

VIRTUS PRIVATE CREDIT STRATEGY ETF

Acquired Fund Fees and Expenses: Explained



Virtus Private Credit Strategy ETF (NYSE Arca: VPC) (the “Fund”) is a passively managed exchange-traded fund which seeks to track the Indxx Private Credit Index. The methodology prescribes investment in exchange-listed instruments with significant exposure to private credit, namely, business development companies (“BDCs”) and closed-end funds (“CEFs”) with an emphasis on private credit.

BDCs are closed-end investment companies that often invest in debt issued by small and mid-sized businesses in the United States. BDCs are generally managed by third party investment specialist firms who charge a management fee and, in some cases, an incentive fee for profitable investment performance of the BDC.

VPC is required to itemize indirect expenses such as acquired fund fees and expenses (“AFFE”) in its fee table because it primarily holds BDCs and CEFs – themselves funds with management fees – for private credit exposure. AFFE are implicitly reflected in the prices of the BDCs and CEFs in the portfolio and are not paid directly from the Fund’s net assets. Furthermore, AFFE are not included in the Fund’s financial statements periodically provided to shareholders. The total return of the Fund will reflect both indirect and direct expenses.

VPC Expense Summary (as of February 28, 2024)

Fee/Expense	Rate	Type	Notes
Management Fee ¹	0.75%	Direct	Gross fee amount paid to the Fund’s Investment Adviser
Other Expenses	0.00%	Direct	
Acquired Fund Fees and Expenses ²	8.97%	Indirect	Fees/expenses of the BDCs and CEFs in VPC’s portfolio
Total Annual Operating Expenses	9.72%	Direct, Indirect	Total Expense Ratio

⁽¹⁾ The management fee is structured as a “unified fee,” out of which the Fund’s adviser pays all of the ordinary operating expenses of the Fund, except for the following expenses, each of which is paid by the Fund: the Fund’s management fee, payments under any 12b-1 plan; taxes and other governmental fees; brokerage fees, commissions and other transaction expenses; interest and other costs of borrowing; litigation or arbitration expenses; acquired fund fees and expenses; and extraordinary or other non-routine expenses of the Fund.

⁽²⁾ “Other Expenses” and “Acquired Fund Fees and Expenses” are based on estimated amounts for the current fiscal year.

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.

The **Indxx Private Credit Index** is an index of listed business development companies and closed-end funds with a private credit focus. It 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.

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 to the fund of owning shares of an 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. **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:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Fund of Funds:** The risk that the fund’s performance will be adversely affected by the assets owned by the other mutual funds and ETFs in which it invests, and that the layering of expenses associated with the fund’s investment in such other funds will cost shareholders more than direct investments would have cost. **Passive Strategy/Index Risk:** A passive investment strategy seeking to track the performance of the underlying Index may result in the portfolio holding securities regardless of market conditions or their current or projected performance. This could cause the portfolio’s returns to be lower than if the portfolio employed an active strategy. **Correlation to Index:** The performance of the portfolio and its index may vary due to factors such as flows, transaction costs, whether the portfolio obtains every security in the index, and timing differences associated with additions to and deletions from the 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:** 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.

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 representative, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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