COMBAT RISING RATES WITH ACTIVE SECTOR ALLOCATION

Higher interest rates do not impact all sectors of the fixed income market equally. U.S. Treasuries, which carry no implied credit risk, are the most sensitive to interest rate changes.

Newfleet Asset Management is a time-tested leader in unconstrained multi-sector fixed income management. Our in-depth understanding of the fixed income market, combined with our commitment to flexibility, has helped us successfully navigate market cycles over the last 25 years, including periods of rising rates.

There are 13 sectors that offer varying degrees of correlation to Treasuries. Those with lower or negative correlation have historically suffered less during a period of rising rates.

10-year correlation calculated monthly 4/1/2009 – 3/31/2019

	10-Yr Treas	U.S. Agg	Agency MBS	Agency Deb	Tax Muni	Yankee HQ	Muni	Non-U.S. Dollar	Corp Invest Grade	EM Debt	Asset-Backed Sec.	Corp High Yield	Comm CMBS	Bank Loans
10-Year Treasuries	1.00													
U.S. Aggregate	0.87	1.00												
Agency MBS	0.80	0.91	1.00											
Agency Debentures	0.63	0.79	0.79	1.00										
Taxable Municipals	0.77	0.82	0.67	0.50	1.00									
Yankee – High Quality	0.56	0.85	0.74	0.74	0.64	1.00								
Municipals	0.57	0.67	0.62	0.62	0.53	0.64	1.00							
Non-U.S. Dollar	0.21	0.44	0.39	0.44	0.32	0.61	0.37	1.00						
Corp. Investment Grade	0.41	0.77	0.64	0.67	0.58	0.94	0.57	0.56	1.00					
Emerging Markets Debt	0.10	0.47	0.39	0.39	0.30	0.77	0.40	0.61	0.77	1.00				
Asset Backed Securities	0.40	0.66	0.59	0.73	0.52	0.71	0.48	0.44	0.80	0.52	1.00			
Corp. High Yield	-0.27	0.17	0.07	0.15	0.03	0.51	0.18	0.41	0.64	0.78	0.40	1.00		
Commercial CMBS	0.15	0.43	0.31	0.36	0.38	0.60	0.23	0.32	0.63	0.53	0.49	0.51	1.00	
Bank Loans	-0.41	0.00	-0.10	0.02	-0.05	0.32	0.02	0.23	0.51	0.57	0.40	0.89	0.60	1.00

-0.45 – -0.25
-0.24 – 0.00
0.01 – 0.25
0.26 – 0.50
0.51 – 0.75
0.76 – 1.00

Past performance is not indicative of future results. Source Morningstar. The table above is not meant to represent the performance of any Newfleet or Virtus portfolio. For index definitions, see page 5. Correlation Coefficient is a measure that determines the degree to which two variables' movements are associated. The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation and +1 indicates perfect positive correlation.

In a period of rising rates, we have historically overweighted those sectors that are less vulnerable to the impact of rising interest rates, such as:

- bank loans
- corporate high yield
- asset-backed securities
- non-U.S. securities

The income from these bonds may create a cushion to help offset a decline in bond prices. Underweighting the sectors with the most interest rate risk—those that have the highest probability of underperforming in rising rate environments—can offer additional protection.

Let's consider the bond math with a hypothetical example that assumes that interest rates rise by 100 basis points, or 1%, each year for the next five years.

Rates rise 100 basis points per year for the next five years

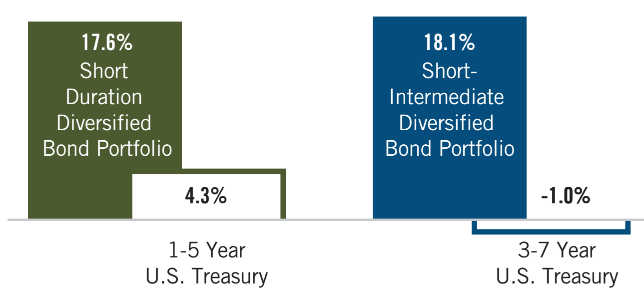
		Year 1	Year 2	Year 3	Year 4	Year 5
Short Duration Diversified Bond Portfolio						
	Price Return	-2.1%	-2.1%	-2.1%	-2.1%	-2.1%
Duration: 2.1 Years	Current Yield: 3.4%	3.4%	4.4%	5.4%	6.4%	7.4%
Total Return		1.3%	2.3%	3.3%	4.3%	5.3%
1-5 Year U.S. Treasury						
	Price Return	-2.7%	-2.7%	-2.7%	-2.7%	-2.7%
Duration: 2.7 Years	Current Yield: 2.3%	2.3%	3.3%	4.3%	5.3%	6.3%
Total Return		-0.4%	0.6%	1.6%	2.6%	3.6%
Short-Intermediate Diversified Bond Portfolio						
	Price Return	-3.6%	-3.6%	-3.6%	-3.6%	-3.6%
Duration: 3.6 Years	Current Yield: 5.0%	5.0%	6.0%	7.0%	8.0%	9.0%
Total Return		1.4%	2.4%	3.4%	4.4%	5.4%
3-7 Year U.S. Treasury						
	Price Return	-4.5%	-4.5%	-4.5%	-4.5%	-4.5%
Duration: 4.5 Years	Current Yield: 2.3%	2.3%	3.3%	4.3%	5.3%	6.3%
Total Return		-2.2%	-1.2%	-0.2%	0.8%	1.8%

As of 3/31/2019. Source: Newfleet Asset Management. For illustrative purposes only. Does not represent the performance of any Virtus product. This example assumes no spread tightening, which generally occurs during a period of rising rates. Price Return = duration x rate increase.

In fact, rising rates may benefit the investor who is able to reinvest the income of bonds as they mature at a higher coupon.

5 year cumulative return

This example highlights how trading interest rate risk for credit risk during a rising rate environment may result in a significantly different outcome compared to a bond portfolio free of credit risk.



Investors concerned about rising rates have also been turning to "unconstrained" bond funds. These funds employ a variety of tools including going negative on duration to potentially generate positive total return, regardless of the point in the market cycle. While this may sound appealing, this approach to unconstrained investing lacks a track record to indicate how they would fare in a rising rate environment.

What's more, eliminating duration usually means replacing it with additional credit risk to compensate for the cost of hedging out the duration. Bottom line: the cost of negative duration may be greater than it is worth.

At Newfleet, we rely on our time-tested sector diversification, active rotation, and security selection to protect investors from falling bond prices. While history is not predictive of future performance, our multi-sector strategies have demonstrated index-beating performance in four rising rate environments, while maintaining a duration consistent with our investment mandate.

Making accurate macroeconomic calls is not easy to do. And it's much harder to do it consistently.

2003 spike in rates

	Duration (years)	Total Return Analysis 6/13/03–9/16/03
NARAX	3.2	-0.89%
3-Year UST	2.8	-1.26
NAMFX	4.8	-0.91
10-Year UST	8.1	-7.87

2004 spike in rates off lows

	Duration (years)	Total Return Analysis 3/16/04–7/16/04
NARAX	3.0	-0.55%
3-Year UST	2.7	-1.46
NAMFX	4.9	-0.56
10-Year UST	7.8	-3.82

2006 increase in rates

	Duration (years)	Total Return Analysis 1/3/06–6/30/07
NARAX	2.6	7.31%
3-Year UST	2.7	5.28
NAMFX	4.9	9.50
10-Year UST	7.8	0.69

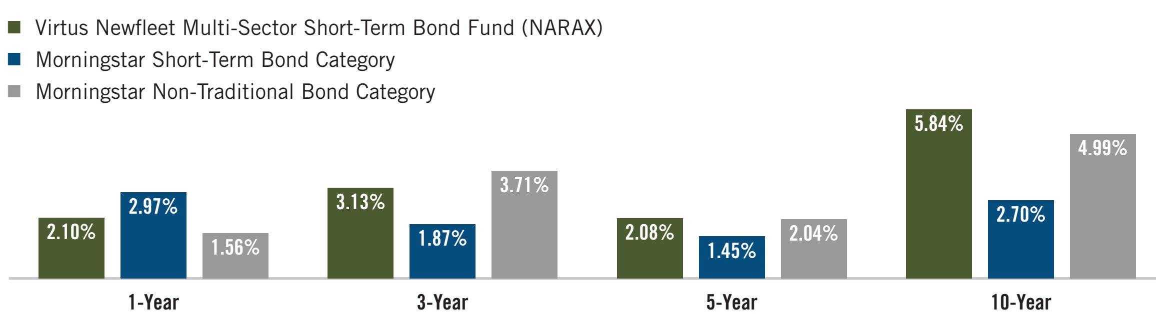
2013 increase in rates

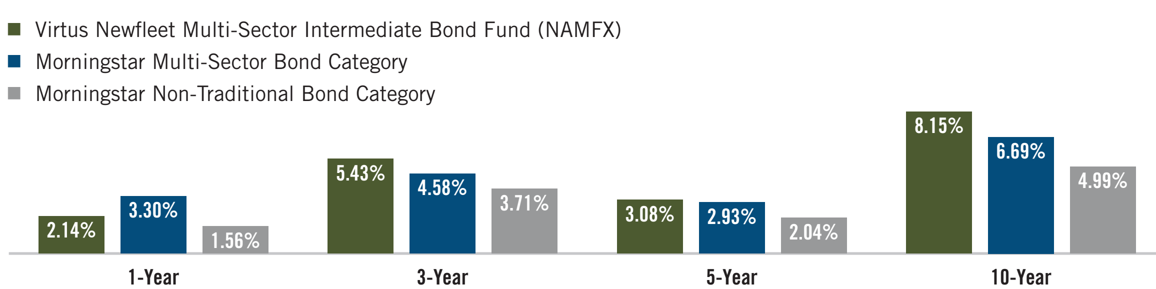
	Duration (years)	Total Return Analysis 5/22/13–12/31/13
NARAX	2.6	0.03%
3-Year UST	2.9	-0.15
NAMFX	4.2	-0.82
10-Year UST	9.1	-6.78

Source: Bloomberg and Virtus Investment Partners. Returns are not annualized. Total Return does not include the effect of the maximum sales charge of 2.25% for NARAX or 3.75% for NAMFX, which would reduce the return shown.

And, these funds have both outperformed their peers and nontraditional bond funds, as most unconstrained funds are classified, over the last 3, 5, and 10 years.

Performance comparison as of 3/31/2019 A share at NAV





Past performance is no guarantee of future results. Source: Virtus Investment Partners.

Newfleet ASSET MANAGEMENT
A Virtus Investment Partner

To learn more, please contact us at 1-800-243-4361 or visit virtus.com

Unconstrained bond investing for the thoughtful investor

Fixed income is essential for true diversification. Adding bonds to a portfolio helps improve risk-adjusted returns and enhance overall efficiency. And, the income generated by bonds is essential for meeting the income goals of investors.

Newfleet's multi-sector fixed income approach may give your bond portfolio the best possibility to generate income, benefit from spread tightening, and deliver a positive total return during a rising rate environment.

AVERAGE ANNUAL TOTAL RETURNS as of 3/31/2019 (%)

MORNINGSTAR RATINGS

Virtus Newfleet Multi-Sector Short Term Bond Fund **A: NARAX, C1: PMSTX, I: PIMSX, R6: VMSSX**

	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR	SINCE INCEPTION 7/6/1992
NAV	2.74	2.74	2.10	3.13	2.08	5.84	4.00	4.78	5.25
POP	0.43	0.43	-0.20	2.35	1.61	5.60	3.84	4.66	5.16
Index	1.91	1.91	3.94	2.28	1.95	3.85	4.06	4.78	4.66

Benchmark life performance is reported from 06/30/1992.
The fund class gross expense ratio is 0.99% and reflects the direct and indirect expenses paid by the Fund.
The gross expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 0.98%.

SEC Yield: 3.07%. Gross: 3.07%.

Index: The ICE BofAML 1-3 Year A-BBB US Corporate Index measures performance of U.S. corporate bond issues rated A1 through BBB3, inclusive (based on an average of Moody's, S&P, and Fitch), with a remaining term to final maturity less than 3 years. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

TIME PERIOD	SHORT-TERM BOND CATEGORY RANKING	RATINGS
Overall	—	★★★★★
3 Year	37/476	★★★★★
5 Year	45/415	★★★★
10 Year	9/266	★★★★★
15 Year	2/170	—
20 Year	2/102	—

Strong ratings are not indicative of positive fund performance. The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

Virtus Newfleet Multi-Sector Intermediate Bond Fund **A: NAMFX, C: NCMFX, I: VMFIX, R6: VMFRX**

	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	15 YEAR	20 YEAR	SINCE INCEPTION 12/15/1989
NAV	5.26	5.26	2.14	5.43	3.08	8.15	5.26	5.85	6.95
POP	1.31	1.31	-1.69	4.09	2.29	7.73	4.99	5.65	6.81
Index	2.94	2.94	4.48	2.03	2.74	3.77	5.03	5.62	5.85

The fund class gross expense ratio is 1.13%. The net expense ratio is 1.02%, which reflects a contractual expense reimbursement in effect through 1/31/2020. 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 0.99%.

SEC Yield: 4.47%. Gross: 4.35%.

Index: The Bloomberg Barclays U.S. Aggregate Bond Index measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

TIME PERIOD	MULTISECTOR-BOND CATEGORY RANKING	RATINGS
Overall	—	★★★★
3 Year	83/291	★★★★
5 Year	93/225	★★★
10 Year	34/131	★★★★
15 Year	30/81	—
20 Year	18/56	—

Strong ratings are not indicative of positive fund performance. The Overall Morningstar Rating is based on risk-adjusted returns, derived from a weighted average of the three-, five-, and 10-year (if applicable) Morningstar metrics.

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.

SEC Yield: represents net investment income earned by a portfolio over a 30-day period, expressed as an annual percentage rate based on the portfolio's share price at the end of the 30-day period. Performance figures represent a partial waiver/reimbursement of fees where applicable. Without the partial waiver/reimbursement of fees, performance figures would be lower and the SEC Yield would have been: 3.07% (NARAX) and 4.35% (NAMFX).

Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Net Asset Value (NAV) returns do not reflect the deduction of any sales charges. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge of 2.25% for NARAX and 3.75% for NAMFX. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months for NAMFX on purchases on which a finder's fee has been paid and within 12 months for NARAX.

INDEX DEFINITIONS

Asset Backed: Bloomberg Barclays ABS 3-5 Year Index has three subsectors: credit and charge cards, autos, and utilities. The index includes pass-through, bullet, and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. The issues must be fixed rate, investment grade, and have an average life of three to five years.

Agency Debentures: Bloomberg Barclays U.S. Agency 1-3 Year Index includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank with a term of 1 to 3 years. It is a subcomponent of the Government-Related Index (which also includes non-native currency agency bonds, sovereigns, supranationals, and local authority debt) and the U.S. Government Index (which also includes U.S. Treasury debt). The index includes callable and non-callable agency securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government (such as USAID securities).

Bank Loans: Credit Suisse Leveraged Loan Index tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

U.S. Aggregate: Bloomberg Barclays U.S. Aggregate Bond Index measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis.

Commercial MBS: Bloomberg Barclays CMBS ERISA-Eligible Index is the ERISA-eligible component of the Bloomberg Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.

Corporate High Yield: Bloomberg Barclays U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

Corporate Investment Grade: Bloomberg Barclays U.S. Corporate Intermediate Index is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market with a term of 1 to 10 years. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

Emerging Markets Debt: Bloomberg Barclays Emerging Markets Bond Index includes fixed- and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P, and Fitch.

MBS: Bloomberg Barclays U.S. MBS Index covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Introduced in 1986, the GNMA, FHLMC, and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. Balloon securities were added in 1992 and removed on January 1, 2008. 20-year securities were added in July 2000. On April 1, 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index. Hybrid ARMs are eligible until one year prior to their floating coupon date.

Municipals: Bloomberg Barclays Municipal 3 Year (2-4 Year Maturity) Index is a subindex of the U.S. Municipal Index and covers the 2 to 4 year maturity USD-denominated tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Non-U.S. Dollar: Citi WBIG NonUSD Index is a multi-sector, multi currency index excluding U.S. dollar denominated securities. The WBIG index uses the Citi WGBI (World Global Bond Index), a world government index comprised of 23 countries, as its core while including other fixed income asset classes such as credit.

Taxable Municipals: Bloomberg Barclays Taxable Municipal U.S. Aggregate Eligible Index is a rules-based, market-value weighted index engineered for the long-term taxable bond market. To be included in the index, the bonds must meet the eligibility requirements of the U.S. Aggregate Index. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least $7 million and be issued as part of a transaction of at least $75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

10-Year U.S. Treasuries: Bloomberg Barclays U.S. 10 Year Treasury Bellwether Index is a market value-weighted index of investment-grade fixed-rate public obligations of the U.S. Treasury with maturities of 10 years, excluding zero-coupon STRIPS.

Yankee High Quality: Bloomberg Barclays Intermediate Yankee Index contains bonds issued by foreign countries and corporations. These bonds are denominated in U.S. dollars, pay interest in U.S. dollars, and trade on U.S. exchanges. To be eligible for this index, the bonds must have a final maturity between one and ten years.

Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

IMPORTANT RISK CONSIDERATIONS: 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. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **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. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the repayment of underlying collateral. **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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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.

Your clients should carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, call 1-800-243-4361 or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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