

Virtus Private Credit Strategy ETF

Acquired Fund Fees and Expenses: Explained

Virtus Private Credit Strategy ETF (NYSE Arca: VPC) (the “Fund”) is a passively-managed exchange traded fund which seeks to track the Indxx Private Credit Index. The methodology prescribes investment in exchange-listed instruments with significant exposure to private credit, namely, business development companies (“BDCs”) and closed end funds (“CEFs”) with an emphasis on private credit.

BDCs are closed-end investment companies that often invest in debt issued by small and mid-sized businesses in the United States. BDCs are generally managed by third party investment specialist firms who charge a management fee and, in some cases, an incentive fee for profitable investment performance of the BDC.

VPC is required to itemize indirect expenses such as acquired fund fees and expenses (“AFFE”) in its fee table because it primarily holds BDCs and CEFs – themselves funds with management fees – for private credit exposure. AFFE are implicitly reflected in the prices of the BDCs and CEFs in the portfolio and are not paid directly from the Fund’s net assets. Furthermore, AFFE are not included in the Fund’s financial statements periodically provided to shareholders. The total return of the Fund will reflect both indirect and direct expenses.

VPC Expense Summary (as of February 1, 2019)

Fee/Expense	Rate	Type	Notes
Management Fee¹	0.75%	Direct	Gross fee amount paid to the Fund’s Investment Adviser
Other Expenses	0.00%	Direct	
Acquired Fund Fees and Expenses²	6.89%	Indirect	Fees/expenses of the BDCs and CEFs in VPC’s portfolio
Total Annual Operating Expenses	7.64%	Direct, Indirect	Total Expense Ratio

(1) *The management fee is structured as a “unified fee,” out of which the Fund’s adviser pays all of the ordinary operating expenses of the Fund, except for the following expenses, each of which is paid by the Fund: the Fund’s management fee, payments under any 12b-1 plan; taxes and other governmental fees; brokerage fees, commissions and other transaction expenses; interest and other costs of borrowing; litigation or arbitration expenses; acquired fund fees and expenses; and extraordinary or other non-routine expenses of the Fund.*

(2) *“Other Expenses” and “Acquired Fund Fees and Expenses” are based on estimated amounts for the current fiscal year.*

Business development companies (BDCs): Closed-end investment companies that often invest in debt issued by small and mid-sized businesses in the United States. BDCs are generally managed by third party investment specialist firms which charge a management fee and, in some cases, an incentive fee for profitable investment performance by the BDC.

The Fund is an exchange-traded fund (“ETF”). The “net asset value” (NAV) of the Fund is determined at the close of each business day, and represents the dollar value of one share of the Fund; it is calculated by taking the total assets of the Fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV of the Fund is not necessarily the same as its intraday trading value. Fund investors should not expect to buy or sell shares at NAV because shares of ETFs such as the Fund are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Thus, shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. NAV returns are calculated using the Fund’s daily 4:00 pm NAV, and include the reinvestment of all dividends and other distributions (reinvested at the Fund’s NAV on distribution ex-date). Market price returns are calculated using the 4:00 pm midpoint between the bid and offer, and include the reinvestment of all dividends and other distributions (reinvested at the 4:00 pm bid/offer midpoint on distribution ex-date). Market price returns do not represent the return you would receive if you traded at other times.

Benchmark: The Indxx Private Credit Index is an index of listed business development companies (“BDCs”) and closed-end funds (“CEFs”) with a private credit focus. It is designed to serve as a broad-based benchmark for long-only investments in private credit. The Index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

IMPORTANT RISK CONSIDERATIONS

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. **Private Credit Funds:** Private credit funds that invest in closed-end funds and business development companies bear the risks of these underlying assets, including liquidity, industry, currency, valuation and credit risks. **CLO Risk:** CLOs may be characterized as illiquid securities and typically have various tranches. If there are defaults or collateral underperforms, senior tranches take precedence over lower tranches in scheduled payments. **Closed-End Funds:** Closed-end funds may trade at a discount from their net asset values, which may affect whether the fund will realize gains or losses. They may also employ leverage, which may increase volatility. **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. **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. **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. **Fund of Funds:** Because the fund can invest in other funds, it indirectly bears its proportionate share of the operating expenses and management fees of the underlying fund(s). **Passive Strategy/Index Risk:** A passive investment strategy seeking to track the performance of the underlying Index may result in the fund holding securities regardless of market conditions or their current or projected performance. This could cause the fund’s returns to be lower than if the fund employed an active strategy. **Non-Diversified:** The fund is non-diversified and may be more susceptible to factors negatively impacting its holdings to the extent that each security represents a larger portion of the fund’s assets. **Exchange-Traded Funds (ETF):** The value of an ETF may be more volatile than the underlying portfolio of securities it is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **No Guarantee:** There is no guarantee that the portfolio will meet its objective. **Prospectus:** For additional information on risks, please see the fund’s prospectus.

Please consider the Fund’s objectives, risks, charges, and expenses before investing. Contact us at 1.800.243.4361 or visit www.virtus.com for a prospectus, which contains this and other information about the Fund. Read the prospectus carefully before investing.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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