

VIRTUS KAR SMALL-CAP VALUE FUND

June 30, 2021

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.

Limited Number of Investments

Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities.

Market Volatility

Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended.

Prospectus

For additional information on risks, please see the fund's prospectus.

VIRTUS INVESTMENT PARTNERS

MULTI-BOUTIQUE, MULTI-STRATEGY MODEL



Key Facts:

\$178.6
Billion in
AUM¹

9
Affiliates

+ 7 Select
Subadvisers

34
Funds Rated
4 or 5 Stars²



Past performance is not indicative of future results.

¹As of 6/30/21. ²The 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. Analysis includes rated retail mutual funds only (funds with at least three years of history). Funds with A and I or Institutional shares use I or Institutional shares for Ratings otherwise, A share is used. Please see page 17 for additional Morningstar disclosure. Strong ratings are not indicative of positive performance. ³Virtus has an ownership interest in the firm.

At a Glance

- Year Founded: 1984
- Headquarters:
Los Angeles, CA
- AUM: \$61.2 billion*
- Number of Investment
Professionals: 16
- Average Investment
Experience: 17 Years
- A wholly owned,
independent subsidiary
of Virtus Investment
Partners

- Originally established to manage founder capital
- Over three decades of experience
- A differentiated “business analyst” investment approach focusing on high-quality businesses
- A disciplined and repeatable investment process that produces high-conviction portfolios

Investment Philosophy

Kayne Anderson Rudnick believes that purchasing high-quality businesses with competitive protections at attractive valuations may lead to the achievement of excess returns over a complete market cycle

STRIVES TO

- Achieve a return meaningfully above that of the Russell 2000® Value Index
- Achieve this return objective with a portfolio that exhibits lower overall risk characteristics than the benchmark

SMALL-CAP QUALITY TEAM



| Portfolio Manager/Analyst | Responsibility | Sector Coverage | Research Experience | Years with KAR |
|---------------------------|---|---|---------------------|----------------|
| Douglas S. Foreman, CFA | Chief Investment Officer | | 35 Years | 10 Years |
| Julie Kutasov | Portfolio Manager and Senior Research Analyst | Materials Industrials | 20 Years | 20 Years |
| Craig Stone | Portfolio Manager and Senior Research Analyst | Industrials | 32 Years | 21 Years |
| Todd Beiley, CFA | Senior Research Analyst | Energy Communication Services | 22 Years | 19 Years |
| Julie Biel, CFA | Senior Research Analyst | Information Technology | 13 Years | 8 Years |
| Jon Christensen, CFA | Senior Research Analyst | Health Care | 26 Years | 20 Years |
| Chris Wright, CFA | Senior Research Analyst | Financials Real Estate | 9 Years | 9 Years |
| Sean Dixon | Research Analyst | Consumer Discretionary Industrials | 12 Years | 3 Years |
| Adam Xiao, CFA | Research Analyst | Consumer Staples Financials Industrials | 6 Years | 3 Years |
| Jordan Greenhouse | Managing Director – Senior Client Portfolio Manager | | 24 Years* | 5 Years |
| James B. May, CFA | Managing Director – Client Portfolio Manager | | 33 Years* | 2 Years |

Source: Kayne Anderson Rudnick

*Represents years of industry experience.

Competitive Protection

- Brand/Reputation
- Network Effect
- Scale/Cost Advantage
- Benchmarking Standard
- High Customer Switching Costs
- Barriers to Entry/Unique Asset
- Low Obsolescence Risk

Owner-Oriented Management

- Cultivates Competitive Advantage
- Rational Capital Allocation
- Considers Stakeholder Interests

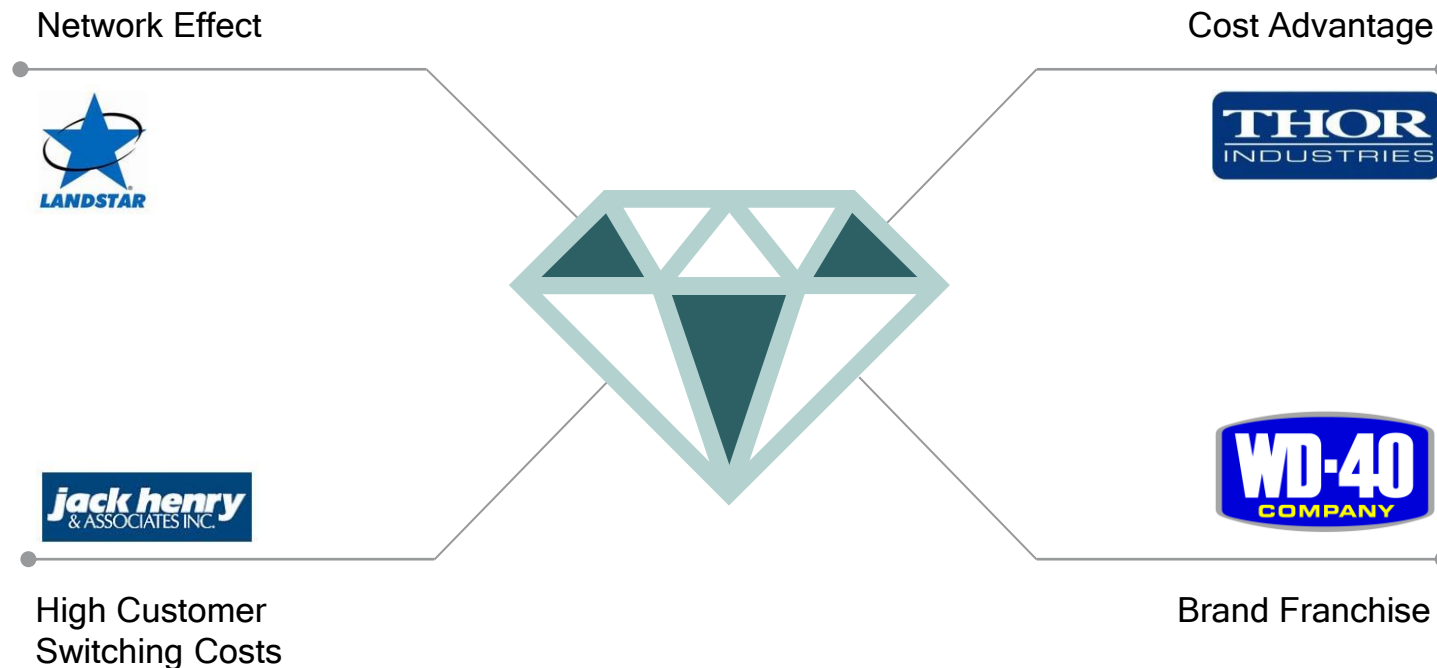


KAR HIGH-QUALITY BUSINESS

- Protect and Grow Market Share
- High Economic Return on Capital
- Business Returns → Shareholder Returns

KAYNE ANDERSON RUDNICK SOURCES OF QUALITY

EXAMPLES OF HIGH-QUALITY BUSINESS MODELS



Source: Kayne Anderson Rudnick

The trademarks shown are the property of their respective owners. Percent of Virtus KAR Small-Cap Value Fund as of 6/30/21: Landstar: 3.0%; Thor Industries: 4.2%; WD-40 Co: 2.6%; Jack Henry & Associates: 1.6%

The securities presented on this page are chosen based upon objective criteria. Companies are chosen to exemplify diversification. We typically select companies that operate in large, vast industries, but have overwhelming market share for their particular niches. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. It should not be assumed that securities recommended in the future will be profitable. Holdings are subject to change.

HIGH-QUALITY UNIVERSE DEVELOPMENT

KAYNE ANDERSON RUDNICK SOURCES ITS INVESTMENT UNIVERSE
IN A NUMBER OF WAYS



SMALL CAP UNIVERSE

Quantitative Screens

- High return on capital over a full economic cycle
- Long and resilient earnings history
- High return on net operating assets
- Minimal debt

Other Resources

- Research on existing portfolio holdings
- Meetings with companies
- Industry reviews
- Investment conferences
- Third-party research

KAYNE ANDERSON RUDNICK UNIVERSE

Research Analysts and Portfolio Managers Work Together to Develop In-depth Business Knowledge

Qualitative Analysis

Purpose: Determine if competitive advantage exists and evaluate its strength.

- Review regulatory filings, company materials, industry data, and third-party research
- Conduct comprehensive interviews with management; contact other relevant parties
- Understand basis of competition within industry
- Assess competitive threats and obsolescence risk: What protects the business?

Understand
link between
business
character and
financial
character

Financial Analysis

Purpose: Evaluate source, level, and sustainability of economic profitability.

- Seek:
 - High and resilient return on capital
 - Persistent earning power
 - Abundant discretionary cash flow
 - Under-levered balance sheet
- Assess management's capital allocation practices; favor high insider ownership

Valuation Analysis

Purpose: Estimate total return over several year period; compare to other opportunities considering varying levels of certainty

- Consider economic earning power in relation to enterprise value
- In our view, mispricing can be created by: Underfollowed company, investors' overreaction to short-term challenges, improved competitive position not yet recognized

Investment Guidelines

Position Weights

- 20-35 holdings
- Maximum Initial position is 5% (at cost)
- Maximum position size is 10% (at market)

Sector Tolerances

- Seek broad diversification, but no sector constraints

Non-U.S. Holdings

- Up to 20%

Holding Period

- Typically 3 to 5 years, but is often longer
- Portfolio turnover typically 25% to 35%

Cash Levels

- Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%

Sell Discipline

Extended Valuation

- Significant premium to intrinsic value
- Expected annual return insufficient

Portfolio Upgrade

- Better business
- Better price

Acquisition Activity

- Our holding acquired at an attractive premium
- Our holding acquires a company diminishing its business or value

Negative Company or Industry Changes

- Position review research report written for any of the following conditions:
 - Stock price declines 20% or more in a short time period, absent a broad market decline
 - Validity deteriorates for one or more of the reasons for purchase
 - Credit-quality profile deteriorates
- Quality parameters reviewed by the Chief Investment Officer with the Portfolio Managers

Risk Management

Investment Philosophy

- Focus on “high-quality” companies
- Company’s “business risk” is primary risk control factor

Portfolio Level Controls

- Broad sector diversification
- Individual security weights initiated at 2% to 5% of portfolio

Position Reviews

- “Position Review” report when a portfolio holding declines 20% absent a broad market decline
- Re-validate reasons for original purchase or sell position

Trading Guidelines

- Guidelines provided by Portfolio Managers when entering and exiting portfolio holdings
- Relative benchmarks and transaction costs are monitored in real time to ensure investments are implemented both efficiently and effectively

Portfolio Monitoring

Risk and Compliance Committee

- Meets quarterly to independently evaluate portfolio risk exposures with findings presented to the Chief Investment Officer

CIO/PM Meetings

- Provides a forum for the Chief Investment Officer and the Portfolio Managers to review, discuss, and explain each strategy’s portfolio positioning and its performance

Research Meetings

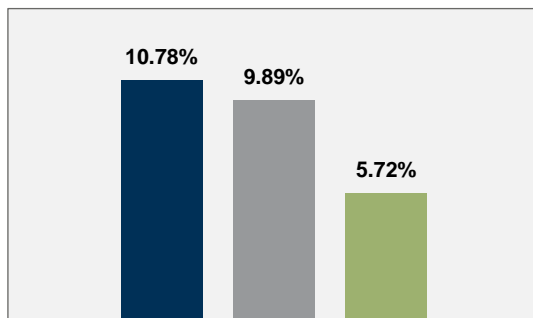
- Provides a forum to discuss and evaluate portfolio holdings and overall industry trends

Performance Analytics and Portfolio Attribution

- Allows Portfolio Managers to quantify investment decisions and understand drivers of return and risk characteristics

AN EMPHASIS ON QUALITY CHARACTERISTICS

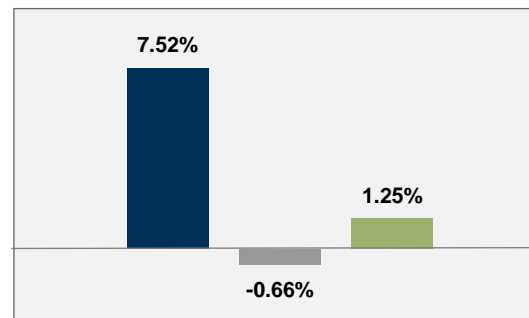
NET MARGIN*



Percentile Rank in Category (%)

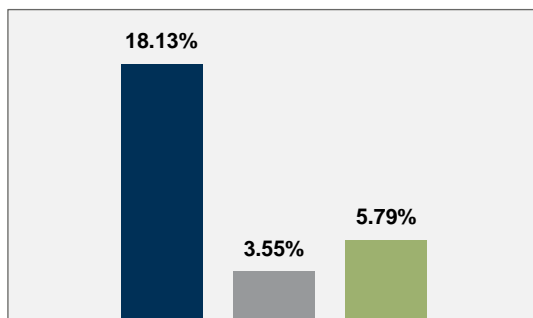
11

ROA*



3

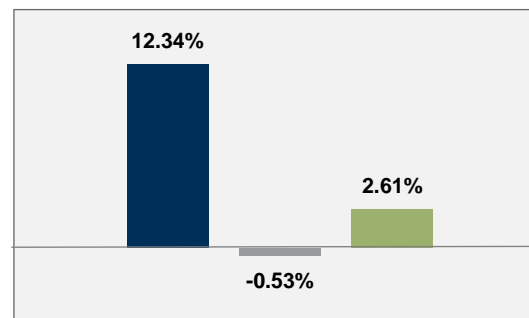
ROE*



Percentile Rank in Category (%)

3

ROIC*



2

- Virtus KAR Small-Cap Value Fund (PXQSX)
- Russell 2000® Value Index
- Combined Morningstar Small Blend, Small Growth, and Small Value Categories
(based on total return; number of funds ranked: Net Margin: 1,750, ROA: 1,753, ROE: 1,752, ROIC: 1,751)

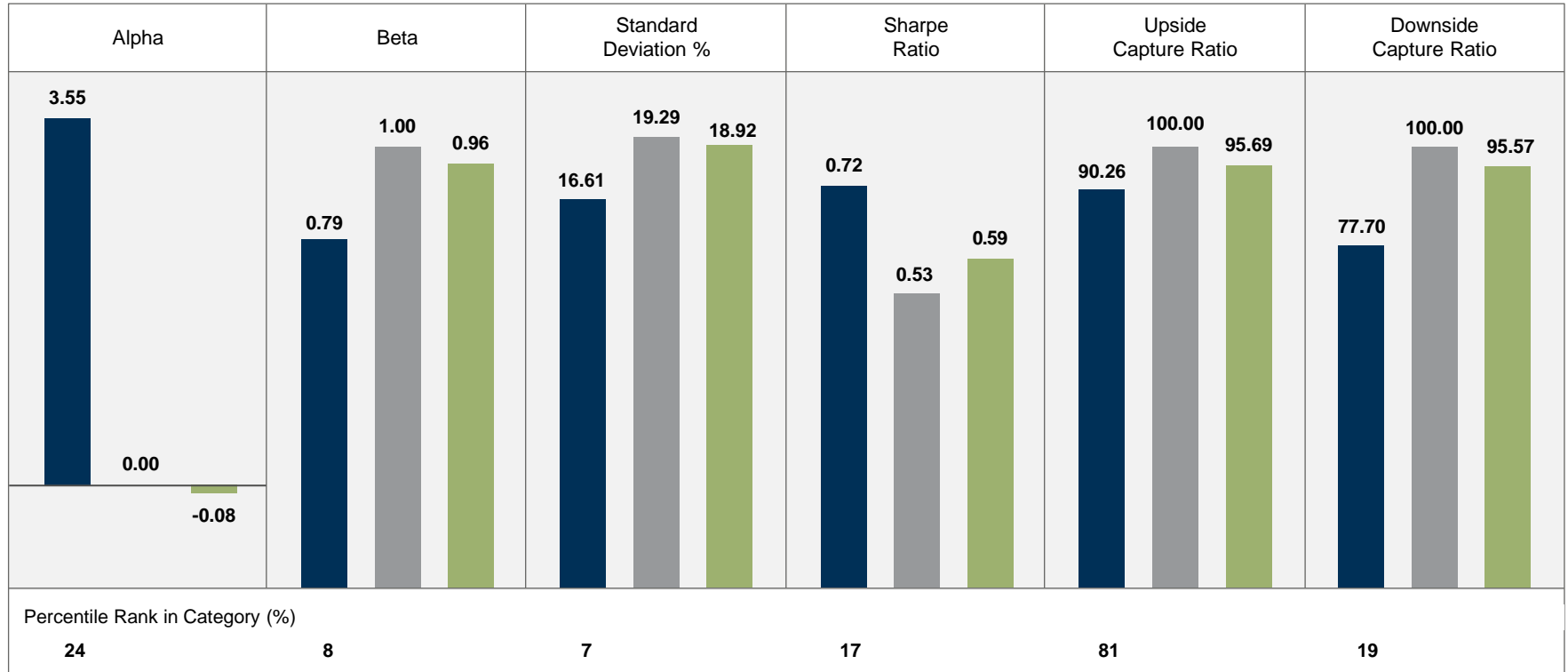
Past performance is not indicative of future results. *Trailing 12 months as of 6/30/21.

As of 6/30/21. Class I shares. Source: Morningstar Direct. The Morningstar Percentile Ranking compares a Fund's Morningstar risk and return scores with all the Funds in the same Category, where 1% = Best and 100% = Worst. Rankings shown are for the I share. Rankings for other share classes may vary.

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. 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. Characteristics are defined on page 19.

CHARACTERISTICS

10 YEARS



- Virtus KAR Small-Cap Value Fund (PXQSX)
- Russell 2000® Value Index
- Combined Morningstar Small Blend, Small Growth, and Small Value Categories (based on total return; number of funds ranked: 1,029)

Past performance is not indicative of future results.

As of 6/30/21. Class I shares. Source: Morningstar Direct.

The Morningstar Percentile Ranking compares a Fund's Morningstar risk and return scores with all the Funds in the same Category, where 1% = Best and 100% = Worst. Rankings shown are for the I share. Rankings for other share classes may vary.

Statistics defined on page 19.

PORTFOLIO CHARACTERISTICS



| | Virtus KAR Small-Cap Value Fund | Russell 2000® Value Index |
|---|---------------------------------------|---------------------------------|
| Quality | | |
| Return on Equity—Past 5 Years | 23.4% | 7.5% |
| Total Debt/EBITDA | 1.4 x | 6.6 x |
| Earnings Variability—Past 10 Years | 41.2% | 82.5% |
| Growth | | |
| Earnings Per Share Growth—Past 5 Years | 14.3% | 8.0% |
| Earnings Per Share Growth—Past 10 Years | 6.1% | 5.5% |
| Dividend Per Share Growth—Past 5 Years | 9.9% | 2.0% |
| Dividend Per Share Growth—Past 10 Years | 11.2% | 5.9% |
| Capital Generation—{ROE x (1-Payout)} | 14.3% | 5.4% |
| Value | | |
| P/E Ratio—Trailing 12 Months | 32.7 x | 42.6 x |
| Free Cash Flow Yield* | 4.3% | 4.6% |
| Market Characteristics | | |
| \$ Weighted Average Market Cap—3 Year Average (by Issue) | \$4.2 B | \$2.2 B |
| Largest Market Cap—3 Year. Average (by Issue) | \$11.8 B | \$9.7 B |
| Annualized Standard Deviation—Since Inception** | 17.9% | 20.7% |

Description†

In a market of average businesses, we seek to own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.

In a market of cyclical businesses requiring growth capital from fickle markets, we seek to own companies producing self-funded strong, consistent growth sustainable into the future.

And we have historically been able to achieve this high quality and strong growth at a discount valuation to the market.

Past performance is no guarantee of future results.

As of 6/30/21.

* Free cash flow data is as of March 31, 2021. Prices are as of June 30, 2021. Excludes financials.

**Actual inception date is June 1, 1998. July 1, 1998 is used for calculation purposes of quarterly information.

†Description reflects past results and is not an indicator of future performance results. Description is relative to the Fund's primary benchmark.

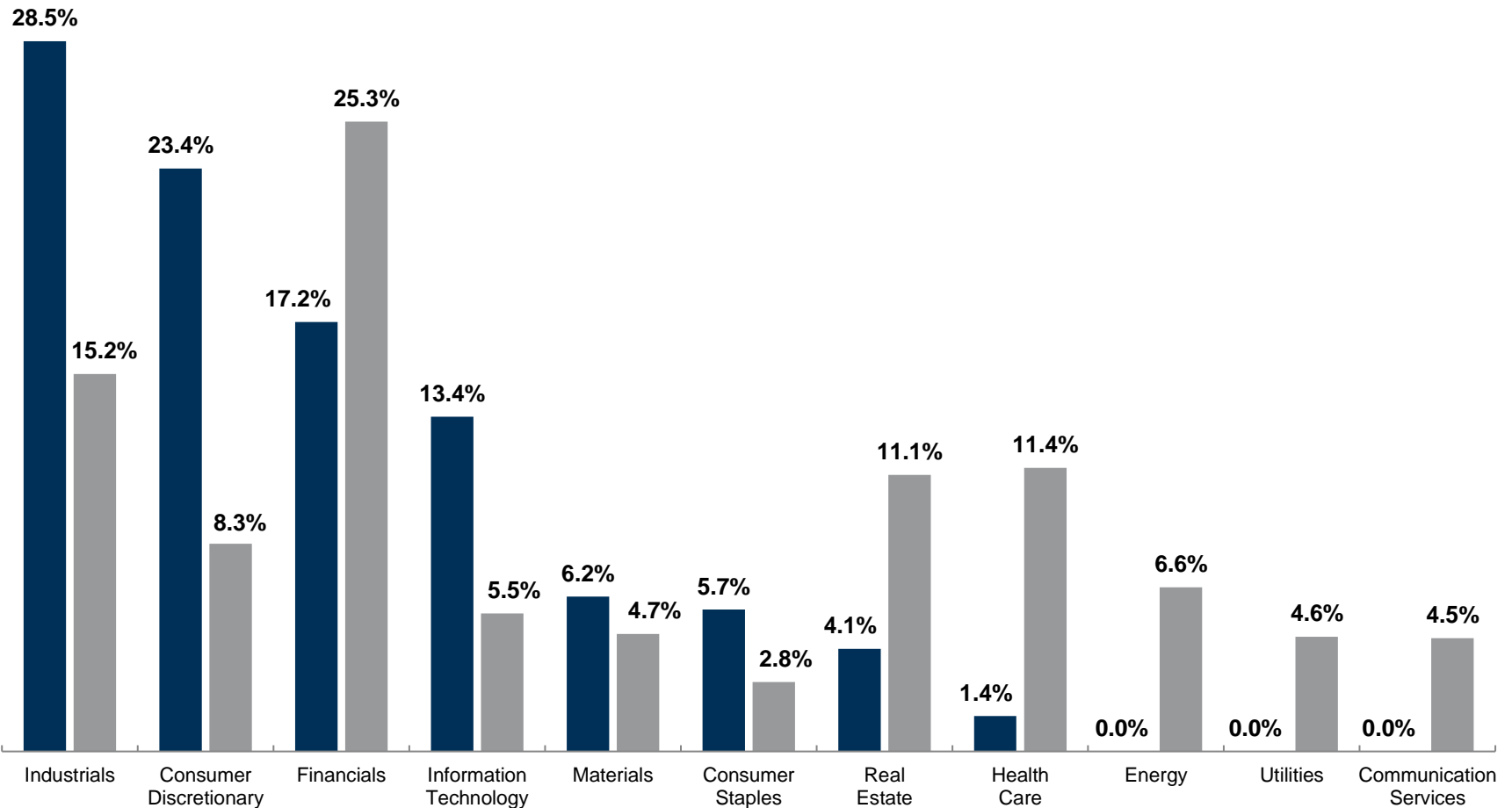
Data is obtained from the Frank Russell Company and FactSet and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information.

Please see page 19 for definitions of characteristics shown.

SECTOR ALLOCATIONS

■ Virtus KAR Small-Cap Value Fund (PXQSX)

■ Russell 2000® Value Index



| Top Ten Holdings | Sector | % of Fund |
|-------------------------------|------------------------|-------------|
| The Scotts Miracle-Gro Co. | Materials | 5.9 |
| Brooks Automation Inc. | Information Technology | 5.4 |
| Watsco Inc. | Industrials | 4.4 |
| The Cheesecake Factory Inc. | Consumer Discretionary | 4.3 |
| Houlihan Lokey Inc. | Financials | 4.3 |
| Thor Industries Inc. | Consumer Discretionary | 4.2 |
| SiteOne Landscape Supply Inc. | Consumer Discretionary | 4.2 |
| MGM Growth Properties LLC | Real Estate | 3.9 |
| RBC Bearings Inc. | Industrials | 3.6 |
| Leslie's Inc. | Consumer Discretionary | 3.5 |
| Total | | 43.7 |

| | Virtus KAR Small-Cap Value Fund | Russell 2000® Value Index |
|-------------------------------|---------------------------------------|------------------------------|
| Number of Holdings | 31 | 1,384 |
| Average Position Size (%) | 3.2 | 0.1 |
| Weight of Top 10 Holdings (%) | 43.7 | 5.2 |
| Active Share (%) | 99.1 | — |

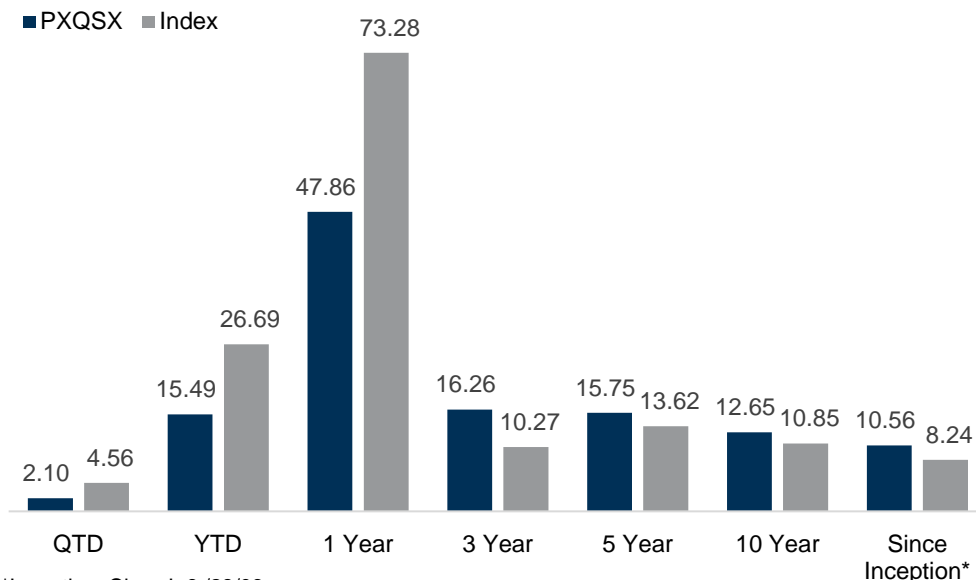
As of 6/30/21.

Source: Virtus Performance and Analytics.

Holdings and weightings are subject to change.

PERFORMANCE REVIEW

AS OF JUNE 30, 2021 (%)



*Inception: Class I: 6./28/06.

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 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 for details.

Class I: The fund class gross expense ratio is 0.99%.

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.

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. 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.

MORNINGSTAR RATINGS™

| I Share | Small Growth |
|-------------|-----------------------|
| Time Period | # of Stars # of Funds |
| Overall | ★★★ 576 |
| 3 Year | ★★★ 576 |
| 5 Year | ★★ 505 |
| 10 Year | ★★★ 379 |

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

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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Quality-Driven Strategies Across Market Caps and Borders

Kayne Anderson Rudnick's investment philosophy is rooted in quality, with a focus on wealth preservation. Decades of management experience has yielded a rigorous definition of quality, which guides where the firm invests, across market caps and geographic regions.

| U.S. | | | | | | | | | INTERNATIONAL/EMERGING MARKETS | | | | GLOBAL | ALTERNATIVE |
|---------------------------------|---------------------------------|------------------------------------|------------------------------------|--------------------------------------|------------------------------|---------------------------------|--|--------------------------------|---|---|--|------------------------------------|---|-----------------------------------|
| SMALL-CAP | | | SMALL-MID-CAP | | MID-CAP | | LARGE-CAP | | SMALL-CAP | | SMALL-MID-CAP | ALL-CAP | ALL-CAP | LONG/SHORT |
| VIRTUS KAR SMALL-CAP VALUE FUND | VIRTUS KAR SMALL-CAP CORE FUND* | VIRTUS KAR SMALL-CAP GROWTH FUND** | VIRTUS KAR SMALL-MID CAP CORE FUND | VIRTUS KAR SMALL-MID CAP GROWTH FUND | VIRTUS KAR MID-CAP CORE FUND | VIRTUS KAR MID-CAP GROWTH FUND | VIRTUS KAR EQUITY INCOME FUND*** | VIRTUS KAR CAPITAL GROWTH FUND | VIRTUS KAR INTERNATIONAL SMALL-CAP FUND | VIRTUS KAR EMERGING MARKETS SMALL-CAP FUND | VIRTUS KAR INTERNATIONAL SMALL-MID CAP FUND | VIRTUS KAR DEVELOPING MARKETS FUND | VIRTUS KAR GLOBAL QUALITY DIVIDEND FUND | VIRTUS KAR LONG/SHORT EQUITY FUND |
| SYMBOL | | | | | | | | | | | | | | |
| A: PQSAX | A: PKSAX | A: PSGAX | A: VKSAX | A: VAKSX | A: VMACX | A: PHSKX | A: PDIAX | A: PSTAX | A: VISAX | A: VAESX | A: VKIAX | A: VDMAX | A: PPTAX | A: VLSAX |
| C: PQSCX | C: PKSCX | C: PSGCX | C: VKSCX | C: VCKSX | C: VMCCX | C: PSKCX | C: PGICX | C: SSTFX | C: VCISX | C: VCESX | C: VKICX | C: VDMCX | C: PPTCX | C: VLSCX |
| I: PXQSX | I: PKSFX | I: PXSGX | I: VKSIX | I: VIKSX | I: VIMCX | I: PICMX | I: PXIIX | I: PLXGX | I: VIISX | I: VIESX | I: VKIIX | I: VIDMX | I: PIPTX | I: VLSIX |
| R6: VQSRX | R6: VSCRX | R6: VRSGX | R6: VKSRX | R6: VRKXSX | R6: VRMCX | R6: VRMGX | R6: VECRX | R6: VCGRX | R6: VRISX | R6: VRESX | R6: VKIRX | R6: VDMRX | R6: VGQRX | R6: VLSRX |
| NUMBER OF HOLDINGS | | | | | | | | | | | | | | |
| 25-35 | 20-40 | 20-35 | 25-35 | 20-35 | 25-35 | 25-50 | 25-50 | 25-50 | 30-60 | 30-60 | 30-60 | 30-60 | 25-50 | Long: 20-30 Short: 20-30 |
| BENCHMARK | | | | | | | | | | | | | | |
| Russell 2000® Value Index | Russell 2000® Index | Russell 2000® Growth Index | Russell 2500™ Index | Russell 2500™ Growth Index | Russell Midcap® Index | Russell Midcap® Growth Index | MSCI USA High Dividend Yield Index (net) | Russell 1000® Growth Index | MSCI ACWI ex U.S. Small Cap Index (net) | MSCI Emerging Markets Small Cap Index (net) | MSCI AC World Ex USA Small Mid Cap Index (net) | MSCI Emerging Markets Index | Russell Developed Large Cap Index (net) | Russell 3000® Index |
| INVESTMENT OPPORTUNITY | | | | | | | | | | | | | | |

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

For more information about Kayne Anderson Rudnick's high-conviction, high-quality equity strategies, visit virtus.com or call 800-243-4361.

*Effective July 31, 2018, this Fund is closed to new investors. Please see the prospectus for exceptions. **Effective September 28, 2018, this Fund is closed to new investors. Please see the prospectus for exceptions. ***Effective September 1, 2020, the Fund changed its name from Virtus Rampart Enhanced Core Equity Fund to Virtus KAR Equity Income Fund. The Fund's portfolio managers, principal investment strategies, and certain principal risks have been revised. Please see the prospectus for more information.

QUALITY

Return on Equity - Past 5 Years—relates how well the company is using the money invested in it so that it can bring a return to its investors. A high portfolio ROE indicates that the portfolio is invested in historically profitable companies.

Total Debt/EBITDA—is calculated by dividing total debt by earnings before interest, taxes, depreciation, and amortization. It is a measure of a company's ability to pay off its incurred debt.

Earnings Variability - Past 10 Years—measures the volatility of the annual earnings per share over the past 10 years. On a portfolio level, a high EPS variability means the portfolio is heavily invested in companies with volatile earnings. Unlike earnings growth, this statistic looks at the companies' earnings patterns. Newer companies and smaller companies tend to have highly variable earnings.

GROWTH

Earnings/Share Growth—indicates the earnings available to each common share. Earnings/share growth is the growth rate of these earnings per share. On a portfolio level, this statistic measures the trailing earnings per share growth of a portfolio's holdings.

Dividend/Share Growth—on a portfolio level, this statistic measures the trailing dividends/share growth of a portfolio's holdings.

Cap. Generation - {ROE x (1-Payout)}—indicates how quickly the firm can grow without changing its financing and dividend policies. The retention ratio is calculated as one minus the dividend payout ratio. Capital generation illustrates the importance of profitability (return on equity) and the firm's dividend policy on the company's growth.

VALUE

P/E Ratio - Trailing 12 Months—The P/E (price-earnings) ratio is calculated by dividing the company's stock price divided by its earnings per share times 100. The higher the P/E ratio, the more an investor pays for the company's earnings. A low P/E generally indicates a better value, while a high P/E denotes an expensive stock with earnings that investors expect will grow rapidly. A negative P/E is generally indicative of companies with losses or negative earnings.

Free Cash Flow Yield—An overall return evaluation ratio of a stock, which standardizes the free cash flow per share a company is expected to earn against its market price per share. Free cash flow yield is similar in nature to the earnings yield metric, which is usually meant to measure GAAP earnings per share divided by share price. Generally, the lower the ratio, the less attractive the investment is and vice versa. The logic behind this is that investors would like to pay as little price as possible for as many earnings as possible. Some investors regard free cash flow (which takes into account capital expenditures and other ongoing costs a business incurs to keep itself running) as a more accurate representation of the returns shareholders receive from owning a business, and thus prefer to free cash flow yield as a valuation metric over earnings yield.

MARKET CHARACTERISTICS

\$ Weighted Average Market Cap - 3 Year Average—is the average of the market capitalizations (price times the number of common shares outstanding) of the companies in the portfolio weighted by the size of each company's position within the portfolio.

Largest Market Cap - 3 Year Average—provides information about the range of the market capitalization held in the portfolio.

Annualized Standard Deviation - Since Inception—is a statistical measure of the dispersion about an average over a certain period and measures the volatility (risk) of a portfolio's returns.

Active Share – A measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index.

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.

Up/Down Capture Ratio – A measure of how well a manager was able to replicate or improve on phases of positive benchmark returns and how badly the manager was impacted by phases of negative benchmark returns.

Net Margin – The ratio of net profits to revenues for a company or business segment that shows how much of each dollar earned by the company is translated into profits.

ROA (Return on Assets) – An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings.

ROE (Return on Equity) – The amount of net income returned as a percentage of shareholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

ROIC (Return on Invested Capital) – A calculation used to assess a company's efficiency at allocating the capital under its control to profitable investments. The return on invested capital measure gives a sense of how well a company is using its money to generate returns.

Sharpe Ratio – A statistic that 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.

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. The index is calculated on a total return basis with dividends reinvested.

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. The index is calculated on a total return basis with dividends reinvested.

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. The index is calculated on a total return basis with dividends reinvested.

The **Russell 2500™ Index** is a market capitalization-weighted index of the 2,500 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

The **Russell 2500™ Growth Index** is a market capitalization-weighted index of growth-oriented stocks of the 2,500 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

The **Russell Midcap® Index** is a market capitalization-weighted index of medium-capitalization stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested.

The **Russell Midcap® Growth Index** is a market capitalization-weighted index of medium-capitalization, growth-oriented stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **Russell 1000® Growth Index** is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

The **MSCI USA High Dividend Yield Index** is based on the MSCI USA Index, its parent index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends. The index is calculated on a total return basis with net dividends reinvested.

The **MSCI ACWI ex U.S. Small Cap Index (net)** is a free float-adjusted market capitalization-weighted index that measures small cap equity performance of developed and emerging markets, excluding the U.S. The index is calculated on a total return basis with net dividends reinvested.

The **MSCI Emerging Markets Small Cap Index (net)** is a free float-adjusted market capitalization-weighted index designed to measure small cap equity market performance in the global emerging markets. The index is calculated on a total return basis with net dividends reinvested.

The **MSCI AC World Ex USA Small Mid Cap Index (net)** is a free float-adjusted market capitalization-weighted index that measures mid- and small-cap performance across 22 of 23 Developed Market countries (excluding the U.S.) and 24 Emerging Markets countries. The index is calculated on a total return basis with net dividends reinvested.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis with gross dividends reinvested.

The **Russell Developed Large Cap Index** is a free-float market capitalization-weighted index constructed to provide a comprehensive and unbiased barometer for the large-cap segment in the developed world, calculated on a total return basis with net dividends reinvested.

The **Russell 3000® Index** is a market capitalization-weighted index that measures the performance of the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.



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