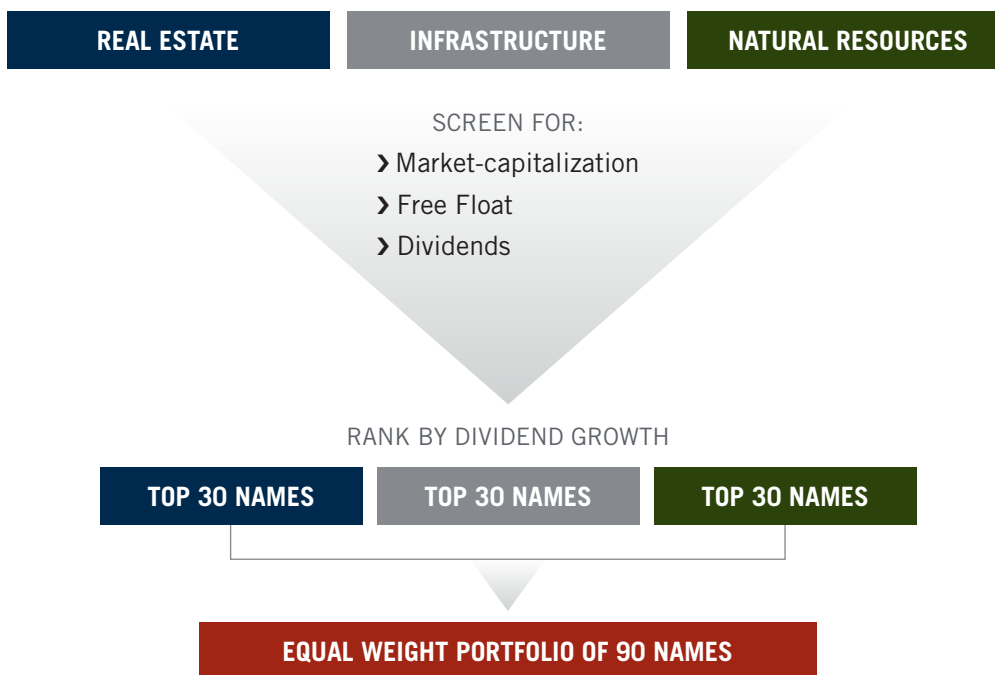


Understanding VRAI

The Virtus Real Asset Income ETF (NYSE Arca: VRAI) aims to provide passive exposure to high income-producing real asset securities. It tracks the Indxx Real Asset Income Index, which is comprised of U.S.- listed securities with a history of dividend growth across three real asset categories: real estate, natural resources and infrastructure. VRAI seeks to be a core, “one-stop-shop” equity real asset solution.

Security Selection



VRAI tracks an index of U.S.-listed real estate (real estate development and REITs); infrastructure (utilities, telecoms, and master limited partnerships; and natural resources firms (oil, metals, farmland, and forestry)

Stocks are equally weighted subject to a cap of 20% total on MLPs. Equal weighting provides enhanced diversification and a smaller market cap tilt, relative to market cap weighting or dollar-dividend weighting.

Real Asset Basics

Real assets are tangible assets that have an intrinsic value and form the foundation of the global economy. They stand in contrast to the traditional investments of stocks and bonds which are considered financial, or paper, assets. For example, property and leases in real estate; oil, timber, and steel in natural resources; and highways, water systems, and electrical grids in infrastructure.

POTENTIAL BENEFITS OF REAL ASSETS

1 Diversification

A prominent academic study¹ has shown that real asset investments have provided diversification to traditional stock and bond portfolios over time because of their lower correlations.² That's because the real return nature of real assets has historically provided investors with a positive correlation to inflation, which has preserved purchasing power.

2 Income Generation

Real assets have tended to produce higher levels of income than traditional stocks and bonds. Income has generally been more durable and predictable due to the nature of the business. For example, real estate cash flows may be driven by long-term rental agreements, while infrastructure has tended to operate with longer-term contracts which may add further stability.

3 Capital Appreciation and Downside Protection

Real assets have also offered the potential for long-term capital appreciation, given rising prices in real estate and the raw materials cycles. They also have demonstrated the potential to provide a degree of downside protection, having historically generated less volatility as a result of the income component associated with the asset class.

WHY NOW?

Amid the confluence of continued low yields on fixed income assets and the remarkable run in the S&P 500® Index over the last decade, investors have been increasingly gravitating toward real assets given their defensive attributes and lower correlations. Real assets are currently cheap, relative to other financial assets, partly because commodities have been challenged, particularly in the energy and mining sectors. Another reason is that real assets may provide a hedge against inflation and increased downside protection through the potential to generate attractive dividend income. Additionally, certain real assets (e.g., farmland and timber) may benefit from a bit of tailwind, given their stewardship of scarce resources in the face of increasing environmental concerns.

While institutions such as pensions, foundations, and trusts have long sought the benefits of real asset exposure, individual investors have had difficulty sourcing and managing these complex income producing asset classes that require more time, resources, and expertise. VRAI offers diversification potential to and within three distinct real asset categories in an ETF wrapper that may be both tax and cost efficient.

¹Swensen, David. *Pioneering Portfolio Management: An Unconventional Approach to Institutional Investment*. The Free Press: New York, 2000.

²Another way to understand the case for real assets is this excerpt from the aforementioned book by Swensen: "By combining assets that vary in response to forces that drive markets, more efficient portfolios can be created. At a given risk level, properly diversified portfolios provide higher returns than less-well diversified portfolios. Conversely, through appropriate diversification, a given level of returns can be achieved at lower risk... Alternative asset classes... contribute to the portfolio construction process by pushing back the efficient frontier, allowing the creation of portfolios with higher returns for a given level of risk or lower risk for a given level of returns. Investors treating alternative assets as legitimate tools in the portfolio allocation process reduce dependence on traditional marketable securities, facilitating the structuring of truly diversified portfolios."

The VRAI Opportunity

PRECISION EXPOSURE

A cost-efficient, transparent, and liquid vehicle offers real asset income investors diversified exposure to three equal weight real assets categories.

IMPLEMENTING REAL ASSETS IN A PORTFOLIO

While real assets should play a role in any strategically diversified portfolio, they can also complement a core income portfolio. What's more, incorporating a non-traditional income allocation can enhance a traditional equity income and fixed income portfolio. VRAI strives to provide investors with a core real asset income allocation with the potential for diversification, income, and growth. The fund offers exposure to non-traditional sources of yield, providing diversification and the potential for higher income.

WHAT'S DISTINCT ABOUT THE APPROACH?

By diversifying across three sectors of real assets, VRAI seeks to provide income-seeking investors a way to manage risk while pursuing growth within an overall portfolio. Importantly, VRAI differs from other real asset strategies in that it does not directly invest in hard assets or commodity instruments that often exhibit higher volatility. Rather, it exclusively invests in real asset stocks with a specific focus on income.

KEY POINTS

Targeted Exposure

Passive exposure to income-producing, real asset equity securities

Powerful Diversifier

An alternative income source to traditional equity and fixed income investments

Focus on Dividend Growth

Emphasis on companies which have demonstrated dividend growth over the last three years

About Indxx

Founded in 2005, with offices in New York, Prague, and New Delhi, Indxx endeavors to deliver innovative and custom indexing solutions to the investment management community at large. Indxx has three dozen ETFs worldwide tracking its indexes, and calculates hundreds of indexes for clients around the globe.

Indxx is the index provider to the Fund. The portfolio managers are affiliated with Virtus ETF Advisers, LLC, the Fund's adviser.

About Virtus Investment Partners

Virtus Investment Partners (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process, and individual brand.



For more information,
contact us at
1-800-243-4361 or
visit www.virtus.com.

IMPORTANT RISK CONSIDERATIONS

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. **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. **Equity REITs:** The fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Infrastructure:** A fund that focuses its investments in infrastructure-related companies will be more sensitive to conditions affecting their business or operations. **MLPs:** Investments in Master Limited Partnerships may be adversely impacted by tax law changes, regulation, or factors affecting underlying assets. **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. **Correlation to Index:** The performance of the fund and its index may vary somewhat due to factors such as fund flows, transaction costs, and timing differences associated with additions to and deletions from its index. **Market Price/NAV:** At the time of purchase and/or sale, an investor's shares may have a market price that is above or below the fund's NAV, which may increase the investor's risk of loss. **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 fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The **Indxx Real Asset Income Index** tracks the performance of US-listed securities in the Real Asset space (Real Estate, Natural Resources and Infrastructure) emphasizing dividend growth. The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment. The index is calculated on a total return basis with dividends reinvested.

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.

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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