Investment Case:
Virtus Private Credit Strategy ETF

VPC

Understanding VPC

The Virtus Private Credit Strategy ETF (NYSE Arca: VPC) strives to deliver an alternative source of yield to traditional fixed income by focusing on the private credit market. It seeks to track the Indxx Private Credit Index, which provides passive exposure to listed instruments that emphasize private credit, including business development companies (BDCs) and closed-end funds (CEFs). VPC seeks to provide easy access, diversification, and higher yields through exposure to companies involved in lending to non-investment grade, small- to mid-sized U.S. companies.

Security Selection

VPC tracks an index of U.S.-listed BDCs and CEFs that invest in middle-market firms with below-investment grade ratings using a variety of debt and equity vehicles.

BDCs | **CEFs**

SCREEN FOR:

- Suitable market cap
- Liquidity
- History of paying dividends for three consecutive years

CONSIDER INVESTMENT PARAMETERS:

Objective, strategy, and capital structure screened to ensure significant exposure to small or middle-market private companies

CEFs ARE SCREENED AND RANKED:

To weed out large premiums or discounts of price versus net asset value

BUILD PORTFOLIO

Holdings are weighted based on dividend yield with a single security cap of 5% and floor of 0.3%.

Private Credit Basics

Broadly defined, private credit strategies target the ownership of higher yielding corporate, physical, or financial assets held within a private "lock-up" fund partnership structure. Credit exposure can be either corporate (cash flows generated by an operating company) or asset-based (i.e., cash flows generated by a physical asset).

WHY NOW?

As commercial banks have moved away from financing small- to mid-sized U.S. companies, private lenders have become a burgeoning capital solution, offering exposure to generally below-investment grade or unrated debt, which carries higher yields and more volatility than traditional corporate high yield bonds.

Private credit may appeal to persistent investors looking to expand their search for yield in a low rate environment, along with diversification. While meaningful capital has flowed into the private credit market, we believe these markets appear to be providing ample compensation for the risk assumed, particularly when compared to the historically tight credit spreads exhibited by traditional high yield fixed income.

WHAT IS A BDC?

BDCs were created by Congress in 1980 to assist U.S. businesses in meeting their capital needs. BDCs lend to small- and medium-size companies in order to help them grow in the initial stages of their development, or, in the case of distressed businesses, help them regain sound financial footing. 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. BDCs are regulated investment companies (RICs), which means they don't pay corporate income tax on profits, provided they distribute at least 90% of their profits to shareholders. This has tended to result in higher dividend yields for investors as compared to traditional fixed income, according to BDCinvestor.com. The downside: they have tended to exhibit higher volatility, be more thinly traded, and sensitive to interest rate spikes. However, diversification requirements and leverage limitations have the potential to reduce risk, while allowing for enhanced return potential.

WHAT'S A CEF?

A CEF is a professionally managed portfolio of pooled assets that raises a fixed amount of capital through an initial public offering and then lists shares for trade on an exchange. VPC's investments are focused on non-BDC CEFs which invest in collateralized loan obligations, mezzanine loans, and senior secured bank loans. CEFs may provide diversification and historically have often been higher yielding investments, but they also carry a higher degree of liquidity risk and volatility, since they trade on an exchange.

Implementing Private Credit in a Portfolio

PRECISION EXPOSURE

VPC's goal is to provide investors with conveniently accessed exposure to non-traditional sources of yield with the potential for diversification, income, and growth. Private credit investors can gain thoughtfully calibrated exposure and diversification to companies focused on lending to small- and mid-sized companies in a cost-efficient, transparent, and liquid vehicle.

WHAT'S DISTINCT ABOUT THE APPROACH?

VPC offers investors diversified exposure to BDCs that provide financing to predominantly private companies which are typically closed to public investment. It also provides additional credit exposure through CEFs, enhancing diversification across structured credit investments. By diversifying across BDCs and CEFs, VPC seeks to provide higher yield-seeking investors a way to diversify away from traditional fixed income exposure. VPC provides investors diversification to private credit with over 60 securities of diverse lending businesses.

EXPLAINING VPC'S EXPENSES

VPC is required to itemize indirect expenses because it is structured as a fund of funds. That includes itemizing acquired fund fees and expenses ("AFFE") in its fee table—the result of holding BDCs and CEFs. Like all publicly traded companies, BDCs and CEFs have operating expenses which are implicitly reflected in the prices of the BDCs and CEFs in the portfolio, but are not paid directly from the Fund's net assets.

KEY POINTS

Targeted Exposure

Provides passive exposure to the private credit market of a growing financing market for small- and mid-sized businesses in the United States

Powerful Diversifier

An attractive and complementary income opportunity

High Yield Potential

Quarterly distributions via a portfolio of exchange-traded BDCs and CEFs with significant exposure to private credit instruments such as collateralized loan obligations (CLOs), mezzanine loans, and bank loans

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.

VIRTUS ETFs

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

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.

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. **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. **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. **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. **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. **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. **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. **Closed-End Funds:** Closed-end funds may trade at a discount or premium from their net asset values, which may affect whether an investor will realize gains or losses. They may also employ leverage, which may increase volatility. **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 Private Credit Index** is an index of listed business development companies ('BDCs') and closed end funds ('CEFs') with a private credit focus. The Index 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.

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.

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