

Virtus Real Asset Income ETF

NYSE ARCA | NAV Symbol VRAI.NV | IOPV Symbol VRAI.IV | CUSIP 26923G780

FUND OVERVIEW

VRAI is a passively managed exchange-traded fund (ETF) that seeks to track the Indxx Real Asset Income Index. It consists of a diversified portfolio of approximately 90 equal-weighted securities across **three sleeves of real assets**:

1. **Real estate** (real estate development and real estate investment trusts (REIT))
2. **Infrastructure** (utilities, telecoms, and master limited partnerships (MLP))
3. **Natural resources** (oil, metals, farmland, and forestry)

Importantly, security selection within each sleeve screens for quality, with the top 30 names in each sleeve ranked by dividend growth, which are then equally weighted.

Real assets are tangible assets that have an intrinsic value. Over time, they have historically provided diversification to traditional stock and bond portfolios because of their lower correlations, yet are positively correlated to inflation, which helps preserve purchasing power.

Equity securities in real asset categories have historically produced higher levels of income than traditional stocks. Within VRAI, two-thirds of the portfolio—notably the real estate and infrastructure sleeves—are driven by income received from long-term rental/lease agreements and long-term regulated contracts, while natural resources derive income primarily from the sales of harvested or extracted goods, lease payments, or subsidy payments.

HOW THE FUND PERFORMED

Performance was in line with the Indxx Real Asset Income Index throughout the quarter, with nominal tracking error. For the first quarter, VRAI posted a total return of 10.49% versus its benchmark's return of 10.92%.

VRAI paid a quarterly dividend of \$0.37 in March, while NAV at quarter-end was \$24.88. As of 3/31/21, VRAI had an SEC yield¹ of 4.02%.

The **natural resources**, **infrastructure**, and **real estate** sleeves all contributed positive performance in the quarter. Notably, the natural resources sleeve provided double-digit returns, outperforming the other two materially. Within each sleeve, there was a wide dispersion between winners and losers, reflecting volatility across real asset markets and, perhaps, the oversold nature of this dislocated asset class. We view this as a good reason to diversify across and within real asset markets.

1. Within the **natural resources** sleeve, the best performers were oil related, buoyed by continued positive vaccine news and the improved demand outlook as the economy continues to open up. While demand for energy continues to recover from the depths of the pandemic, precious metals continued to underperform as

a group, with a few providing negative performance, ironically, despite increased prospects for inflation, an environment typically favorable for these stocks.

2. Within the **infrastructure** sleeve, several energy-related infrastructure stocks continued to experience sharp rebounds as economies around the globe have found ways to reopen. Electric utilities proved to be a mixed bag with several underperformers despite zero-emission mandates, renewable targets set by states and countries, and the Biden administration's recent American Jobs Plan, which should reinforce the thesis for electric utilities. A wireless telecommunication company proved to be among the bottom performers as well.
3. Within the **real estate** sleeve, securities that were hardest hit in 2020—regional malls, shopping centers, and lodging—continued to outperform since Pfizer's vaccine announcement on 11/9/21. However, it's worth noting that these sectors lagged in March, a potential sign the rotational winners may be rolling over. Laggards included data centers, a leading owner of restaurant real estate, and the leading lessor to the science and technology industries.

OUTLOOK

Market volatility has created attractive valuations across much of the real asset universe. With the pandemic still a potential threat to global economies, the pace of cyclical recovery remains uncertain. However, the rollout of vaccines, accommodative central banks, and large government aid packages should be supportive of global economies and markets.

It's important to note VRAI's index focuses on companies with above average dividend growth rates, providing exposure to the quality factor. Over time, this may provide a degree of downside protection in addition to the cash flow generated from long-term contractual rents, leases, and contracts. In most cases, dividend yields are very attractive relative to other investment alternatives.

We believe real assets offer compelling investment opportunities in 2021. The real estate market still appears dislocated with REITs at significant discounts to NAV. Infrastructure offers a good mix of protection and cyclical upside during a recovery and is well positioned to capitalize on the growth in clean energy and Biden's infrastructure plan. Finally, natural resources should continue to benefit as the global recovery continues to accelerate.

We've been in a persistently low rate environment for quite some time. With regard to traditional stock and bond investments, income oriented investors are challenged to find meaningful levels of income. It's our view that investors should consider a broader opportunity set of investments, including non-traditional sources of income. With an awareness of the risk/return trade-offs, they may find benefits in more attractive income streams and historically lower correlations to traditional asset classes.

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

PORTFOLIO MANAGEMENT

Indxx, LLC

INVESTMENT PROFESSIONALS



Matthew B. Brown
 Chief Operating Officer
 and Portfolio Manager
 Industry start date: 1999
 Start date as Fund Portfolio Manager: 2019



Seth Kadushin
 Portfolio Manager
 Industry start date: 1988
 Start date as Fund Portfolio Manager: 2019

TOP TEN HOLDINGS

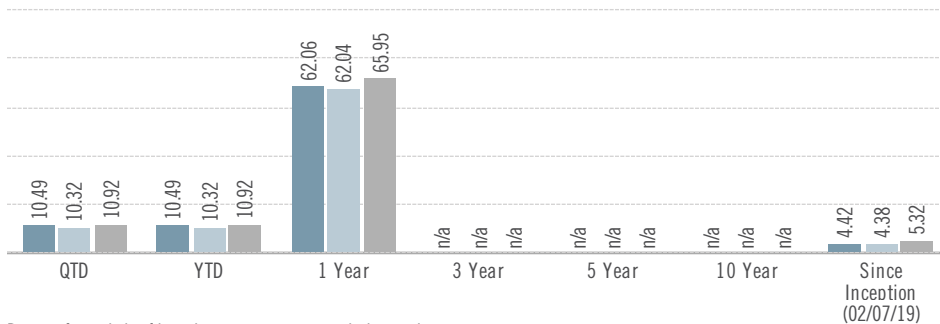
% Fund

EOG Resources Inc.	1.46
Pioneer Natural Resources Co.	1.44
Delek US Holdings Inc.	1.43
Steel Dynamics Inc.	1.38
ConocoPhillips	1.34
Marathon Petroleum Corp.	1.33
Canadian Natural Resources Ltd.	1.32
Valero Energy Corp.	1.31
Imperial Oil Ltd.	1.30
ONEOK Inc.	1.29

Holdings are subject to change. To view the full list of holdings, please visit virtus.com.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 03/31/21

■ NAV ■ Market Price ■ Index



Returns for periods of less than one year are cumulative total returns.

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.

The fund class gross expense ratio is 0.55%.

The Total Expense Ratio represents the Fund's Total Annual Fund Operating Expenses, which includes the management fee and other expenses where applicable, except for certain payments that are paid directly by the Fund, as described in the Prospectus.

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.

Benchmark: The **Indxx Real Asset Income Index** the performance of US-listed securities in the Real Asset space (Real Estate, Natural Resources and Infrastructure) emphasizing dividend growth. The Index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

IOPV, or Indicative Optimized Portfolio Value, is a calculation disseminated by the stock exchange that approximates the Fund's NAV every fifteen seconds throughout the trading day.

TOP FIVE CONTRIBUTORS % Contribution

EOG Resources, Inc.	0.53
Pioneer Natural Resources Company	0.47
Delek US Holdings Inc.	0.44
Steel Dynamics, Inc.	0.42
ConocoPhillips	0.41

TOP FIVE DETRACTORS % Contribution

DRDGold Ltd Sponsored ADR	-0.32
Agnico Eagle Mines Limited	-0.27
Barrick Gold Corporation	-0.24
Wheaton Precious Metals Corp.	-0.19
Gold Fields Limited Sponsored ADR	-0.12

% Contribution: Absolute weighted contribution.

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

Notes on Risk: 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. **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 portfolio may be negatively affected by factors specific to the real estate market, such as interest rates, leverage, property, and management; and factors specific to investing in a pooled vehicle such as poor management and concentration risk. **Infrastructure:** A portfolio that focuses its investments in infrastructure-related companies will be more sensitive to conditions affecting their business or operations such as local economic and political conditions, regulatory changes, and environmental issues. **Master Limited Partnerships:** Investments in MLPs may be adversely impacted by interest rates, 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 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. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's 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.

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