmanaged index returns do not reflect any fees, expenses, or sales charges.

**2Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk.

#### IMPORTANT RISK CONSIDERATIONS

**Bank Loans:** Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale and/or trade infrequently on the secondary market. Loans can carry significant credit and call risk, can be difficult to value and have longer settlement times than other investments, which can make loans relatively illiquid at times. **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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

**Please consider the Fund's objectives, risks, charges, and expenses before investing. Contact us at 1.800.243.4361 or visit [www.virtus.com](http://www.virtus.com) for a prospectus, which contains this and other information about the Fund. Read the prospectus carefully before investing.**

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