

Virtus Zevenbergen Innovative Growth Stock Fund

A: SAGAX (92837F318) | I: SCATX (92837F292) | R6: VZGRX (92837X640)

MARKET REVIEW

There was no performance intermission in the U.S. equity market's impressive 2024 debut. Investors set aside concerns around interest rate policy, an inverted yield curve, and the continuation of mixed economic indicators. Enthusiasm for artificial intelligence (AI) remained prominent with the perceived "Fourth Industrial Revolution" driving select mega-capitalization companies higher (those with superior financial and intellectual capital). Introducing some breadth and discovery into additional benefactors, interest in companies distributing AI products and services also emerged.

FUND PERFORMANCE

The Virtus Zevenbergen Innovative Growth Stock Fund returned 12.20% (Class I) in the quarter, exceeding the Russell 3000® Growth Index, which returned 11.23%. Relative performance was bolstered by stock selection and an overweight to the benchmark within the consumer discretionary industry (diversified retailers, media agencies, consumer services, cosmetics) and stock selection within technology (semiconductors, software). Industrials (transaction processing services) and healthcare (biotechnology) were minor industry detractors.

NVIDIA and Uber Technologies were the largest contributors to performance in the quarter.

- > Founder-led accelerated computing provider NVIDIA recorded its fourth consecutive quarter of financial results well above consensus estimates. While debates swirled around AI use cases and their economic implications, investors seemed to agree on NVIDIA's role as the predominant supplier of AI "building block" technology. The company's commitment to research and development could strengthen this leading position. At its March developer conference, NVIDIA revealed a new generation of AI chips, datacenter systems, and tools that offer performance, power efficiency, and total cost of ownership improvements over predecessor products and competing alternatives.
- > Digital transportation and delivery leader Uber Technologies saw continued positive momentum, stemming from its inclusion in the S&P 500® Index at the end of last year. Shares were further propelled by strong fundamentals and an investor day in February that laid out longer-term targets of mid-to-high teens bookings growth and significant margin leverage. The company continues to see strength in both its mobility and delivery units, with the benefits of having both services under one network leading to further gains in efficiency, frequency, and profitability.

Tesla and Snowflake were the largest detractors from performance in the quarter.

- > Never far from the headlines, shares of Tesla were back under pressure to start the year. The founder-led technology company remains in between product waves with the Model Y/3 sales still growing, but maturing, and the highly anticipated "next-generation" vehicle platform not expected to begin production until late next year. With short-term deliveries pressured by the macroeconomic environment and numerous one-time items (Berlin fire, Model 3 refresh, Red Sea conflict), investment conviction remains grounded in the longer-term product roadmap and the company's autonomous driving advancements.
- > Cloud data platform company Snowflake guided toward lower-than-expected revenue growth and profit margins this year on subdued customer product usage and an uptick in operating expenses. The company also announced a surprising CEO change, with Sridhar Ramaswamy, a former Google and AI start-up executive, replacing enterprise software veteran Frank Sloatman at the helm. On a positive note, Snowflake reported a good quarter for remaining performance obligation, a signal for future revenue, and signed its largest deal ever in the quarter. Even though it is too early to assess company execution under new leadership, Snowflake's product development and sales investments give the company a compelling opportunity to capture share in the fast-growing data analytics and machine learning markets.

PERSPECTIVE

Geopolitical tensions, a meandering path for interest rates, and upcoming elections continue to unsettle investors. The outcomes of these events, even if correctly predicted, may be unrelated to portfolio performance and a company's share price. Away from these issues, many positive investment considerations mitigate some of these concerns for investors with a longer-term perspective. Within the portfolio, corporate finances are generally robust, with many companies having secured low financing rates. They have also demonstrated improving productivity through the applications of new technologies and workforce recalibrations. Consumer finances remain relatively strong, bolstered by savings and wage increases. ZCI addresses the daily news headlines and opinions by investing in companies led by ambitious management teams that prioritize secular revenue, cash flow, and earnings growth. We view the current environment optimistically, with an eye for investments with significant wealth creation potential.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Zevenbergen Capital Investments LLC

PORTFOLIO MANAGERS



Nancy Zevenbergen, CFA
Industry start date: 1981
Start date as Fund Portfolio Manager: 2004



Joseph Dennison, CFA
Industry start date: 2011
Start date as Fund Portfolio Manager: 2015



Anthony Zackery, CFA
Industry start date: 2011
Start date as Fund Portfolio Manager: 2015

TOP TEN HOLDINGS

	% Fund
NVIDIA Corp.	8.76
MercadoLibre Inc.	6.31
Amazon.com Inc.	6.27
The Trade Desk Inc.	5.57
Shopify Inc.	5.20
Tesla Inc.	5.12
Uber Technologies Inc.	4.88
Axon Enterprise Inc.	4.32
Advanced Micro Devices Inc.	4.28
Meta Platforms Inc.	3.60

Holdings are subject to change.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (02/23/04)
Fund Class I	12.20	12.20	40.80	-6.74	12.44	13.62	11.46
Index	11.23	11.23	37.95	11.54	17.82	15.43	11.49

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 1.15%. The net expense ratio is 1.00%, which reflects a contractual expense reimbursement in effect through 4/30/2025.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

Index: The **Russell 3000® Growth Index** is a market capitalization-weighted index of growth-oriented stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

TOP FIVE CONTRIBUTORS % Contribution

NVIDIA Corp.	5.09
Uber Technologies Inc.	1.14
The Trade Desk Inc.	1.12
Meta Platforms Inc.	1.11
Amazon.com Inc.	1.09

TOP FIVE DETRACTORS % Contribution

Tesla Inc.	-2.27
Snowflake Inc.	-0.71
BILL Holdings Inc.	-0.46
Zillow Group Inc.	-0.38
MercadoLibre Inc.	-0.29

% Contribution: Absolute weighted contribution.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

Notes on Risk: 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, medium, or large-sized companies may enhance that risk. **Foreign Investing:** Investing in foreign securities subjects the fund to additional risks such as increased volatility; currency fluctuations; less liquidity; less publicly available information about the foreign investment; and political, regulatory, economic, and market risk. **Consumer Concentration:** Because the portfolio is presently heavily weighted in the consumer sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The commentary is the opinion of the subadviser. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

Not FDIC Insured | May Lose Value | Not Bank Guaranteed