

Virtus ETF Trust II

VIRTUS NEWFLEET DYNAMIC CREDIT ETF

Virtus ETFs

SEMI-ANNUAL REPORT

January 31, 2019

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Shareholder Letter (unaudited)

March 2019

Dear Shareholder:

On behalf of Virtus ETF Advisers LLC (the “Adviser”), I am pleased to present the shareholder report for the Virtus ETF Trust II (the “Trust”) for the semiannual fiscal period ended January 31, 2019.

The Adviser is part of Virtus Investment Partners, a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors.

The report provides financial statements and portfolio information for the Virtus Newfleet Dynamic Credit ETF (BLHY), an actively-managed fund that allocates between high yield corporate bonds and floating rate bank loans. The fund is subadvised by Newfleet Asset Management, LLC, a subsidiary of Virtus Investment Partners with longstanding experience managing multi-sector fixed income portfolios.

Thank you for your investment. If you have questions, please contact your financial adviser, or call 1-888-383-0553. For more information about the fund and the other ETFs we offer, we invite you to visit our website, www.virtusetfs.com

Sincerely,

William Smalley
President

Virtus ETF Trust II

This material must be accompanied or preceded by the prospectus.

Shareholder Expense Examples (unaudited)

We believe it is important for you to understand the impact of costs on your investment. All funds have operating expenses. As a shareholder of a Virtus ETF Trust II Fund (each, a “Fund”) you may incur two types of costs; (1) transaction costs, which include brokerage commissions that you pay when purchasing or selling shares of the Fund; and (2) ongoing costs, which include advisory fees and other funds expenses, if any. The following example is intended to help you understand your ongoing costs (in dollars and cents) of investing in a Fund and to compare these costs with the ongoing costs of investing in other funds. The examples are based on an investment of \$1,000 invested at the beginning of the period and held throughout the entire period (August 1, 2018 to January 31, 2019).

Actual expenses

The first line under each Fund in the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line for your Fund under the heading entitled “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

Hypothetical example for comparison purposes

The second line under each Fund in the table provides information about hypothetical account values and hypothetical expenses based on each Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not each Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in each Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as brokerage commissions paid on purchases and sales of Fund shares. Therefore, the second line under each Fund in the table is useful in comparing ongoing Fund costs only and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	Beginning Account Value 8/01/18	Ending Account Value 1/31/19	Annualized Expense Ratios for the period⁽²⁾	Expenses Paid During Period⁽³⁾
Virtus Newfleet Dynamic Credit ETF				
Actual	\$1,000.00	\$ 997.00	0.68%	\$3.42
Hypothetical ⁽¹⁾	\$1,000.00	\$1,021.78	0.68%	\$3.47

(1) Assuming 5% return before expenses.

(2) Annualized expense ratios reflect expenses net of waived fees or reimbursed expenses, if applicable.

(3) Expenses are calculated using the Fund’s annualized expense ratio, multiplied by the average account value for the period, multiplied by 184/365 (to reflect the six-month period).

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
TERM LOANS — 58.0%			TERM LOANS (continued)		
Aerospace — 0.6%			Financials — 3.3%		
Dynasty Acquisition Co., Inc. (aka StandardAero Holding Corp.), 0.00%, 01/23/26 ⁽¹⁾⁽²⁾	\$ 143,077	\$ 142,693	Asurion, LLC, 5.50%, (1-Month USD LIBOR + 3.00%), 11/03/23 ⁽¹⁾	\$ 288,081	\$ 284,094
Dynasty Acquisition Co., Inc. (aka StandardAero Holding Corp.), 0.00%, 01/23/26 ⁽¹⁾⁽²⁾	76,923	76,717	Asurion, LLC (fka Asurion Corp.), 9.00%, (1-Month USD LIBOR + 6.50%), 08/04/25 ⁽¹⁾ . . .	387,193	390,823
TransDigm, Inc., 5.00%, (1-Month USD LIBOR + 2.50%), 06/09/23 ⁽¹⁾	177,946	174,498	Blackhawk Network Holdings, Inc., 5.50%, (1-Month USD LIBOR + 3.00%), 06/15/25 ⁽¹⁾ . . .	228,850	225,360
Total Aerospace		393,908	Ditech Holding Corp., 8.50%, (1-Month USD LIBOR + 6.00%), 06/30/22 ⁽¹⁾	412,225	280,313
Chemicals — 0.9%			Food and Drug — 0.9%		
Kraton Polymers LLC, 5.00%, (1-Month USD LIBOR + 2.50%), 03/08/25 ⁽¹⁾	132,149	130,729	Albertsons Cos. LLC / Safeway, Inc. / New Albertsons LP / Albertson's LLC, 5.50%, (1-Month USD LIBOR + 3.00%), 11/17/25 ⁽¹⁾ . . .	113,624	111,458
Univar USA, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 07/01/24 ⁽¹⁾	428,027	420,117	Albertson's LLC, 5.82%, (3-Month USD LIBOR + 3.00%), 12/21/22 ⁽¹⁾	466,945	461,575
Total Chemicals		550,846	Total Food and Drug		573,033
Consumer Durables — 0.3%			Food/Tobacco — 2.4%		
Global Appliance, Inc. (aka SharkNinja Operating LLC), 0.00%, 09/29/24 ⁽¹⁾⁽²⁾	185,000	183,381	Chobani, LLC (Chobani Idaho, LLC), 6.00%, (1-Month USD LIBOR + 3.50%), 10/10/23 ⁽¹⁾ . . .	267,812	257,702
Consumer Non-Durables — 1.7%			Forest Prod/Containers — 1.7%		
Diamond (BC) B.V., 5.63%, (2-Month USD LIBOR + 3.00%), 09/06/24 (Netherlands) ⁽¹⁾	356,400	337,023	Berlin Packaging LLC, 5.81%, (3-Month USD LIBOR + 3.00%), 11/07/25 (Mexico) ⁽¹⁾	258,700	249,753
Kronos Acquisition Intermediate, Inc. (aka KIK Custom Products), 6.50%, (1-Month USD LIBOR + 4.00%), 05/15/23 (Nigeria) ⁽¹⁾	185,074	175,681	BWAY Holding Co., 6.03%, (3-Month USD LIBOR + 3.25%), 04/03/24 ⁽¹⁾	298,982	289,080
Libbey Glass, Inc., 5.51%, (1-Month USD LIBOR + 3.00%), 04/09/21 ⁽¹⁾	309,621	299,043	Klockner Pentaplast of America, Inc. (fka Kleopatra Acquisition Corp.), 6.75%, (1-Month USD LIBOR + 4.25%), 06/30/22 ⁽¹⁾	413,906	358,807
Revlon Consumer Products Corp., 6.21%, (3-Month USD LIBOR + 3.50%), 09/07/23 ⁽¹⁾	374,809	268,820	Trident TPI Holdings, Inc., 5.75%, (1-Month USD LIBOR + 3.25%), 10/17/24 ⁽¹⁾	143,649	138,981
Total Consumer Non-Durables		1,080,567	Total Forest Prod/Containers		1,036,621
Energy — 3.8%			Gaming/Leisure — 4.4%		
California Resources Corp., 7.25%, (1-Month USD LIBOR + 4.75%), 12/31/22 ⁽¹⁾	190,000	186,754	Caesars Resort Collection, LLC, 5.25%, (1-Month USD LIBOR + 2.75%), 12/23/24 ⁽¹⁾	494,603	488,608
Fieldwood Energy LLC, 7.75%, (1-Month USD LIBOR + 5.25%), 04/11/22 ⁽¹⁾	295,000	271,584	CityCenter Holdings, LLC, 4.75%, (1-Month USD LIBOR + 2.25%), 04/18/24 ⁽¹⁾	253,278	249,184
Gavilan Resources, LLC, 8.52%, (1-Month USD LIBOR + 6.00%), 03/01/24 ⁽¹⁾	170,000	137,488			
McDermott Technology Americas, Inc., 7.50%, (1-Month USD LIBOR + 5.00%), 05/12/25 (Panama) ⁽¹⁾	263,013	252,967			
MRC Global US., Inc. (fka McJunkin Red Man Corp.), 5.50%, (1-Month USD LIBOR + 3.00%), 09/20/24 ⁽¹⁾	311,850	309,511			
Seadrill Operating LP (Seadrill Partners Finco LLC), 8.80%, (3-Month USD LIBOR + 6.00%), 02/21/21 (Marshall Islands) ⁽¹⁾	478,543	386,955			
Traverse Midstream Partners LLC, 6.60%, (3-Month USD LIBOR + 4.00%), 09/27/24 (Turkey) ⁽¹⁾	209,475	209,081			
Ultra Resources, Inc., 6.50%, (1-Month USD LIBOR + 4.00%), 04/12/24 ⁽¹⁾	395,000	355,281			
Weatherford International Ltd., 3.93%, (1-Month USD LIBOR + 1.43%), 07/13/20 (Bermuda) ⁽¹⁾ . . .	268,000	258,620			
Total Energy		2,368,241			

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
TERM LOANS (continued)			TERM LOANS (continued)		
Gaming/Leisure (continued)			Health Care (continued)		
Everi Payments, Inc., 5.50%, (1-Month USD LIBOR + 3.00%), 05/09/24 ⁽¹⁾	\$ 369,375	\$ 364,296	U.S. Renal Care, Inc., 7.05%, (3-Month USD LIBOR + 4.25%), 12/30/22 ⁽¹⁾	\$ 283,984	\$ 278,304
Golden Nugget, Inc. (aka Landry's, Inc.), 5.25%, (1-Month USD LIBOR + 2.75%), 10/04/23 ⁽¹⁾ ...	178,129	175,656	Total Health Care		4,533,218
GVC Holdings PLC, 5.00%, (1-Month USD LIBOR + 2.50%), 03/29/24 ⁽¹⁾	223,313	221,303	Housing — 2.0%		
Playa Resorts Holding B.V., 5.25%, (1-Month USD LIBOR + 2.75%), 04/29/24 ⁽¹⁾	188,600	182,706	American Builders & Contractors Supply Co., Inc., 4.50%, (1-Month USD LIBOR + 2.00%), 10/31/23 (Mexico) ⁽¹⁾	238,785	233,591
Scientific Games International, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 08/14/24 ⁽¹⁾ ...	233,238	226,458	Capital Automotive L.P., 8.50%, (1-Month USD LIBOR + 6.00%), 03/24/25 (Chile) ⁽¹⁾	343,594	343,273
Stars Group Holdings B.V., 6.30%, (3-Month USD LIBOR + 3.50%), 07/10/25 ⁽¹⁾	94,525	93,800	CPG International LLC (fka CPG International, Inc.), 6.63%, (3-Month USD LIBOR + 3.75%), 05/05/24 ⁽¹⁾	192,994	187,083
Station Casinos LLC, 5.00%, (1-Month USD LIBOR + 2.50%), 06/08/23 ⁽¹⁾	350,339	346,879	Quikrete Holdings, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 11/15/23 ⁽¹⁾	212,424	206,400
UFC Holdings, LLC, 5.75%, (1-Month USD LIBOR + 3.25%), 08/18/23 ⁽¹⁾	355,230	353,120	Siteone Landscape Supply, LLC (fka John Deere Landscapes LLC), 5.26%, (1-Month USD LIBOR + 2.75%), 10/29/24 ⁽¹⁾	267,046	264,542
Total Gaming/Leisure		2,702,010	Total Housing		1,234,889
Health Care — 7.3%			Information Technology — 5.1%		
AHP Health Partners, Inc. (aka Ardent Health Partners, LLC), 7.00%, (1-Month USD LIBOR + 4.50%), 06/30/25 ⁽¹⁾	233,825	232,899	Applied Systems, Inc., 5.50%, (1-Month USD LIBOR + 3.00%), 09/19/24 ⁽¹⁾	376,242	368,153
Amneal Pharmaceuticals LLC, 6.00%, (1-Month USD LIBOR + 3.50%), 05/04/25 ⁽¹⁾	313,352	311,262	Applied Systems, Inc., 9.50%, (1-Month USD LIBOR + 7.00%), 09/19/25 ⁽¹⁾	60,000	60,100
Bausch Health Companies, Inc. (fka Valeant Pharmaceuticals International, Inc.), 5.51%, (1-Month USD LIBOR + 3.00%), 06/02/25 (Canada) ⁽¹⁾	274,060	271,537	Blackboard, Inc., 7.78%, (3-Month USD LIBOR + 5.00%), 06/30/21 ⁽¹⁾	248,303	233,715
Change Healthcare Holdings, Inc. (fka Emdeon, Inc.), 5.25%, (1-Month USD LIBOR + 2.75%), 03/01/24 ⁽¹⁾	286,001	280,317	BMC Software Finance, Inc., 7.05%, (3-Month USD LIBOR + 4.25%), 10/02/25 ⁽¹⁾	430,000	420,710
CHS / Community Health Systems, Inc., 5.96%, (3-Month USD LIBOR + 3.25%), 01/27/21 ⁽¹⁾ ...	236,300	232,903	Go Daddy Operating Company, LLC (GD Finance Co, Inc.), 4.75%, (1-Month USD LIBOR + 2.25%), 02/15/24 ⁽¹⁾	300,000	296,785
Envision Health Care Corp., 6.25%, (1-Month USD LIBOR + 3.75%), 10/10/25 ⁽¹⁾	423,675	400,267	Kronos, Inc., 5.54%, (3-Month USD LIBOR + 3.00%), 11/01/23 (Oman) ⁽¹⁾	452,880	444,814
Greatbatch Ltd., 5.51%, (1-Month USD LIBOR + 3.00%), 10/27/22 ⁽¹⁾	185,000	183,728	Presidio LLC (fka Presidio, Inc.), 5.25%, (3-Month USD LIBOR + 2.75%), 02/02/24 ⁽¹⁾ ...	238,883	236,394
Iqvia, Inc. (Quintiles IMS), 4.25%, (1-Month USD LIBOR + 1.75%), 06/11/25 ⁽¹⁾	298,500	294,396	Rackspace Hosting, Inc., 5.58%, (3-Month USD LIBOR + 3.00%), 11/03/23 ⁽¹⁾	182,324	169,582
NVA Holdings, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 02/02/25 ⁽¹⁾	342,417	328,720	SS&C Technologies, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 04/16/25 ⁽¹⁾	159,598	156,835
Ortho-Clinical Diagnostics, Inc., 5.76%, (1-Month USD LIBOR + 3.25%), 06/30/25 ⁽¹⁾	420,334	407,594	SS&C Technologies, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 04/16/25 ⁽¹⁾	198,746	195,033
Parexel International Corp., 5.25%, (1-Month USD LIBOR + 2.75%), 09/27/24 ⁽¹⁾	69,125	65,677	SS&C Technologies, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 04/16/25 ⁽¹⁾	75,929	74,511
PharMerica Corp., 6.01%, (1-Month USD LIBOR + 3.50%), 12/06/24 ⁽¹⁾	64,513	64,422	Vertafore, Inc., 6.05%, (3-Month USD LIBOR + 3.25%), 07/02/25 ⁽¹⁾	505,000	491,360
Prospect Medical Holdings, Inc., 8.06%, (1-Month USD LIBOR + 5.50%), 02/22/24 ⁽¹⁾	148,875	148,131	Total Information Technology		3,147,992
Regionalcare Hospital Partners Holdings, Inc., 7.13%, (3-Month USD LIBOR + 4.50%), 11/16/25 ⁽¹⁾	225,000	220,050	Manufacturing — 3.9%		
Select Medical Corp., 7.00%, (3-Month USD LIBOR + 1.50%), 03/06/25 ⁽¹⁾	343,875	340,866	Accudyne Industries Borrower SCA, 5.50%, (1-Month USD LIBOR + 3.00%), 08/18/24 ⁽¹⁾ ...	328,683	321,357
Sterigenics-Nordion Holdings, LLC, 5.50%, (1-Month USD LIBOR + 3.00%), 05/15/22 ⁽¹⁾ ...	256,225	250,414	Brand Energy & Infrastructure Services, Inc. (fka FR Brand Acquisition Corp.), 7.01%, (3-Month USD LIBOR + 4.25%), 06/21/24 ⁽¹⁾	378,592	363,651
Surgery Partners, LLC, 5.75%, (1-Month USD LIBOR + 3.25%), 09/02/24 ⁽¹⁾	227,125	221,731	CPI Acquisition, Inc., 7.35%, (3-Month USD LIBOR + 4.50%), 08/17/22 ⁽¹⁾	630,638	407,550
			Filtration Group Corp., 5.50%, (1-Month USD LIBOR + 3.00%), 03/29/25 (Israel) ⁽¹⁾	190,000	188,734

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
TERM LOANS (continued)			TERM LOANS (continued)		
Manufacturing (continued)			Media/Telecom – Wireless Communications — 0.7%		
Gardner Denver, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 07/30/24 ⁽¹⁾	\$ 330,439	\$ 329,160	Digicel International Finance Ltd., 5.96%, (3-Month USD LIBOR + 3.25%), 05/27/24 ⁽¹⁾	\$ 148,125	\$ 136,583
Gates Global LLC, 5.25%, (1-Month USD LIBOR + 2.75%), 04/01/24 ⁽¹⁾	435,764	427,668	Sprint Corp., 5.50%, (1-Month USD LIBOR + 3.00%), 02/02/24 ⁽¹⁾	320,000	316,101
RBS Global, Inc. (Rexnord LLC), 4.50%, (1-Month USD LIBOR + 2.00%), 08/21/24 ⁽¹⁾	172,188	171,080	Total Media/Telecom – Wireless Communications		452,684
Titan Acquisition Ltd. / Titan Co.-Borrower LLC, 5.50%, (1-Month USD LIBOR + 3.00%), 03/28/25 (Canada) ⁽¹⁾	233,238	220,378	Metals/Minerals — 0.4%		
Total Manufacturing		2,429,578	GrafTech Finance, Inc., 6.00%, (1-Month USD LIBOR + 3.50%), 02/12/25 ⁽¹⁾	232,519	228,741
Media/Telecom – Broadcasting — 0.9%			Retail — 1.2%		
Sinclair Television Group, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 01/03/24 ⁽¹⁾	196,000	194,938	Bass Pro Group, LLC, 7.50%, (1-Month USD LIBOR + 5.00%), 09/25/24 ⁽¹⁾	319,634	316,677
Univision Communications, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 03/15/24 ⁽¹⁾	386,090	360,934	Neiman Marcus Group, Inc. (The), 5.76%, (1-Month USD LIBOR + 3.25%), 10/25/20 ⁽¹⁾	275,397	244,966
Total Media/Telecom – Broadcasting		555,872	PetSmart, Inc., 5.52%, (1-Month USD LIBOR + 3.00%), 03/11/22 ⁽¹⁾	245,814	206,736
Media/Telecom – Cable/Wireless Video — 2.3%			Total Retail		768,379
CSC Holdings, LLC, 4.76%, (1-Month USD LIBOR + 2.25%), 01/15/26 ⁽¹⁾	165,000	159,431	Service — 7.0%		
Radiate Holdco, LLC (aka RCN Grande), 5.50%, (1-Month USD LIBOR + 3.00%), 02/01/24 ⁽¹⁾	262,000	254,795	AlixPartners, LLP, 5.25%, (1-Month USD LIBOR + 2.75%), 04/04/24 ⁽¹⁾	394,195	390,253
Telenet Financing USD LLC, 4.76%, (3-Month USD LIBOR + 2.25%), 08/15/26 ⁽¹⁾	350,000	341,632	Allied Universal Holdco LLC (fka USAGM Holdco, LLC), 6.75%, (1-Month USD LIBOR + 4.25%), 07/28/22 ⁽¹⁾	190,000	184,004
UPC Financing Partnership, 5.01%, (1-Month USD LIBOR + 2.50%), 01/15/26 ⁽¹⁾	262,367	258,998	CEVA Logistics Finance B.V., 6.55%, (3-Month USD LIBOR + 3.75%), 08/04/25 ⁽¹⁾	194,513	192,811
Ziggo Secured Finance Partnership, 5.01%, (1-Month USD LIBOR + 2.50%), 04/15/25 ⁽¹⁾	445,000	431,285	First Data Corp., 4.52%, (1-Month USD LIBOR + 2.00%), 07/08/22 ⁽¹⁾	295,977	295,171
Total Media/Telecom – Cable/Wireless Video		1,446,141	GFL Environmental, Inc., 5.50%, (1-Month USD LIBOR + 3.00%), 05/30/25 ⁽¹⁾	254,361	246,023
Media/Telecom – Diversified Media — 1.0%			Greenrock Finance, Inc., 6.30%, (3-Month USD LIBOR + 3.50%), 06/28/24 ⁽¹⁾	152,650	151,506
Cineworld Finance US, Inc., 5.00%, (1-Month USD LIBOR + 2.50%), 02/28/25 (Kazakhstan) ⁽¹⁾	267,975	262,214	Laureate Education, Inc., 8.00%, (3-Month USD LIBOR + 2.50%), 04/26/24 ⁽¹⁾	314,417	313,501
Delta 2 LUX S.a.r.l, 5.00%, (1-Month USD LIBOR + 2.50%), 02/01/24 (United Kingdom) ⁽¹⁾	245,653	237,260	One Call Corp., 7.76%, (1-Month USD LIBOR + 5.25%), 11/27/22 ⁽¹⁾	218,591	194,205
Meredith Corp., 5.25%, (1-Month USD LIBOR + 2.75%), 01/31/25 ⁽¹⁾	105,701	105,239	PI UK Holdco II Limited, 6.00%, (1-Month USD LIBOR + 3.50%), 01/03/25 ⁽¹⁾	192,357	188,317
Total Media/Telecom – Diversified Media		604,713	Red Ventures, LLC, 5.50%, (1-Month USD LIBOR + 3.00%), 11/08/24 ⁽¹⁾	313,078	310,681
Media/Telecom – Telecommunications — 2.2%			Sedgwick Claims Management Services, Inc., 5.75%, (1-Month USD LIBOR + 3.25%), 12/31/25 ⁽¹⁾	335,000	327,322
CenturyLink, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 01/31/25 ⁽¹⁾	170,480	163,328	Spin Holdco, Inc., 6.03%, (3-Month USD LIBOR + 3.25%), 11/14/22 ⁽¹⁾	269,934	264,467
Communications Sales & Leasing, Inc. (CSL Capital, LLC), 5.50%, (1-Month USD LIBOR + 3.00%), 10/24/22 ⁽¹⁾	268,775	252,761	TKC Holdings, Inc., 6.25%, (1-Month USD LIBOR + 3.75%), 02/01/23 ⁽¹⁾	376,545	366,033
Frontier Communications Corp., 6.25%, (1-Month USD LIBOR + 3.75%), 06/15/24 ⁽¹⁾	139,293	133,591	Trans Union LLC, 4.50%, (1-Month USD LIBOR + 2.00%), 06/19/25 ⁽¹⁾	439,800	435,008
Level 3 Financing, Inc., 4.76%, (1-Month USD LIBOR + 2.25%), 02/22/24 ⁽¹⁾	260,000	255,897	WEX, Inc., 4.75%, (1-Month USD LIBOR + 2.25%), 06/30/23 ⁽¹⁾	476,749	470,704
Numericable U.S. LLC, 5.25%, (1-Month USD LIBOR + 2.75%), 07/31/25 ⁽¹⁾	355,164	328,527	Total Service		4,330,006
Securus Technologies Holdings, Inc., 0.00%, 11/01/24 ⁽¹⁾⁽²⁾	32,000	31,200	Transportation – Automotive — 2.4%		
West Corp., 6.50%, (1-Month USD LIBOR + 4.00%), 10/10/24 ⁽¹⁾	209,536	192,987	Accuride Corp., 8.05%, (3-Month USD LIBOR + 5.25%), 11/17/23 ⁽¹⁾	197,038	182,260
Total Media/Telecom – Telecommunications		1,358,291	American Axle & Manufacturing, Inc., 4.76%, (1-Month USD LIBOR + 2.25%), 04/06/24 ⁽¹⁾	249,359	241,411

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
TERM LOANS (continued)			CORPORATE BONDS (continued)		
Transportation – Automotive (continued)			Communication Services (continued)		
DexKo Global, Inc., 6.00%, (1-Month USD LIBOR + 3.50%), 07/24/24 ⁽¹⁾	\$ 250,359	\$ 247,073	Univision Communications, Inc., 5.13%, 05/15/23 ⁽³⁾	\$ 115,000	\$ 107,813
Navistar, Inc., 6.02%, (1-Month USD LIBOR + 3.50%), 11/06/24 ⁽¹⁾	415,800	410,345	West Corp., 8.50%, 10/15/25 ⁽³⁾	120,000	100,650
Tenneco, Inc., 5.25%, (1-Month USD LIBOR + 2.75%), 10/01/25 ⁽¹⁾	320,000	313,733	Zayo Group LLC / Zayo Capital, Inc., 5.75%, 01/15/27 ⁽³⁾	50,000	48,435
Wand Newco 3, Inc. (aka Caliber Collision), 0.00%, 01/23/26 ⁽¹⁾⁽²⁾	105,000	104,978	Total Communication Services		2,952,507
Total Transportation – Automotive		1,499,800	Consumer Discretionary — 5.0%		
Utilities — 1.6%			American Greetings Corp., 8.75%, 04/15/25 ⁽³⁾	185,000	170,662
Brookfield WEC Holdings, Inc. (aka Westinghouse Electric Co. LLC), 6.25%, (1-Month USD LIBOR + 3.75%), 08/01/25 ⁽¹⁾	240,000	239,208	Beazer Homes USA, Inc., 6.75%, 03/15/25	90,000	80,887
Brookfield WEC Holdings, Inc. (aka Westinghouse Electric Co. LLC), 9.25%, (1-Month USD LIBOR + 6.75%), 08/03/26 ⁽¹⁾	135,000	135,042	Beazer Homes USA, Inc., 5.88%, 10/15/27	170,000	145,350
Lightstone Holdco LLC, 6.25%, (1-Month USD LIBOR + 3.75%), 01/30/24 ⁽¹⁾	7,075	6,822	Boyd Gaming Corp., 6.38%, 04/01/26	365,000	374,125
Lightstone Holdco LLC, 6.25%, (1-Month USD LIBOR + 3.75%), 01/30/24 ⁽¹⁾	128,326	123,746	Boyne USA, Inc., 7.25%, 05/01/25 ⁽³⁾	90,000	95,175
Talen Energy Supply, LLC, 6.50%, (1-Month USD LIBOR + 4.00%), 04/15/24 ⁽¹⁾	340,137	336,918	Caesars Resort Collection LLC / CRC Finco, Inc., 5.25%, 10/15/25 ⁽³⁾	215,000	200,982
Vistra Operations Co. LLC (fka Tex Operations Co. LLC), 4.51%, (1-Month USD LIBOR + 2.00%), 12/31/25 ⁽¹⁾	179,100	176,090	Downstream Development Authority of the Quapaw Tribe of Oklahoma, 10.50%, 02/15/23 ⁽³⁾	100,000	99,000
Total Utilities		1,017,826	Eldorado Resorts, Inc., 6.00%, 09/15/26 ⁽³⁾	75,000	75,188
Total Term Loans			frontdoor, Inc., 6.75%, 08/15/26 ⁽³⁾	35,000	34,825
(Cost \$37,185,998)		35,981,855	Golden Nugget, Inc., 6.75%, 10/15/24 ⁽³⁾	170,000	170,425
CORPORATE BONDS — 30.2%			Hilton Domestic Operating Co., Inc., 5.13%, 05/01/26 ⁽³⁾	85,000	85,850
Communication Services — 4.7%			Lennar Corp., 5.25%, 06/01/26	175,000	171,281
Cablevision Systems Corp., 5.88%, 09/15/22	190,000	191,425	MGM Growth Properties Operating Partnership LP / MGP Finance Co.-Issuer, Inc., 5.75%, 02/01/27 ⁽³⁾	105,000	106,181
CCO Holdings LLC / CCO Holdings Capital Corp., 5.13%, 05/01/27 ⁽³⁾	140,000	135,800	MGM Growth Properties Operating Partnership LP / MGP Finance Co.-Issuer, Inc., 4.50%, 01/15/28	125,000	116,563
Cincinnati Bell, Inc., 7.00%, 07/15/24 ⁽³⁾	175,000	151,812	MGM Resorts International, 5.75%, 06/15/25	130,000	131,300
Clear Channel Worldwide Holdings, Inc., 7.63%, 03/15/20	295,000	295,737	Neiman Marcus Group Ltd. LLC, 8.00%, 10/15/21 ⁽³⁾	145,000	65,975
CSC Holdings LLC, 6.75%, 11/15/21	120,000	126,336	Scientific Games International, Inc., 6.63%, 05/15/21	75,000	74,625
CSC Holdings LLC, 7.50%, 04/01/28 ⁽³⁾	200,000	206,500	Servicemaster Co. LLC (The), 5.13%, 11/15/24 ⁽³⁾	60,000	58,800
DISH DBS Corp., 5.00%, 03/15/23	175,000	152,906	TRI Pointe Group, Inc. / TRI Pointe Homes, Inc., 5.88%, 06/15/24	250,000	241,875
DISH DBS Corp., 7.75%, 07/01/26	130,000	112,288	Viking Cruises Ltd., 5.88%, 09/15/27 ⁽³⁾	180,000	176,400
Frontier Communications Corp., 8.50%, 04/15/20	110,000	99,825	Vista Outdoor, Inc., 5.88%, 10/01/23	135,000	126,225
Frontier Communications Corp., 7.63%, 04/15/24	180,000	98,550	Weekley Homes LLC / Weekley Finance Corp., 6.63%, 08/15/25	160,000	148,000
Frontier Communications Corp., 8.50%, 04/01/26 ⁽³⁾	55,000	50,036	William Lyon Homes, Inc., 6.00%, 09/01/23	150,000	137,625
iHeartCommunications, Inc., 9.00%, 12/15/19 ⁽⁴⁾	150,000	101,250	Total Consumer Discretionary		3,087,319
Level 3 Financing, Inc., 5.38%, 01/15/24	250,000	249,375	Consumer Staples — 1.5%		
Live Nation Entertainment, Inc., 5.63%, 03/15/26 ⁽³⁾	220,000	222,750	Albertsons Cos. LLC / Safeway, Inc. / New Albertsons LP / Albertson's LLC, 5.75%, 03/15/25	70,000	65,887
McGraw-Hill Global Education Holdings LLC / McGraw-Hill Global Education Finance, 7.88%, 05/15/24 ⁽³⁾	185,000	139,444	Albertsons Cos. LLC / Safeway, Inc. / New Albertsons LP / Albertson's LLC, 7.50%, 03/15/26 ⁽³⁾	45,000	45,225
Meredith Corp., 6.88%, 02/01/26 ⁽³⁾	180,000	185,850	Cumberland Farms, Inc., 6.75%, 05/01/25 ⁽³⁾	135,000	137,362
Sprint Corp., 7.88%, 09/15/23	165,000	175,725	Dole Food Co., Inc., 7.25%, 06/15/25 ⁽³⁾	265,000	242,475
			Matterhorn Merger Sub LLC / Matterhorn Finance Sub, Inc., 8.50%, 06/01/26 ⁽³⁾	105,000	93,975
			Post Holdings, Inc., 5.50%, 03/01/25 ⁽³⁾	150,000	149,813
			Prestige Brands, Inc., 6.38%, 03/01/24 ⁽³⁾	200,000	200,000
			Total Consumer Staples		934,737

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
CORPORATE BONDS (continued)			CORPORATE BONDS (continued)		
Energy — 4.3%			Financials (continued)		
American Midstream Partners LP / American Midstream Finance Corp., 9.50%, 12/15/21 ⁽³⁾ . . .	\$ 80,000	\$ 74,800	Springleaf Finance Corp., 7.13%, 03/15/26	\$ 80,000	\$ 76,350
Bristow Group, Inc., 8.75%, 03/01/23 ⁽³⁾	105,000	88,331	Synovus Financial Corp., 5.90%, (USD 5 Year Swap + 3.38%), 02/07/29 ⁽¹⁾	36,000	36,000
California Resources Corp., 8.00%, 12/15/22 ⁽³⁾ . . .	160,000	128,800	Total Financials		1,700,021
Callon Petroleum Co., 6.13%, 10/01/24	118,000	119,180			
Cheniere Corpus Christi Holdings LLC, 5.88%, 03/31/25	165,000	173,456	Health Care — 5.6%		
Cheniere Energy Partners LP, 5.63%, 10/01/26 ⁽³⁾	125,000	125,607	Avantor, Inc., 6.00%, 10/01/24 ⁽³⁾	200,000	204,942
Chesapeake Energy Corp., 8.00%, 06/15/27	195,000	187,875	Avantor, Inc., 9.00%, 10/01/25 ⁽³⁾	155,000	160,425
Citigo Holding, Inc., 10.75%, 02/15/20 ⁽³⁾	135,000	137,362	Bausch Health Cos., Inc., 5.50%, 11/01/25 ⁽³⁾	250,000	250,278
CrownRock LP / CrownRock Finance, Inc., 5.63%, 10/15/25 ⁽³⁾	190,000	183,112	Bausch Health Cos., Inc., 9.00%, 12/15/25 ⁽³⁾	90,000	96,020
CSI Compressco LP / CSI Compressco Finance, Inc., 7.25%, 08/15/22	65,000	57,850	Centene Corp., 5.38%, 06/01/26 ⁽³⁾	35,000	36,367
Denbury Resources, Inc., 9.25%, 03/31/22 ⁽³⁾	128,000	126,400	Change Healthcare Holdings LLC / Change Healthcare Finance, Inc., 5.75%, 03/01/25 ⁽³⁾	80,000	76,900
Denbury Resources, Inc., 7.50%, 02/15/24 ⁽³⁾	135,000	118,800	Charles River Laboratories International, Inc., 5.50%, 04/01/26 ⁽³⁾	80,000	82,000
EP Energy LLC / Everest Acquisition Finance, Inc., 8.00%, 11/29/24 ⁽³⁾	80,000	64,400	DaVita, Inc., 5.13%, 07/15/24	145,000	143,231
EP Energy LLC / Everest Acquisition Finance, Inc., 8.00%, 02/15/25 ⁽³⁾	60,000	29,925	DJO Finance LLC / DJO Finance Corp., 8.13%, 06/15/21 ⁽³⁾	140,000	145,838
EP Energy LLC / Everest Acquisition Finance, Inc., 7.75%, 05/15/26 ⁽³⁾	95,000	87,875	Eagle Holding Co. II LLC, 7.63%, 05/15/22 ⁽³⁾⁽⁶⁾	185,000	185,462
Jagged Peak Energy LLC, 5.88%, 05/01/26 ⁽³⁾	135,000	130,950	Elanco Animal Health, Inc., 4.27%, 08/28/23 ⁽³⁾	62,000	62,508
Nabors Industries, Inc., 5.75%, 02/01/25	90,000	78,750	HCA, Inc., 5.38%, 02/01/25	215,000	222,458
Range Resources Corp., 5.00%, 03/15/23	70,000	66,763	HCA, Inc., 5.63%, 09/01/28	335,000	347,040
Sanchez Energy Corp., 7.25%, 02/15/23 ⁽³⁾	70,000	59,325	HCA, Inc., 5.88%, 02/01/29	30,000	31,462
Targa Resources Partners LP / Targa Resources Partners Finance Corp., 5.88%, 04/15/26 ⁽³⁾	200,000	202,750	MPH Acquisition Holdings LLC, 7.13%, 06/01/24 ⁽³⁾	125,000	124,438
Transocean, Inc., 9.00%, 07/15/23 ⁽³⁾	115,000	120,426	Ortho-Clinical Diagnostics, Inc. / Ortho-Clinical Diagnostics SA, 6.63%, 05/15/22 ⁽³⁾	80,000	77,600
Transocean, Inc., 7.50%, 01/15/26 ⁽³⁾	70,000	66,938	Polaris Intermediate Corp., 8.50%, 12/01/22 ⁽³⁾⁽⁶⁾	65,000	62,644
USA Compression Partners LP / USA Compression Finance Corp., 6.88%, 04/01/26	190,000	190,950	Sotera Health Holdings, LLC, 6.50%, 05/15/23 ⁽³⁾	145,000	146,450
Vine Oil & Gas LP / Vine Oil & Gas Finance Corp., 8.75%, 04/15/23 ⁽³⁾	80,000	66,200	Surgery Center Holdings, Inc., 8.88%, 04/15/21 ⁽³⁾	105,000	107,625
Total Energy		2,686,825	Tenet Healthcare Corp., 8.13%, 04/01/22	115,000	120,606
			Tenet Healthcare Corp., 5.13%, 05/01/25	60,000	58,763
Financials — 2.7%			Tenet Healthcare Corp., 7.00%, 08/01/25	270,000	261,398
Acrisure, LLC / Acrisure Finance, Inc., 8.13%, 02/15/24 ⁽³⁾	60,000	61,140	Tenet Healthcare Corp., 6.25%, 02/01/27 ⁽³⁾	110,000	111,788
Huntington Bancshares, Inc., 5.70%, (3-Month USD LIBOR + 2.88%), perpetual ⁽¹⁾⁽⁵⁾	135,000	127,350	Valeant Pharmaceuticals International, 8.50%, 01/31/27 ⁽³⁾	130,000	136,175
Icahn Enterprises LP / Icahn Enterprises Finance Corp., 5.88%, 02/01/22	65,000	65,738	WellCare Health Plans, Inc., 5.25%, 04/01/25	75,000	76,781
Icahn Enterprises LP / Icahn Enterprises Finance Corp., 6.25%, 02/01/22	80,000	82,300	West Street Merger Sub, Inc., 6.38%, 09/01/25 ⁽³⁾	150,000	136,500
iStar, Inc., 6.00%, 04/01/22	100,000	100,000	Total Health Care		3,465,699
iStar, Inc., 5.25%, 09/15/22	80,000	78,960	Industrials — 1.5%		
KeyCorp, 5.00%, (3-Month USD LIBOR + 3.61%), perpetual ⁽¹⁾⁽⁵⁾	165,000	156,178	Compass Group Diversified Holdings LLC, 8.00%, 05/01/26 ⁽³⁾	70,000	71,050
Ladder Capital Finance Holdings LLLP / Ladder Capital Finance Corp., 5.88%, 08/01/21 ⁽³⁾	210,000	213,150	Fortress Transportation & Infrastructure Investors LLC, 6.50%, 10/01/25 ⁽³⁾	130,000	125,125
Nationstar Mortgage LLC / Nationstar Capital Corp., 6.50%, 07/01/21	60,000	60,000	Hillman Group, Inc. (The), 6.38%, 07/15/22 ⁽³⁾	115,000	94,300
Navient Corp., 6.50%, 06/15/22	169,000	173,064	Navistar International Corp., 6.63%, 11/01/25 ⁽³⁾	180,000	180,900
Navient Corp., 7.25%, 09/25/23	40,000	40,750	New Enterprise Stone & Lime Co., Inc., 10.13%, 04/01/22 ⁽³⁾	70,000	70,350
Navient Corp., 6.75%, 06/25/25	150,000	144,563	TransDigm, Inc., 6.50%, 05/15/25	145,000	141,194
Springleaf Finance Corp., 6.13%, 05/15/22	215,000	222,078	TransDigm, Inc., 6.38%, 06/15/26	125,000	120,781
Springleaf Finance Corp., 6.88%, 03/15/25	65,000	62,400	Vertiv Intermediate Holding Corp., 12.00%, 02/15/22 ⁽³⁾⁽⁶⁾	150,000	143,437
			Total Industrials		947,137

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

Security Description	Principal	Value	Security Description	Principal	Value
CORPORATE BONDS (continued)			FOREIGN BONDS — 4.6%		
Information Technology — 0.8%			Communication Services — 0.4%		
Banff Merger Sub, Inc., 9.75%, 09/01/26 ⁽³⁾	\$ 90,000	\$ 85,950	Altice Luxembourg SA, 7.63%, 02/15/25 (Luxembourg) ⁽³⁾	\$ 310,000	\$ 264,662
Exela Intermediate LLC / Exela Finance, Inc., 10.00%, 07/15/23 ⁽³⁾	165,000	166,031	Consumer Discretionary — 0.2%		
Infor US, Inc., 6.50%, 05/15/22	100,000	102,125	Gateway Casinos & Entertainment Ltd., 8.25%, 03/01/24 (Canada) ⁽³⁾	135,000	139,725
Radiate Holdco LLC / Radiate Finance, Inc., 6.63%, 02/15/25 ⁽³⁾	95,000	88,588	Consumer Staples — 0.2%		
ViaSat, Inc., 5.63%, 09/15/25 ⁽³⁾	75,000	70,875	Kronos Acquisition Holdings, Inc., 9.00%, 08/15/23 (Canada) ⁽³⁾	150,000	127,500
Total Information Technology		513,569	Energy — 0.2%		
Materials — 2.0%			Petroleos Mexicanos, 4.63%, 09/21/23 (Mexico) ..	65,000	61,645
Cornerstone Chemical Co., 6.75%, 08/15/24 ⁽³⁾	60,000	56,850	Petroleos Mexicanos, 5.35%, 02/12/28 (Mexico) ..	70,000	61,425
Greif, Inc., 6.50%, 03/01/27 ⁽³⁾	120,000	120,900	Total Energy		123,070
Hexion, Inc., 13.75%, 02/01/22 ⁽³⁾	200,000	93,000	Health Care — 0.1%		
Hexion, Inc., 10.38%, 02/01/22 ⁽³⁾	60,000	48,300	Teva Pharmaceutical Finance Netherlands III BV, 3.15%, 10/01/26 (Israel)	65,000	54,068
Kraton Polymers LLC / Kraton Polymers Capital Corp., 7.00%, 04/15/25 ⁽³⁾	165,000	161,700	Industrials — 0.9%		
LSB Industries, Inc., 9.63%, 05/01/23 ⁽³⁾	135,000	138,038	Bombardier, Inc., 7.50%, 12/01/24 (Canada) ⁽³⁾	115,000	111,837
Platform Specialty Products Corp., 5.88%, 12/01/25 ⁽³⁾	90,000	90,225	Garda World Security Corp., 8.75%, 05/15/25 (Canada) ⁽³⁾	190,000	177,175
Owens-Brockway Glass Container, Inc., 6.38%, 08/15/25 ⁽³⁾	165,000	173,250	Titan Acquisition Ltd. / Titan Co.-Borrower LLC, 7.75%, 04/15/26 (Canada) ⁽³⁾	70,000	61,425
Schweitzer-Mauduit International, Inc., 6.88%, 10/01/26 ⁽³⁾	120,000	115,500	Topaz Marine SA, 9.13%, 07/26/22 (United Arab Emirates) ⁽³⁾	200,000	200,588
Trident Merger Sub, Inc., 6.63%, 11/01/25 ⁽³⁾	140,000	130,900	Total Industrials		551,025
U.S. Steel Corp., 6.25%, 03/15/26	100,000	91,000	Materials — 2.6%		
Total Materials		1,219,663	Alpha 3 BV / Alpha US Bidco, Inc., 6.25%, 02/01/25 (United Kingdom) ⁽³⁾	320,000	304,128
Real Estate — 0.5%			ARD Securities Finance S.a.r.l, 8.75%, 01/31/23 (Luxembourg) ⁽³⁾⁽⁷⁾	218,288	192,366
ESH Hospitality, Inc., 5.25%, 05/01/25 ⁽³⁾	155,000	153,621	Ardagh Packaging Finance PLC / Ardagh Holdings USA, Inc., 6.00%, 02/15/25 (Ireland) ⁽³⁾	380,000	370,500
MPT Operating Partnership LP / MPT Finance Corp., 5.00%, 10/15/27	80,000	78,080	FMG Resources August 2006 Pty Ltd., 5.13%, 03/15/23 (Australia) ⁽³⁾	110,000	109,174
Uniti Group LP / Uniti Fiber Holdings, Inc. / CSL Capital LLC, 7.13%, 12/15/24 ⁽³⁾	65,000	57,687	James Hardie International Finance DAC, 4.75%, 01/15/25 (Ireland) ⁽³⁾	200,000	191,000
Total Real Estate		289,388	Mercer International, Inc., 5.50%, 01/15/26 (Canada)	40,000	37,300
Utilities — 1.6%			NOVA Chemicals Corp., 4.88%, 06/01/24 (Canada) ⁽³⁾	75,000	71,531
AmeriGas Partners LP / AmeriGas Finance Corp., 5.50%, 05/20/25	85,000	83,725	NOVA Chemicals Corp., 5.00%, 05/01/25 (Canada) ⁽³⁾	125,000	115,469
Calpine Corp., 5.38%, 01/15/23	345,000	336,375	Vedanta Resources PLC, 6.38%, 07/30/22 (India) ⁽³⁾	200,000	193,850
Ferrellgas Partners LP / Ferrellgas Partners Finance Corp., 8.63%, 06/15/20	80,000	59,900	Total Materials		1,585,318
NRG Energy, Inc., 5.75%, 01/15/28	105,000	106,580	Total Foreign Bonds		
Suburban Propane Partners LP/Suburban Energy Finance Corp., 5.50%, 06/01/24	110,000	108,625	(Cost \$3,054,455)		2,845,368
TerraForm Power Operating LLC, 4.25%, 01/31/23 ⁽³⁾	120,000	117,900	Total Corporate Bonds		
TerraForm Power Operating LLC, 5.00%, 01/31/28 ⁽³⁾	165,000	153,863	(Cost \$19,451,891)		18,763,833
Total Utilities		966,968	Total Corporate Bonds		
Total Corporate Bonds			Total Foreign Bonds		
(Cost \$19,451,891)		18,763,833	Total Corporate Bonds		

The accompanying notes are an integral part of these financial statements.

Schedule of Investments — Virtus Newfleet Dynamic Credit ETF (continued)

January 31, 2019 (unaudited)

	<u>Shares</u>	<u>Value</u>
MONEY MARKET FUND — 7.5%		
JP Morgan U.S. Government Money Market Institutional Shares, 2.25% ⁽⁸⁾ (Cost \$4,666,974)	4,666,974	\$ 4,666,974
TOTAL INVESTMENTS — 100.3% (Cost \$64,359,318)		62,258,030
Liabilities in Excess of Other Assets — (0.3)% ...		(156,538)
Net Assets — 100.0%		\$62,101,492

Portfolio Composition

January 31, 2019 (unaudited)

Asset Allocation as of 01/31/2019 (based on net assets)

Term Loans	58.0%
Corporate Bonds	30.2%
Foreign Bonds	4.6%
Money Market Fund	7.5%
Liabilities in Excess of Other Assets	(0.3)%
Total	100.0%

(1) Variable rate instrument. The interest rate shown reflects the rate in effect at January 31, 2019.

(2) The loan will settle after January 31, 2019 at which the interest will be determined.

(3) Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may not be resold subject to that rule except to qualified institutional buyers. Unless otherwise noted, 144A securities are deemed to be liquid. At January 31, 2019, the aggregate value of these securities was \$13,186,924, or 21.2% of net assets.

(4) Security in default, no interest payments are being received during the bankruptcy proceedings.

(5) Perpetual security with no stated maturity date.

(6) Payment in-kind security. 100% of the income was received in cash.

(7) Payment in-kind security. 100% of the income was received in payment in kind.

(8) The rate shown reflects the seven-day yield as of January 31, 2019.

Abbreviations:

LIBOR — London InterBank Offered Rate

USD — United States Dollar

The following table summarizes valuation of the Fund's investments under the fair value hierarchy levels as of January 31, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Valuation Inputs				
Term Loans	\$ —	\$35,981,855	\$ —	\$35,981,855
Corporate Bonds	—	18,763,833	—	18,763,833
Foreign Bonds	—	2,845,368	—	2,845,368
Money Market Fund	4,666,974	—	—	4,666,974
Total	\$4,666,974	\$57,591,056	\$ —	\$62,258,030

There were no Level 3 securities as of January 31, 2019.

The accompanying notes are an integral part of these financial statements.

Statement of Assets and Liabilities

January 31, 2019 (unaudited)

	Virtus Newfleet Dynamic Credit ETF
Assets:	
Investments, at cost	\$64,359,318
Investments, at value	62,258,030
Cash and cash equivalents	133,846
Receivables:	
Investment securities sold	816,735
Dividends and interest	494,476
Tax reclaim	79
Prepaid expenses	16,449
Total Assets	<u>63,719,615</u>
Liabilities:	
Payables:	
Investment securities purchased	1,512,187
Insurance fees	9,237
Advisory fees	15,381
Transfer agent fees	7,292
Accounting and Administration fees	6,561
Custody fees	8,268
Professional fees	18,247
Pricing fees	35,932
Trustee fees	2,319
Exchange listing fees	2,427
Other accrued expenses	272
Total Liabilities	<u>1,618,123</u>
Net Assets	<u>\$62,101,492</u>
Net Assets Consist of:	
Paid-in capital	\$65,626,239
Total distributable earnings (accumulated deficit)	(3,524,747)
Net Assets	<u>\$62,101,492</u>
Shares outstanding (unlimited number of shares of beneficial interest authorized, no par value)	2,604,000
Net asset value per share	\$ 23.85

The accompanying notes are an integral part of these financial statements.

Statement of Operations

For the Six Months Ended January 31, 2019 (unaudited)

	Virtus Newfleet Dynamic Credit ETF
Investment Income:	
Interest income (net of foreign withholding taxes)	\$ 2,310,140
Total Investment Income	<u>2,310,140</u>
Expenses:	
Advisory fees	205,282
Pricing fees	59,234
Professional fees	28,379
Accounting and administration fees	15,523
Insurance fees	5,325
Report to shareholders fees	5,230
Trustee fees	5,143
Transfer agent fees	3,765
Custody fees	246
Exchange listing fees	28
Other expenses	<u>523</u>
Total Expenses	<u>328,678</u>
Less expense waivers/reimbursements	<u>(74,874)</u>
Net Expenses	<u>253,804</u>
Net Investment Income	<u>2,056,336</u>
Net Realized Gain (Loss) on:	
Investments	<u>(665,594)</u>
Total Net Realized Loss	<u>(665,594)</u>
Change in Net Unrealized Appreciation (Depreciation) on:	
Investments	<u>(1,566,607)</u>
Total Change in Net Unrealized Depreciation	<u>(1,566,607)</u>
Net Realized and Change in Unrealized Loss	<u>(2,232,201)</u>
Net Decrease in Net Assets Resulting from Operations	<u>\$ (175,865)</u>
Foreign withholding taxes	\$ 1,175

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

	Virtus Newfleet Dynamic Credit ETF	
	For the Six Months Ended January 31, 2019 (unaudited)	For the Year Ended July 31, 2018
Increase (Decrease) in Net Assets Resulting from Operations:		
Net investment income	\$ 2,056,336	\$ 4,800,192
Net realized loss on investments	(665,594)	(598,109)
Net change in unrealized depreciation on investments	<u>(1,566,607)</u>	<u>(1,674,583)</u>
Net increase (decrease) in net assets resulting from operations	<u>(175,865)</u>	<u>2,527,500</u>
Distributions to Shareholders ⁽¹⁾	(2,084,657)	(5,176,642)
Shareholder Transactions:		
Proceeds from shares sold	2,467,252	13,635,880
Cost of shares redeemed	<u>(20,661,009)</u>	<u>(49,893,511)</u>
Net decrease in net assets resulting from shareholder transactions	<u>(18,193,757)</u>	<u>(36,257,631)</u>
Decrease in net assets	<u>(20,454,279)</u>	<u>(38,906,773)</u>
Net Assets:		
Beginning of year	<u>82,555,771</u>	<u>121,462,544</u>
End of period ⁽²⁾	<u>\$ 62,101,492</u>	<u>\$ 82,555,771</u>
Changes in Shares Outstanding:		
Shares outstanding, beginning of year	3,354,000	4,804,000
Shares sold	100,000	550,000
Shares redeemed	<u>(850,000)</u>	<u>(2,000,000)</u>
Shares outstanding, end of period	<u>2,604,000</u>	<u>3,354,000</u>

(1) For the year ended July 31, 2018, the distributions to shareholders were \$4,822,539 from net investment income and \$354,103 from net realized gains.

(2) Undistributed net investment income was \$166,603 at July 31, 2018.

The accompanying notes are an integral part of these financial statements.

Financial Highlights

	Virtus Newfleet Dynamic Credit ETF		
	For the Six Months Ended January 31, 2019 (unaudited)	For the Year Ended July 31, 2018	For the Period December 5, 2016⁽¹⁾ Through July 31, 2017
Per Share Data for a Share Outstanding throughout each period presented:			
Net asset value, beginning of period	\$ 24.61	\$ 25.28	\$ 25.00
Investment operations:			
Net investment income ⁽²⁾	0.68	1.22	0.47
Net realized and unrealized gain (loss)	(0.75)	(0.57)	0.22
Total from investment operations	(0.07)	0.65	0.69
Less Distributions from:			
Net investment income	(0.69)	(1.24)	(0.41)
Net realized gains	—	(0.08)	—
Total distributions	(0.69)	(1.32)	(0.41)
Net Asset Value, End of period	\$ 23.85	\$ 24.61	\$ 25.28
Net Asset Value Total Return ⁽³⁾	(0.30)%	2.67%	2.79%
Net assets, end of period (000's omitted)	\$62,101	\$82,556	\$121,463
RATIOS/SUPPLEMENTAL DATA:			
Ratios to Average Net Assets:			
Expenses, net of expense waivers	0.68% ⁽⁴⁾	0.68%	0.68% ⁽⁴⁾
Expenses, prior to expense waivers	0.88% ⁽⁴⁾	0.80%	0.73% ⁽⁴⁾
Net investment income	5.51% ⁽⁴⁾	4.89%	2.85% ⁽⁴⁾
Portfolio turnover rate ⁽⁵⁾	39% ⁽⁶⁾	96%	41% ⁽⁶⁾

(1) Commencement of operations.

(2) Based on average shares outstanding.

(3) Net Asset Value Total Return is calculated assuming an initial investment made at the net asset value on the first day of the period, reinvestment of dividends and distributions at net asset value during the period, and redemption at net asset value on the last day of the period. Total return calculated for a period of less than one year is not annualized.

(4) Annualized.

(5) Portfolio turnover excludes the value of portfolio securities received or delivered as a result of in-kind creations or redemptions of the Fund's capital shares.

(6) Not annualized.

The accompanying notes are an integral part of these financial statements.

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1. ORGANIZATION

Virtus ETF Trust II (the “Trust”) was organized as a Delaware statutory trust on July 14, 2015 and is registered with the Securities and Exchange Commission (the “SEC”) as an open-end management investment company under the Investment Company Act of 1940, as amended (the “1940 Act”). Virtus Newfleet Dynamic Credit ETF (the “Fund”), a separate investment portfolio of the Trust, is presented herein. The offering of Shares is registered under the Securities Act of 1933, as amended (the “Securities Act”).

The Fund commenced operations on December 5, 2016.

The Fund seeks to provide a high level of current income and, secondarily, capital appreciation.

2. SIGNIFICANT ACCOUNTING POLICIES

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standard Codification Topic 946 Financial Services — Investment Companies. The Fund prepares its financial statements in accordance with generally accepted accounting principles (“GAAP”) in the United States of America and follows the significant accounting policies described below.

Use of Estimates

Management makes certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates.

Indemnification

In the normal course of business, the Fund may enter into contracts that contain a variety of representations which provide general indemnifications for certain liabilities. The Fund’s maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

Security Valuation

Equity securities are valued based on their last sale price. Price information on listed securities is taken from the exchange where the security is primarily traded. Securities regularly traded in an over the counter market are valued at the latest quoted sale price in such market or in the case of the New York Stock Exchange (“NYSE”) or NASDAQ, at the NYSE or NASDAQ Official Closing Price. Such valuations are typically categorized as Level 1 in the fair value hierarchy described below.

If market quotations are not readily available, or if it is determined that a quotation of a security does not represent fair value, then the security is valued at fair value as determined in good faith using procedures adopted by the Trust’s Board of Trustees (the “Board”). Such valuations are typically categorized as Level 2 or Level 3 in the fair value hierarchy described below.

Debt securities, including restricted securities, are valued based on evaluated quotations received from independent pricing services or from dealers who make markets in such securities. For most bond types, the pricing service utilizes matrix pricing that considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type, and current day trade information, as well as dealer-supplied prices. Such valuations are typically categorized as Level 2 in the fair value hierarchy described below. Debt securities that are not widely traded, are illiquid, or are internally fair valued using procedures adopted by the Board are generally categorized as Level 3 in the hierarchy.

Investments in other open-end investment companies are valued based on their net asset value each business day and are typically categorized as Level 1 in the fair value hierarchy described below.

Fair Value Measurement

Accounting Standards Codification, Fair Value Measurement (“ASC 820”) defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and requires disclosure about fair value measurements. It also provides guidance on determining when there has been a significant decrease in the volume and level of activity for an asset or liability, when a transaction is not orderly,

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and how that information must be incorporated into fair value measurement. Under ASC 820, various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the following hierarchy:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access.
- Level 2 — Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.
- Level 3 — Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available; representing the Fund's own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The hierarchy classification of inputs used to value the Fund's investments at January 31, 2019, is disclosed at the end of the Fund's Schedule of Investments.

Security Transactions

Security transactions are accounted for on the trade date. Realized gains and losses on sales of investment securities are calculated using specific identification.

Investment Income and Expenses

Dividend income is recognized on the ex-dividend date. Expenses and interest income are recognized on the accrual basis. Amortization of premium and accretion of discount on debt securities are included in interest income. The Fund amortizes premiums and accretes discounts using the effective interest method.

The Fund pays all of its expenses not assumed by its Sub-Adviser, as defined in Note 3, or the Adviser. General Trust expenses that are allocated among and charged to the assets of the Fund and other series of the Trust are done so on a basis that the Board deems fair and equitable, which may be on a basis of relative net assets of the Fund and other series of the Trust or the nature of the services performed and relative applicability to the Fund and other series of the Trust.

Distributions to Shareholders

Distributions are recorded by the Fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations that may differ from GAAP in the United States of America.

Cash

Cash includes non-interest bearing non-restricted cash with one or more financial institutions.

When-issued Purchases and Forward Commitments (Delayed Delivery)

The Fund may engage in when-issued or forward commitment transactions. Securities purchased on a when-issued or forward commitment basis are also known as delayed delivery transactions. Delayed delivery transactions involve a commitment by a fund to purchase or sell a security at a future date, ordinarily up to 90 days later. When-issued or forward commitments enable a fund to lock in what is believed to be an attractive price or yield on a particular security for a period of time, regardless of future changes in interest rates. The Fund records when-issued and delayed delivery securities on the trade date. The Fund maintains collateral for the securities purchased. Securities purchased on a when-issued or delayed delivery basis begin earning interest on the settlement date.

Loan Agreements

The Fund may invest in direct debt instruments which are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates. Loan agreements are generally non-investment grade and often involve borrowers that are highly leveraged. The Fund may invest in obligations of borrowers who are in bankruptcy proceedings. Loan agreements are typically senior in the corporate capital structure of the borrower. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The lender administers the terms of the loan, as specified in the loan agreement. The Fund's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When investing in loan participations, the Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan participation and only upon receipt by the lender of payments from the borrower. The Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Fund may be subject to the

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credit risk of both the borrower and the lender that is selling the loan agreement. When the Fund purchases assignments from lenders, it acquires direct rights against the borrower on the loan.

The Fund may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. Loan agreements may involve foreign borrowers, and investments may be denominated in foreign currencies. Direct indebtedness of emerging countries involves a risk that the government entities responsible for the repayment of the debt may be unable, or unwilling, to pay the principal and interest when due.

The loan agreements have floating rate loan interests which generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally LIBOR (London Interbank Offered Rate), the prime rate offered by one or more U.S. banks or the certificate of deposit rate. When a loan agreement is purchased, the Fund may pay an assignment fee. On an ongoing basis, the Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan agreement. Prepayment penalty fees are received upon the prepayment of a loan agreement by a borrower. Prepayment penalty, facility, commitment, consent and amendment fees are recorded to income as earned or paid.

3. INVESTMENT MANAGEMENT, RELATED PARTIES AND OTHER AGREEMENTS

Investment Advisory Agreement

The Trust has entered into Investment Advisory Agreements (collectively, “Advisory Agreement”) with the Adviser, a wholly owned subsidiary of ETFis Holdings LLC, on behalf of the Fund. ETFis Holdings LLC is majority-owned by Virtus Investment Partners, Inc. (Ticker: VRTS) (together with its affiliates, “Virtus”). Pursuant to the Advisory Agreement, the Adviser has overall supervisory responsibility for the general management and investment of the Fund’s securities portfolios. The Adviser is entitled to receive a fee from the Fund based on the Fund’s average daily net assets, computed and accrued daily and payable monthly, at an annual rate of 0.55%.

The Advisory Agreement may be terminated by the Trust on behalf of the Fund with the approval of the Fund’s Board or by a vote of the majority of the Fund’s shareholders. The Advisory Agreement may also be terminated by the Adviser by not more than 60 days’ nor less than 30 days’ written notice.

Expense Limitation Agreement

The Adviser has contractually agreed to reduce its fees and reimburse expenses in order to keep net expenses (excluding front-end or contingent deferred loads, taxes, interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, unusual or infrequently occurring expenses (such as litigation) or acquired fund fees, and expenses, if any, payable pursuant to a plan adopted in accordance with Rule 12b-1 under the 1940 Act) from exceeding a specified amount incurred by the Fund in any fiscal year. The expense cap in effect for the Fund during the period ended January 31, 2019 is as follows:

<u>Expense Limit</u>	<u>Effective Through</u>
0.68%	November 28, 2019

The expense limitation agreement will be terminated upon termination of the Advisory Agreement between the Adviser and the Fund. In addition, while the Adviser or the Fund may discontinue the expense limitation agreement after the contractual period, it may only be terminated during its term with the approval of the Fund’s Board of Trustees.

Under certain conditions, the Adviser may recapture operating expenses reimbursed within three years after the date on which such waiver or reimbursement occurred. The Fund must pay its ordinary operating expenses before the Adviser is entitled to any reimbursement and must remain in compliance with any applicable expense limitation, or if none, the expense limitation in effect at the time of the waiver or reimbursement. All or a portion of the following Adviser reimbursed expenses may be recaptured during the fiscal years indicated:

<u>2020</u>	<u>2021</u>	<u>2022</u>
\$17,624	\$49,635	\$74,874

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Sub-Advisory Agreement

The Sub-Adviser provides investment advice and management services to the Fund. For services provided to the Fund, the Adviser pays the Sub-Adviser a fee, payable monthly. The Sub-Adviser and sub-advisory fees for the Fund are listed below.

<u>Sub-Adviser</u>	<u>Sub-Advisory Fees</u>
Newfleet Asset Management, LLC ⁽¹⁾	50% of the Net Advisory Fee ⁽²⁾

(1) An indirect wholly-owned subsidiary of Virtus.

(2) Net Advisory Fee: In the event the Adviser waives all or a portion of its fee and/or assumes all or a portion of the expenses of the Fund, the Sub-Adviser will similarly waive its fee and/or pay a portion of the assumed expenses, in either case, in the same proportion as the Adviser by promptly paying to the Adviser (or its designee) 50% of the amount waived and/or assumed by the Adviser. If during the term of the Sub-Advisory Agreement the Adviser later recaptures some or all of fees waived or expenses reimbursed by the Adviser and the Sub-Adviser together, then the Adviser will pay to the Sub-Adviser 50% of the amount recaptured.

Principal Underwriter

Pursuant to the terms of a Distribution Agreement with the Trust, ETF Distributors LLC (the “Distributor”) serves as the Fund’s principal underwriter. The Distributor receives compensation from the Adviser for the statutory underwriting services it provides to the Fund. The Distributor will not distribute shares in less than Creation Units (as hereinafter defined), and does not maintain a secondary market in shares. The shares are traded in the secondary market. The Distributor is a wholly-owned subsidiary of Virtus.

Distribution and Service (12b-1 Plan)

The Board of Trustees has adopted a distribution and service plan, where the Fund is authorized to pay an amount up to 0.25% of its average daily net assets each year to finance activities primarily intended to result in the sale of Creation Units of the Fund or the provision of investor services. No 12b-1 fees are currently paid by the Fund and there are no current plans to impose these fees.

Operational Administrator

Virtus ETF Solutions LLC (the “Administrator”) serves as the Fund’s operational administrator. The Administrator supervises the overall administration of the Trust and the Fund including, among other responsibilities, the coordination and day-to-day oversight of the Fund’s operations, the service providers’ communications with the Fund and each other and assistance with Trust, Board and contractual matters related to the Fund and other series of the Trust. The Administrator also provides persons satisfactory to the Board to serve as officers of the Trust. The Administrator is a wholly-owned subsidiary of Virtus.

Accounting Services Administrator, Custodian and Transfer Agent

The Bank of New York Mellon (“BNY Mellon”) provides administrative, accounting, tax and financial reporting for the maintenance and operations of the Trust as the Fund’s accounting services administrator. BNY Mellon also serves as the custodian for the Fund’s assets, and serves as transfer agent and dividend paying agent for the Fund.

4. CREATION AND REDEMPTION TRANSACTIONS

The Fund issues and redeems shares on a continuous basis at Net Asset Value (“NAV”) in groups of 50,000 shares called “Creation Units.” The Fund’s Creation Units may be issued and redeemed generally for cash or an in-kind deposit of securities held by the Fund. In each instance of cash creations or redemptions, the Trust may impose transaction fees based on transaction expenses related to the particular exchange that will be higher than the transaction fees associated with in-kind purchases or redemptions.

Only “Authorized Participants” who have entered into contractual arrangements with the Distributor may purchase or redeem shares directly from the Fund. An Authorized Participant is either (i) a broker-dealer or other participant in the clearing process through the Continuous Net Settlement System of the National Securities Clearing Corporation or (ii) a DTC participant and, in each case, must have executed a Participant Agreement with the Distributor. Most retail investors will not qualify as Authorized Participants or have the resources to buy and sell whole Creation Units. Therefore, they will be unable to purchase or redeem the shares directly from the Fund. Rather, most retail investors will purchase shares in the secondary market with the assistance of a broker and will be subject to customary brokerage commissions or fees.

5. FEDERAL INCOME TAX

The Fund intends to qualify as a “regulated investment company” under Sub-chapter M of the Internal Revenue Code of 1986 (the “Code”), as amended. The Fund intends to distribute substantially all of its net investment income and net capital gains to shareholders. Therefore, no federal income or excise tax provision is required. Accounting for Uncertainty in Income Taxes as issued by the Financial Accounting Standards Board provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements, and requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Fund’s

Notes to Financial Statements (unaudited) (continued)

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tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense in the current year. Interest and penalties related to income taxes would be recorded as income tax expense. Management of the Fund is required to analyze all open tax years (2017 and 2018), as defined by IRS statute of limitations, for all major jurisdictions, including federal tax authorities and certain state tax authorities. As of January 31, 2019, the Fund did not have a liability for any unrecognized tax benefits. The Fund has no examination in progress and is not aware of any tax positions for which it is reasonably possible that the amounts of unrecognized tax benefits will significantly change in the next twelve months.

The Fund recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. For the period ended January 31, 2019, the Fund had no accrued penalties or interest.

At July 31, 2018, the adjusted cost basis of investments and gross unrealized appreciation and depreciation of investments for federal income tax purposes were as follows:

<u>Federal Tax Cost of Investments</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$87,921,028	\$634,512	\$(1,197,582)	\$(563,070)

Capital losses incurred after October 31 (“Post-October Losses”) and ordinary losses incurred after December 31 (“Late Year Ordinary Losses”) within the taxable year are deemed to arise on the first business day of the Fund’s next taxable year. During the fiscal year ended July 31, 2018, the Fund incurred and elected to defer Post-October Losses and Late Year Ordinary Losses as follows:

<u>Late-Year Ordinary Losses</u>	<u>Capital Post-October Losses</u>
\$ —	\$880,483

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term investments), subscriptions in-kind and redemptions in-kind for the period ended January 31, 2019 were as follows:

<u>Purchases</u>	<u>Sales</u>	<u>Subscriptions In-Kind</u>	<u>Redemptions In-Kind</u>
\$27,493,509	\$46,631,631	\$ —	\$ —

7. INVESTMENT RISKS

As with any investment, an investment in the Fund could result in a loss or the performance of the Fund could be inferior to that of other investments. An investor should consider the Fund’s investment objectives, risks, and charges and expenses carefully before investing. The Fund’s prospectus and statement of additional information contain this and other important information.

8. CREDIT RISK

Junk Bonds or High Yield Securities: High yield securities are generally subject to greater levels of credit quality risk than investment grade securities. The retail secondary market for these “junk bonds” may be less liquid than that of higher-rated fixed income securities, and adverse conditions could make it difficult at times to sell these securities or could result in lower prices than higher-rated fixed income securities. These risks can reduce the value of the Fund’s shares and the income it earns.

9. 10% SHAREHOLDERS

As of January 31, 2019, the Fund had individual shareholder account(s) and/or omnibus shareholder account(s) (comprised of a group of individual shareholders), which individually amounted to more than 10% of the total shares outstanding of the Fund as detailed below:

<u>% of Shares Outstanding</u>	<u>Number of Account</u>
85%	1

January 31, 2019

10. NEW ACCOUNTING PRONOUNCEMENT

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”), ASU No. 2018-13, which changes certain fair value measurement disclosure requirements. The new ASU, in addition to other modifications and additions, removes the requirement to disclose the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, the policy for the timing of transfers between levels and the valuation process for Level 3 fair value measurements. For public companies, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Management has evaluated the implications of certain provisions of ASU No. 2018-13 and has determined to early adopt all aspects related to the removal and modification of certain fair value measurement disclosures under the ASU effective immediately.

In August 2018, the SEC adopted amendments to Regulation S-X which are intended to facilitate the disclosure of information to investors and simplify compliance without significantly altering the information provided to investors. The amendments include eliminating the requirement to: separately state book basis components of net assets on the Statement of Assets & Liabilities; separately state the sources of distributions paid (except tax return of capital distributions must still be separately disclosed) on the Statement of Changes in Net Assets; and state the book basis amount of undistributed net investment income on the Statement of Changes in Net Assets. The compliance date for the amendments to Regulation S-X is for filings made with the SEC after November 5, 2018. The adoption has not had an effect on the Fund’s net assets or results of operations.

11. SUBSEQUENT EVENTS

The Fund is required to recognize in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the Statements of Assets and Liabilities. For non-recognized subsequent events that must be disclosed to keep the financial statements from being misleading, the Fund is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. Management has evaluated subsequent events through the issuance of these financial statements and has determined that there are no material events that would require disclosure.

INFORMATION ABOUT PORTFOLIO HOLDINGS

The Fund files its complete schedule of portfolio holdings for its first and third fiscal quarters with the Securities and Exchange Commission (“SEC”) on Form N-Q (or any successor Form). The Fund Form N-Q (or any successor Form) are available without charge, upon request, by calling toll-free at (888) 383-0553. Furthermore, you may obtain the Form N-Q (or any successor Form) on the SEC’s website at www.sec.gov. The Fund’s portfolio holdings are posted daily on the Fund’s website at www.virtusetfs.com.

The Fund’s premium/discount information that is current as of the most recent month-end is available by visiting www.virtusetfs.com or by calling (888) 383-4184.

INFORMATION ABOUT PROXY VOTING

A description of the policies and procedures the Fund uses to determine how to vote proxies relating to portfolio securities is provided in the Statement of Additional Information (“SAI”). The SAI is available without charge upon request by calling toll-free at (888) 383-0553, by accessing the SEC’s website at www.sec.gov or by accessing the Fund’s website at www.virtusetfs.com.

Information regarding how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30th is available by calling toll-free at (888) 383-0553 or by accessing the SEC’s website at www.sec.gov.

IMPORTANT NOTICE TO SHAREHOLDERS

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of each Fund’s shareholder reports will no longer be sent by mail, unless you specifically request paper copies of the reports from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

You may elect at any time to receive not only shareholder reports but also other communications such as prospectuses from the Fund electronically, or you alternatively may elect to receive all future shareholder reports in paper free of charge. Please contact your financial intermediary to make your request and to determine whether an election made with the financial intermediary will apply to all funds in which you own shares through that intermediary.

c/o ETF Distributors LLC
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