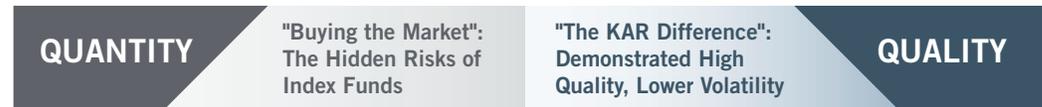


Kayne Anderson Rudnick (KAR) focuses on quality over quantity when it comes to small-cap investing.

KAR believes that superior risk-adjusted returns may be achieved through investment in high-quality companies with market dominance, excellent management, financial strength, and consistent growth, purchased at reasonable prices.

## Choosing Quality over Quantity in Small-Cap Equities

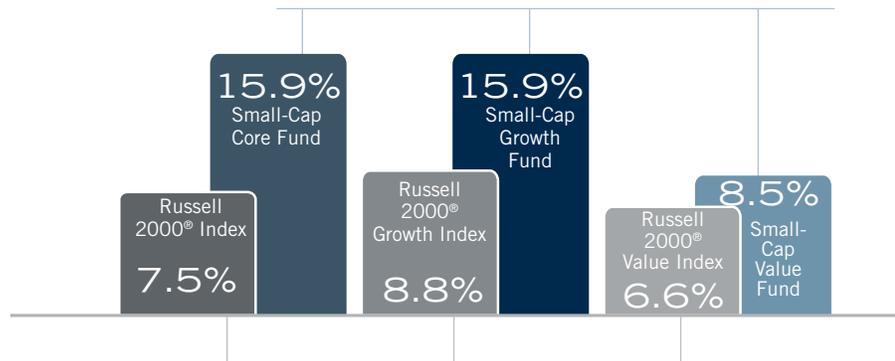
Investors diversify their equity allocations into small-cap stocks because of the strong growth these securities have demonstrated over time. While some have opted for passive index exposure to this asset class to keep costs low, the greatest potential with small caps doesn't occur when simply buying broadly. A high-quality, high-conviction approach to stock selection may yield stronger benefits.



EARNINGS PER SHARE GROWTH—PAST 10 YEARS<sup>1</sup>

The Virtus KAR Funds' focus on attractive, recurring cash flows has captured significantly higher average earnings per share compared to each fund's respective benchmark.

**QUALITY**



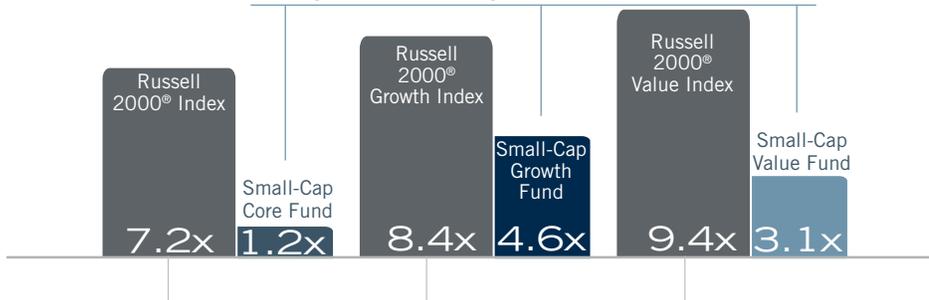
**QUANTITY**

Approximately 1/3 of the companies in the Russell 2000<sup>®</sup> Index have zero or negative earnings.<sup>2</sup>

AVERAGE TOTAL DEBT/EBITDA<sup>1</sup>

KAR's emphasis on self-funding businesses with low levels of debt means holdings are less exposed to a rising cost of borrowing.

**QUALITY**



**QUANTITY**

42% of the debt held by companies in the Russell 2000<sup>®</sup> Index carry floating rates (versus 9% in the S&P 500<sup>®</sup>), leaving these businesses more vulnerable to rising inflation and interest rates.<sup>3</sup>

### Past performance is no guarantee of future results.

<sup>1</sup>As of 6/30/20. Data is obtained from the Frank Russell Company and FactSet and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information.

<sup>2</sup>"Here's the shocking truth about the Russell 2000's P/E ratio," *MarketWatch*, August 19, 2017, <http://on.mktw.net/2u0bmQ4>

<sup>3</sup>"Unseen dangers in small-cap stock rally," *Barron's*, January 20, 2018, <https://www.barrons.com/articles/unseen-dangers-in-small-cap-stock-rally-1516419134>

**VIRTUS KAR  
SMALL-CAP FUNDS:**

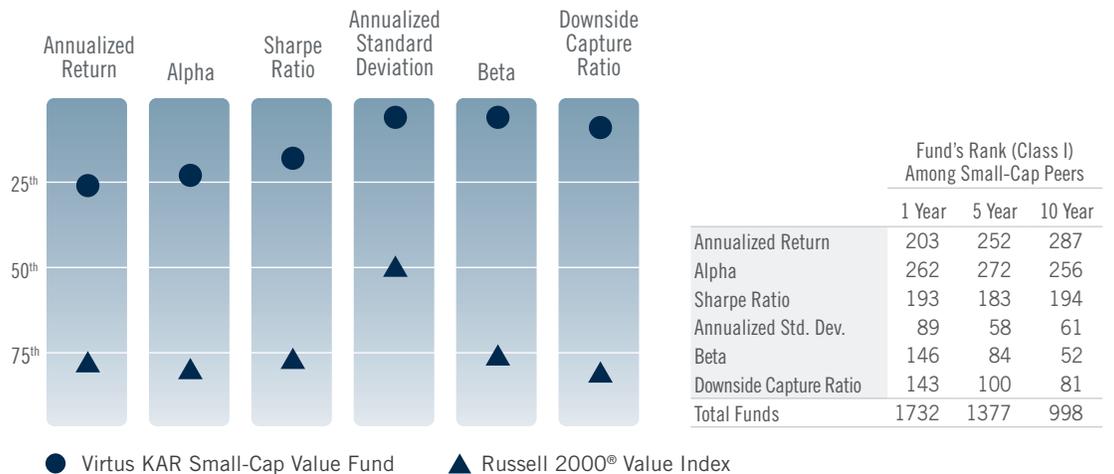
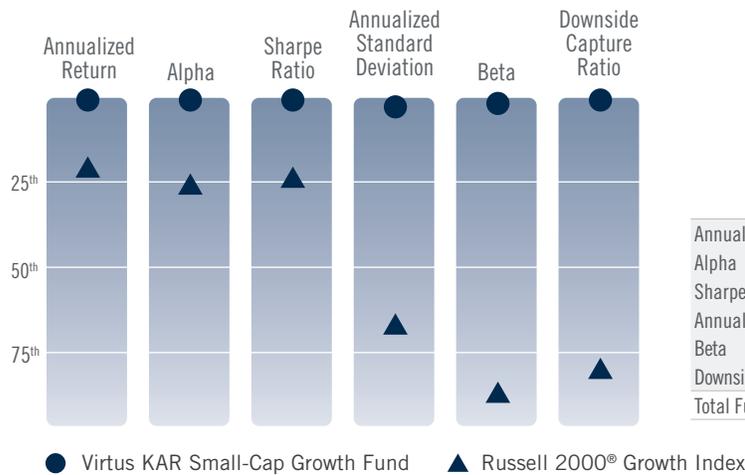
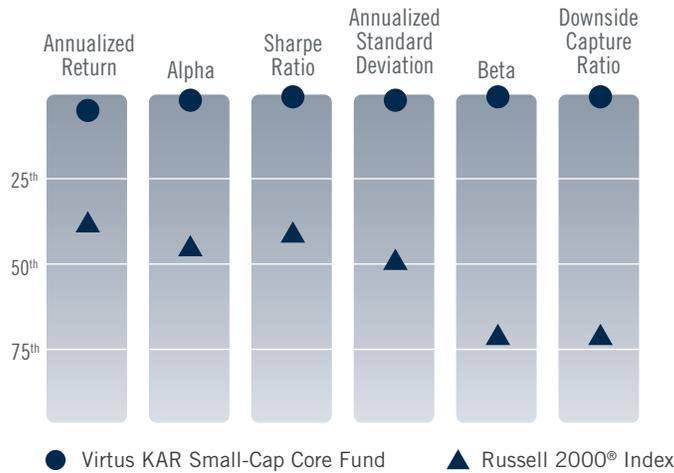
Three high-conviction portfolios of stocks with consistently strong free cash flows, low levels of debt, and attractive earnings growth that have delivered impressive results and may help protect investors from some of the potential downsides of simply “buying the market.”

**Compelling risk profiles set KAR small-cap strategies apart from their benchmark indexes and the broad small-cap universe.**

**QUALITY**

**MORNINGSTAR PERCENTILE RANKINGS<sup>4</sup>**

Small-Cap Fund Universe Consisting of Small Blend, Small Growth, and Small Value Categories  
10 Years, Based on Total Return as of 6/30/20



Past performance is no guarantee of future results.  
<sup>4</sup>Source: Morningstar Direct.

AVERAGE ANNUAL TOTAL RETURNS Class I as of 6/30/20 in percent

MORNINGSTAR RATINGS

**Virtus KAR Small-Cap Core Fund (I: PKSFX)**

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Incep. 10/18/1996
NAV	18.42	-3.23	6.21	16.74	15.66	15.94	10.40
Index <sup>1</sup>	25.42	-12.98	-6.63	2.01	4.29	10.50	7.61

The fund class gross expense ratio is 1.02%.

**Mid-Cap Growth Category**

Time Period	# of Stars	# of Funds
Overall	★★★★★	558
3 Year	★★★★★	558
5 Year	★★★★★	500
10 Year	★★★★★	381

**Virtus KAR Small-Cap Growth Fund (I: PXSGX)**

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Incep. 6/28/2006
NAV	34.45	11.23	18.09	26.09	22.63	20.96	13.31
Index <sup>2</sup>	30.58	-3.06	3.48	7.86	6.86	12.92	8.86

The fund class gross expense ratio is 1.11%.

**Small Growth Category**

Time Period	# of Stars	# of Funds
Overall	★★★★★	577
3 Year	★★★★★	577
5 Year	★★★★★	508
10 Year	★★★★★	377

**Virtus KAR Small-Cap Value Fund (I: PXQSX)**

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Incep. 6/28/2006
NAV	28.47	0.10	9.30	5.46	8.66	11.97	8.29
Index <sup>3</sup>	18.91	-23.50	-17.48	-4.35	1.26	7.82	4.67

The fund class gross expense ratio is 1.01%

**Small Growth Category**

Time Period	# of Stars	# of Funds
Overall	★★★	577
3 Year	★★★	577
5 Year	★★★★	508
10 Year	★★★	377

Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive fund performance.

**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](http://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](http://virtus.com) for details.**

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.

<sup>1</sup>The **Russell 2000® Index** is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

<sup>2</sup>The **Russell 2000® Growth Index** is a market capitalization-weighted index of growth-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

<sup>3</sup>The **Russell 2000® Value Index** is a market capitalization-weighted index of value-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

These indexes are calculated on a total return basis with dividends reinvested. These indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

The 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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Kayne Anderson Rudnick

A VIRTUS INVESTMENT PARTNER

To learn more about KAR's approach to high-quality small-cap investing, call 800-243-4361 or visit [virtus.com](http://virtus.com).

**Alpha:** A measure of performance on a risk-adjusted basis. **Beta:** A quantitative measure of the volatility of a given portfolio relative to the overall market. Higher beta suggests higher volatility. Beta can also refer to relative volatility to a portfolio's stated benchmark. **Downside Capture Ratio:** A measure of a manager's ability to retain capital as the market declines. A value below 100 indicates that a manager was able to outperform in down markets. **Earnings Per Share Growth:** Indicates the earnings available to each common share. Earnings/share growth is the growth rate of the earnings per share. On a portfolio level, this statistic measures the trailing earnings per share growth of a portfolio's holdings. **Sharpe Ratio:** Measures the efficiency, or excess return per unit of risk, of a manager's returns. The greater the Sharpe Ratio, the better the portfolio's risk-adjusted return. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Total Debt/EBITDA:** A measure of a company's ability to pay off its incurred debt; it is calculated by dividing total debt by earnings before interest, taxes, depreciation, and amortization.

#### 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. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **Limited Number of Investments:** Because the fund has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a less concentrated fund. **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. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

**Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit [virtus.com](http://virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.**

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