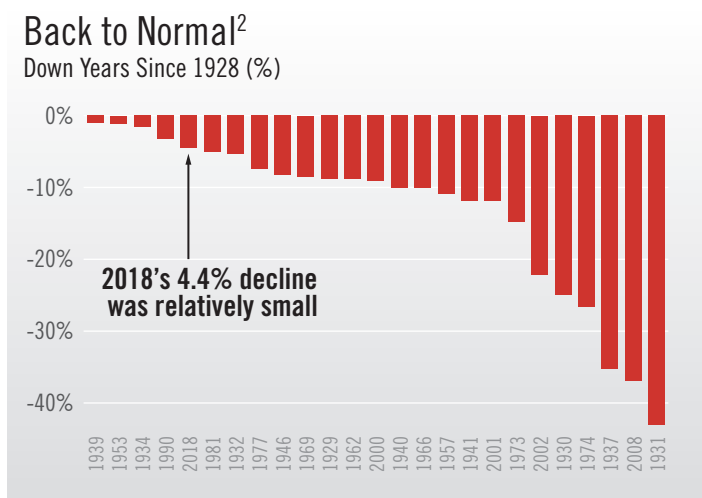
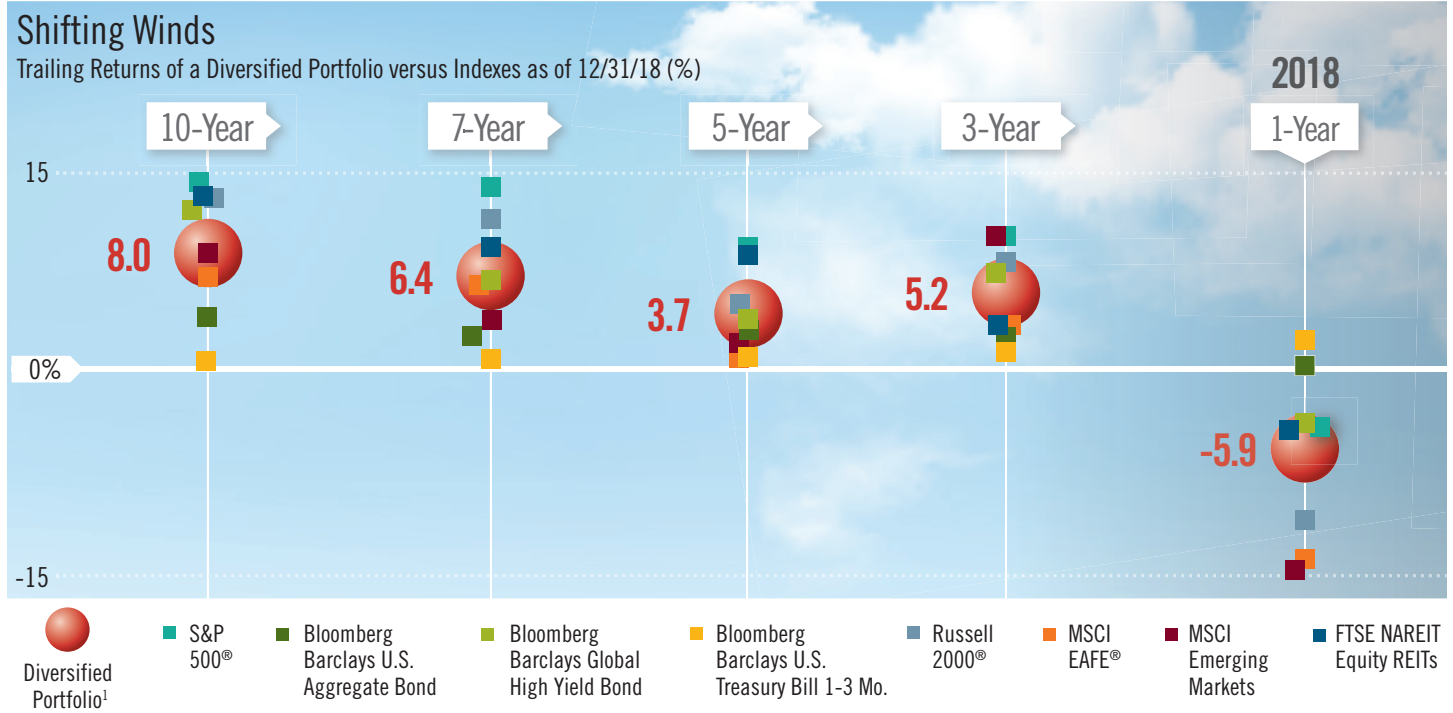
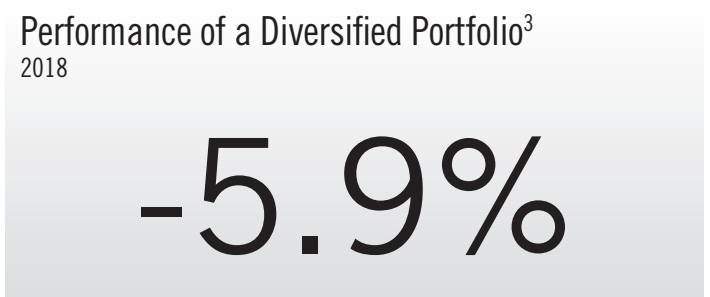


THE END OF AN ERA: 2018 in Perspective

2018 marked the first down year for the U.S. equity market since 2008. The 2009-2017 stretch ties as the longest annual winning streak in market history. Until the fourth quarter, markets were buoyant, but political instability at home and abroad, rising interest rates, and a potential growth slowdown rattled global markets. Other than cash, all asset classes ranged between flat and down. Diversification isn't "working" right now, yet 2018 was a good reminder of the impossibility of predicting short-term price action, and the need to plan for volatility. Over the long run, a diversified portfolio has produced solid results.



- Out of 91 calendar years since 1928, 25 were negative.
- 2018's volatility was around average. It was 2017's ultra-smooth market that was anomalous.



- In Q4, a diversified portfolio of assets declined -8.5%, led by U.S. stocks. The S&P 500 and Russell 2000 Indexes declined -13.5% and -20.2%, respectively. For the year, those markets declined -4.4% and -11.0%.
- Value stock losses outpaced growth stock losses across the market cap spectrum in 2018. The energy, financials, and industrials sectors posted double digit losses; consumer and technology stocks were about flat during the year.
- Bonds did not provide much shelter from the storm, nor did REITs or commodities.

Past performance is not indicative of future results.
¹Source: Virtus Performance Analytics. ²Ned Davis Research. © 2019 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All rights reserved. See NDR disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo. ³Source: Virtus Performance Analytics. See following page for composition and definitions.

2018 in Perspective

ANNUALIZED RETURNS IN %, as of 12/31/2018

	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Diversified Portfolio	-8.5	-5.9	-5.9	5.2	3.7	6.4	8.0
S&P 500® Index	-13.5	-4.4	-4.4	9.3	8.5	12.7	13.1
Russell 2000® Index	-20.2	-11.0	-11.0	7.4	4.4	10.4	12.0
MSCI EAFE® Index (net)	-12.5	-13.8	-13.8	2.9	0.5	5.8	6.3
MSCI Emerging Markets Index (net)	-7.5	-14.6	-14.6	9.3	1.7	3.2	8.0
Bloomberg Barclays U.S. Aggregate Bond Index	1.6	0.0	0.0	2.1	2.5	2.1	3.5
Bloomberg Barclays Global High Yield Bond Index	-3.5	-4.1	-4.1	6.6	3.3	6.1	11.1
Bloomberg Barclays U.S. Treasury Bill 1-3 Month Index	0.6	1.8	1.8	1.0	0.6	0.4	0.3
Bloomberg Commodity Index	-9.4	-11.3	-11.3	0.3	-8.8	-7.8	-3.8
FTSE Nareit Equity REITs Index	-6.7	-4.6	-4.6	2.9	7.9	8.5	12.1

The Diversified Portfolio assumes the following weights: 25% in the S&P 500®, 10% in the Russell 2000®, 15% in the MSCI EAFE®, 5% in the MSCI EM, 25% in the Bloomberg Barclays U.S. Aggregate, 5% in the Bloomberg Barclays U.S. Treasury Bill 1-3 Month Index, 5% in the Bloomberg Barclays Global High Yield Bond Index, 5% in the Bloomberg Commodity Index, and 5% in the FTSE Nareit Equity REITs Index. Assumes annual rebalancing. Data represents total return for stated period. The Diversified Portfolio is not representative of any Virtus portfolio. Investors should consult their financial professional to identify suitable portfolio allocations. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio, or that diversification among different asset classes reduces risk.

Index Definitions—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 **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 **MSCI EAFE® Index (net)** is a free-float-adjusted market-capitalization weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada. The index is calculated on a total return basis with net dividends reinvested. The **MSCI Emerging Markets Index (net)** 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 net 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 **Bloomberg Barclays Global High Yield Bond Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities. The index is calculated on a total return basis. The **Bloomberg Barclays U.S. Treasury Bill 1-3 Month Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible. The **Bloomberg Commodity Index** is composed of futures contracts on physical commodities and represents 22 separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc. The **FTSE Nareit Equity REITs Index** is a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria, that are listed on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ National Market System. 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.

IMPORTANT RISK CONSIDERATIONS

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