

DO YOU HAVE A CRYSTAL BALL FOR INTEREST RATES? NEITHER DO WE.



After more than a decade of all-time low interest rates, the Federal Reserve (“Fed”) began to implement a tightening policy (increases in the Fed Funds rate) in December 2015. Investors began to once again place more emphasis on interest rate risk over solely focusing on credit risk. As we progressed through the Fed tightening cycle—which saw nine hikes over three years—investors poured money into bank loans and short-term bond funds due to their shorter durations.

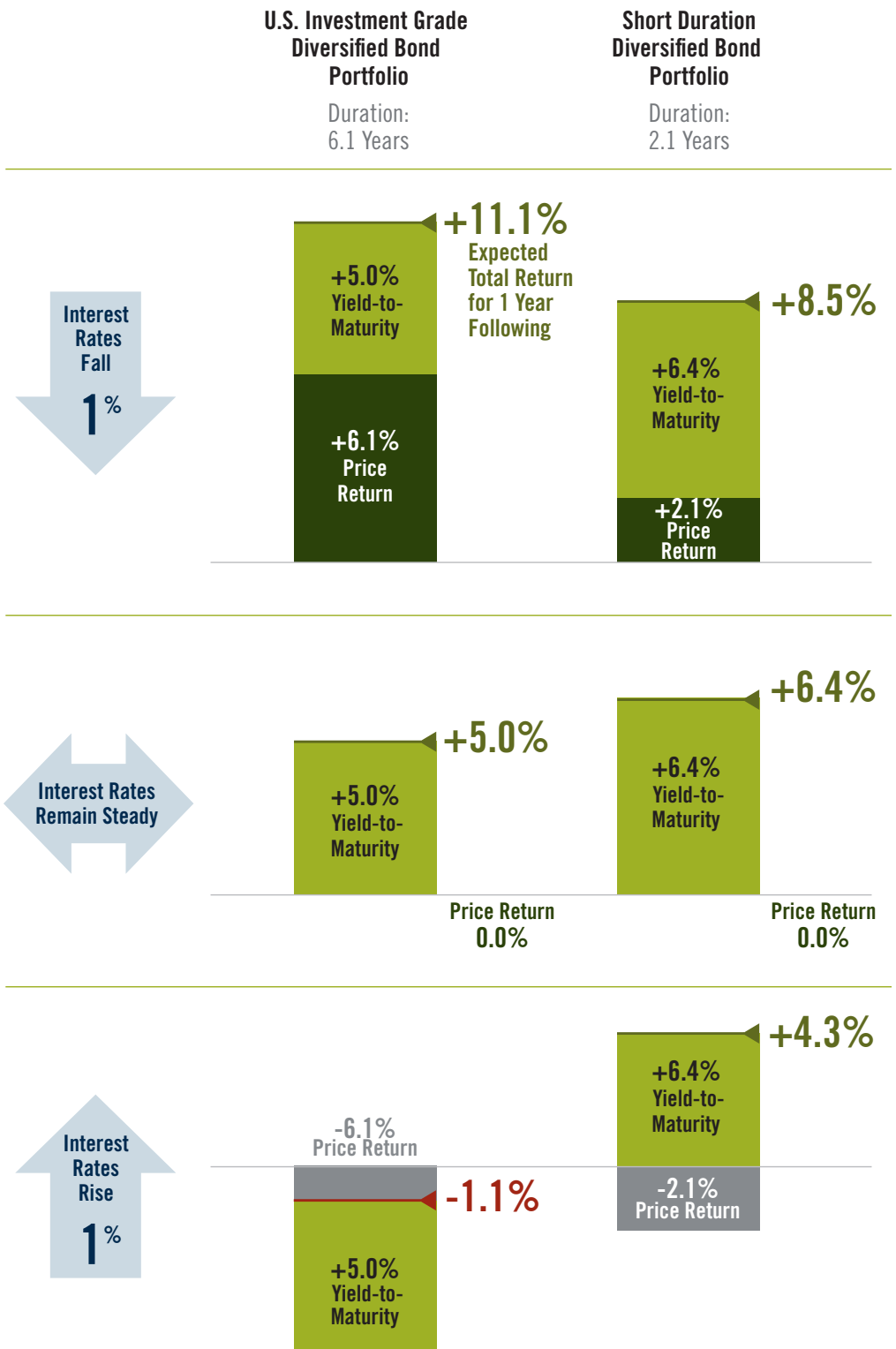
As recently as 2018, the expectation was that rates would continue to rise for the foreseeable future. That expectation changed, however, at the end of 2018, as global economies experienced tightening financial conditions. The Fed reversed course in 2019, returning to more accommodative monetary policy.

More recently, the Fed has been in a tightening cycle, as they remain focused on elevated inflation.

No one can predict where interest rates are headed. Adding a multi-sector short-duration bond fund as a complement to a core fixed income portfolio may increase diversification. Benefits may include:

- Volatility mitigation opportunity
- Return generation potential
- Interest rate hedging

Consider three possible interest rate scenarios, with a focus on duration and yield:



For illustrative purposes only. Does not represent the performance of any Virtus product. This example assumes no spread tightening, which generally occurs during a period of rising rates.

Past performance is not indicative of future results. Current duration as of 6/30/24. **Duration** represents the interest rate sensitivity of a fixed income fund. For example, if the fund’s duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund’s price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund’s price. **Yield to maturity (YTM)** is the total return anticipated on a bond if the bond is held until it matures. Source: Newfleet Asset Management. For illustrative purposes only. This example excludes any potential impacts of credit risk. Does not represent the performance of any Virtus product. **Price Return** = duration x rate increase.

As pioneers in full universe multi-sector investing, Newfleet Asset Management offers portfolios with diversified exposure to 14 fixed income sectors in order to benefit from opportunity—and manage risk. Newfleet subadvises two multi-sector short-term bond funds: **Virtus Newfleet Multi-Sector Short Term Bond Fund (PIMSX)** and **Virtus Newfleet Low Duration Core Plus Bond Fund (HIBIX)**.

Average Annual Total Returns As of 6/30/24

| Returns (%) | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception 06/06/08 | 30-day SEC Yield (%) ¹ | 30-day SEC Yield (unsubsidized) ² | Duration (Years) |
|-------------|------|------|--------|--------|--------|---------|-----------------------------|--------------------------------------|---|---------------------|
| PIMSX | 1.29 | 2.74 | 7.42 | 1.36 | 2.23 | 2.30 | 3.91 | 5.07 | 4.98 | 2.1 |
| Index | 1.13 | 2.02 | 6.12 | 1.00 | 1.90 | 2.02 | 2.72 | | | |

| Returns (%) | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception 02/23/96 | 30-day SEC Yield (%) | 30-day SEC Yield (unsubsidized) | Duration (Years) |
|-------------|------|------|--------|--------|--------|---------|-----------------------------|-------------------------|------------------------------------|---------------------|
| HIBIX | 1.24 | 2.71 | 7.04 | 1.41 | 2.02 | 2.08 | 3.92 | 4.85 | 4.66 | 1.9 |
| Index | 0.89 | 1.09 | 4.77 | -0.17 | 1.06 | 1.45 | n/a | | | |

¹30-day SEC Yield is a standardized yield calculated according to a formula set by the SEC, and is subject to change.

²30-day SEC Yield (unsubsidized) is the 30-day SEC yield without the effect of applicable expense waivers.

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.

PIMSX: The fund class gross expense ratio is 0.73%. The net expense ratio is 0.65%, which reflects a contractual expense reimbursement in effect through 1/31/2025.

HIBIX: The fund class gross expense ratio is 0.69%. The net expense ratio is 0.50%, which reflects a contractual expense reimbursement in effect through 1/31/2025.

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.

PIMSX Index: The **ICE BofA 1-3 Year A-BBB US Corporate Index** measures performance of U.S. corporate bond issues rated A through BBB, inclusive (based on an average of Moody's, S&P and Fitch), with a remaining term to final maturity less than 3 years. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

HIBIX Index: The **ICE BofA 1-5 Year US Corporate & Government Bond Index** tracks the performance of US dollar denominated investment grade debt publicly issued in the U.S. domestic market, including U.S. Treasury, U.S. agency, foreign government, supranational and corporate securities, with a remaining term to final maturity less than 5 years, calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

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IMPORTANT RISK CONSIDERATIONS

Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield Fixed Income Securities (Junk Bonds):** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Bank Loans:** Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **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.



Interested in learning more about Virtus Newfleet Multi-Sector Short Term or Low Duration Core Plus Bond Funds? Contact us at 800-243-4361 or visit www.virtus.com.

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.

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