

# GIVING UP QUALITY TO GENERATE YIELD? DON'T GIVE UP YET.

## SPOTLIGHT ON: Ultra-Short Bond Funds

Virtus Seix U.S. Government Securities Ultra-Short Bond Fund: A: SSAGX / I: SIGVX / R6: SIGZX  
Virtus Seix Ultra-Short Bond Fund: A: SASSX / I: SISSX

Ultra-short bond funds may provide principal protection, risk reduction, and diversification benefits to an overall portfolio. But, investors should be aware of what they are buying.

### Three Key Factors to Evaluate an Ultra-Short Bond Manager

#### 1 | Credit Quality

Some ultra-short bond managers may try to inflate returns by increasing risk exposure with lower-rated credits and less liquid structured products.

- Seix emphasizes income, liquidity, quality, and diversification in its ultra-short strategies.
- Virtus Seix U.S. Government Securities Ultra-Short Bond Fund (SIGVX) and Virtus Seix Ultra-Short Bond Fund (SISSX) invest 100% of assets in investment grade securities.<sup>1</sup>

#### 2 | Consistent Approach That Has Been Tested Through Market Cycles

Managers lacking a consistent philosophy and process may not have experience navigating market downturns.

- Both Funds are managed utilizing Seix's investment grade philosophy and process, which has been in place for over 25 years.<sup>2</sup>
- SIGVX and SISSX have historically provided protection on the downside, relative to other asset classes and peers, as exemplified during the '07-'09 Global Financial Crisis (as exhibited on page 3).

#### 3 | Risk-Adjusted Returns

Given investor willingness to take on slightly more risk than money market funds, ultra-short bond funds may provide greater income potential.

- Seix seeks to deliver higher returns than traditional money market funds, while avoiding the risks inherent in "Plus" strategies that introduce below-investment-grade securities and less liquid structured products.
- SIGVX and SISSX have delivered strong risk-adjusted returns, with Information Ratios<sup>3</sup> that have exceeded peers.

#### Past performance is not indicative of future results.

<sup>1</sup>As of 6/30/20 (excluding cash). <sup>2</sup>Seix Investment Advisors was founded in 1992. <sup>3</sup>SISSX ranked 123/205 (1-Year), 69/127 (5-Year), and 29/60 (10-Year) and SIGVX ranked 77/205 (1-Year), 79/127 (5-Year), and 6/60 (10-Year) for Information Ratio in the Morningstar Ultrashort Bond Category as of 6/30/20. **Information Ratio**—A ratio of portfolio returns above the returns of a benchmark (usually an index) to the volatility of those returns.

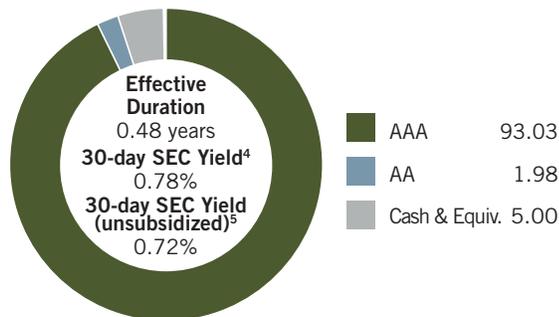
## One Manager. Two Ultra-Short Solutions.

Seix subadvises two ultra-short bond funds for Virtus Investment Partners:

- ▶ **Virtus Seix U.S. Government Securities Ultra-Short Bond Fund (SIGVX)** is predominately comprised of U.S. Government Agency securitized assets, along with minimal exposure to cash, U.S. Treasury securities, and government agency debentures.

### RATINGS DISTRIBUTION (%)

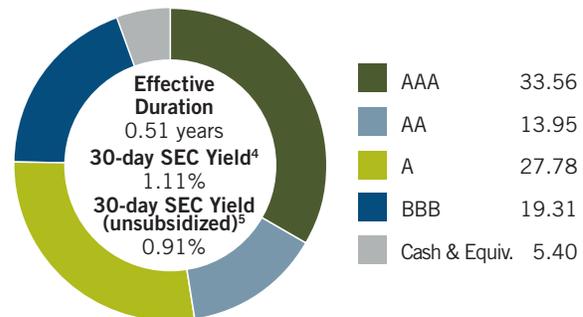
1 Shares, as of 6/30/20



- ▶ **Virtus Seix Ultra-Short Bond Fund (SISSX)** has the added diversification benefits of investing in corporate bonds, asset-backed securities (ABS), and non-agency commercial mortgage-backed securities (CMBS).

### RATINGS DISTRIBUTION (%)

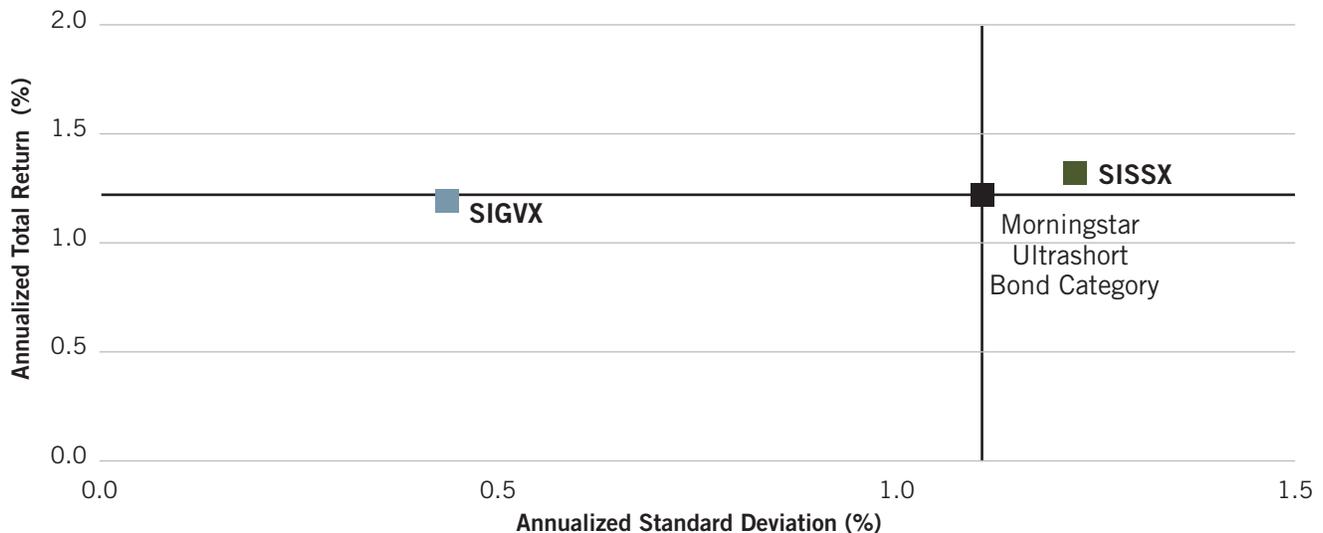
1 Shares, as of 6/30/20



**SISSX** has generated higher annualized returns than the Morningstar Ultrashort Bond Category for the past 10 years, with lower levels of risk. **SIGVX** has delivered similar returns to the category average with nearly half the risk.

### PEER COMPARISON, 10 YEARS<sup>6</sup>

1 Shares, as of 6/30/20



#### Past performance is not indicative of future results.

Holdings and sector weightings are subject to change. <sup>4</sup>30-day SEC Yield is a standardized yield calculated according to a formula set by the SEC, and is subject to change.

<sup>5</sup>30-day SEC Yield (unsubsidized) is the 30-day SEC yield without the effect of applicable expense waivers. <sup>6</sup>Source: Morningstar Direct. Morningstar Ultrashort Bond Category number of peers: 60.

**Duration** represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price. **Standard Deviation** measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

## Historical Protection in Down Markets

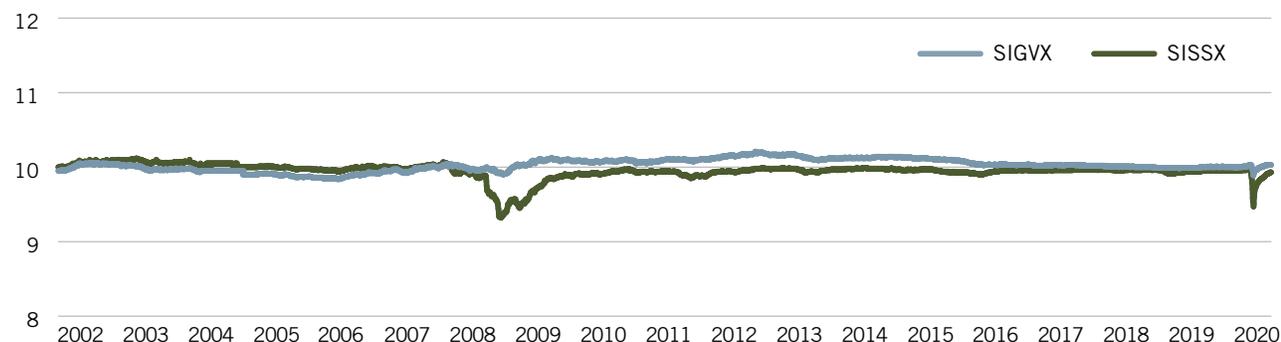
The Funds provided better protection relative to other asset classes and ultra-short peers during the Global Financial Crisis (2007-2009). As a result of its AAA-rated credit quality focus, the **SIGVX's** NAV remained stable during the crisis. **SISSX's** NAV fluctuated during the crisis, though the drawdown was less than the Morningstar category average.

### MAXIMUM DRAWDOWN DURING THE GLOBAL FINANCIAL CRISIS (%)

	10/9/2007–3/9/2009
S&P 500® Index	-55.25
Bloomberg Barclays U.S. Aggregate Bond Index	-5.08
<b>Virtus Seix U.S. Government Securities Ultra-Short Bond Fund</b>	<b>-0.37<sup>7</sup></b>
<b>Virtus Seix Ultra-Short Bond Fund</b>	<b>-4.89<sup>7</sup></b>
Morningstar Ultra-Short Bond Category Average	-7.27 <sup>8</sup>

### FUND NAV SINCE 2002<sup>9</sup> (\$)

4/11/02–6/30/20

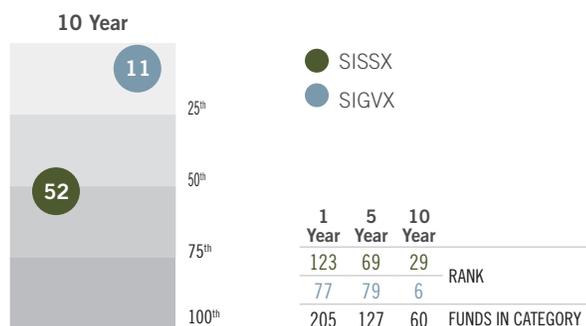


## Risk-Adjusted Returns

For the past 10 years, the Funds have consistently generated excess risk-adjusted returns above ultra-short peers.

### MORNINGSTAR PERCENTILE RANKING, INFORMATION RATIO

Ultra-Short Bond Category Based on Total Returns as of 6/30/20



## New Share Class Availability

The ultra-short Funds are now available in Class A Shares for brokerage clients. Class A Shares feature:

- No Sales Charge
- No CDSC
- No Finders Fee
- 0.25% 12b-1
- \$2,500 minimum

Seix's bottom-up focused, top-down aware investment approach seeks to provide superior risk-adjusted returns over a full market cycle, as well as competitive absolute and relative returns over shorter horizons. Interested in learning more about **Virtus Seix U.S. Government Securities Ultra-Short** or **Ultra-Short Bond Funds**? Contact us at 800-243-4361 or visit [www.virtus.com](http://www.virtus.com).

**Past performance is not indicative of future results.**

<sup>7</sup>Seix assumed portfolio management responsibilities for SIGVX and SISSX in 2014. Indexes are defined on the following page. <sup>8</sup>Morningstar Ultra-Short Bond Category number of peers for period 10/9/2007–3/9/2009: 55. <sup>9</sup>Source: Virtus Investment Partners.

## Average Annual Total Returns Class I as of 6/30/20

### Virtus Seix U.S. Government Securities Ultra-Short Bond Fund (SIGVX)

Returns (%)	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (4/11/02)
Fund	1.02	0.95	2.00	1.89	1.37	1.17	2.16
Index	0.01	0.79	1.87	1.89	1.30	0.72	1.51

### Virtus Seix Ultra-Short Bond Fund (SISSX)

Returns (%)	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (4/15/02)
Fund	2.94	0.59	1.73	1.97	1.62	1.34	2.12
Index	0.01	0.79	1.87	1.89	1.30	0.72	1.51

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.

**SIGVX:** The fund class gross expense ratio is 0.50%. The net expense ratio is 0.41%, which reflects a contractual expense reimbursement in effect through 4/30/2021.

**SISSX:** The fund class gross expense ratio is 0.61%. The net expense ratio is 0.40%, which reflects a contractual expense reimbursement in effect through 4/30/2021.

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.

**Index:** The Bloomberg Barclays U.S. Treasury Bill 3-6 Month Index measures performance of U.S. Treasury bills with a remaining maturity from one up to (but not including) 12 months. The index excludes zero coupon strips. The index is calculated on a total return basis.



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

The **S&P 500® Index** is a free-float market-capitalization weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. 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 indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

The ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of a corporation's or government's debt issues. The ratings apply to the fund's holdings and not the fund itself. Standard & Poor's, Moody's, and Fitch ratings are used. If all three agencies have rated the security, then the median rating based on numerical equivalents is used. If only two agencies have rated the security, then the lower of the two ratings is used. If only one agency has rated the security, the rating from that agency is used. Credit ratings are subject to change. AAA, AA, A, and BBB are investment grade ratings; BB, B, CCC, CC, C, and D are below-investment grade ratings.

**Morningstar:** Morningstar % Rank are based on the total return percentile rank within each Morningstar Category and does not account for a fund's sales charge (if applicable). Rankings will not be provided for periods less than one year. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. Historical percentile ranks are based on a snapshot of the funds as they were at the time of the calculation. Percentile ranks within categories are most useful in those groups that have a large number of funds. For small universes, funds will be ranked at the highest percentage possible. For instance, if there are only two specialty-utility funds with 10-year average total returns, Morningstar will assign a percentile rank of 1 to the top-performing fund, and the second fund will earn a percentile rank of 51 (indicating the fund underperformed 50% of the sample).

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**Strong ratings are not indicative of positive fund performance.**

#### 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. **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. **U.S. Government Securities:** U.S. government securities may be subject to price fluctuations. An agency may default on an obligation not backed by the United States. Any guarantee on U.S. government securities does not apply to the value of the fund's shares. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **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 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.

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**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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