WHY REITS ARE COMPELLING NOW: A HISTORICAL VIEW ON NAV DISCOUNTS

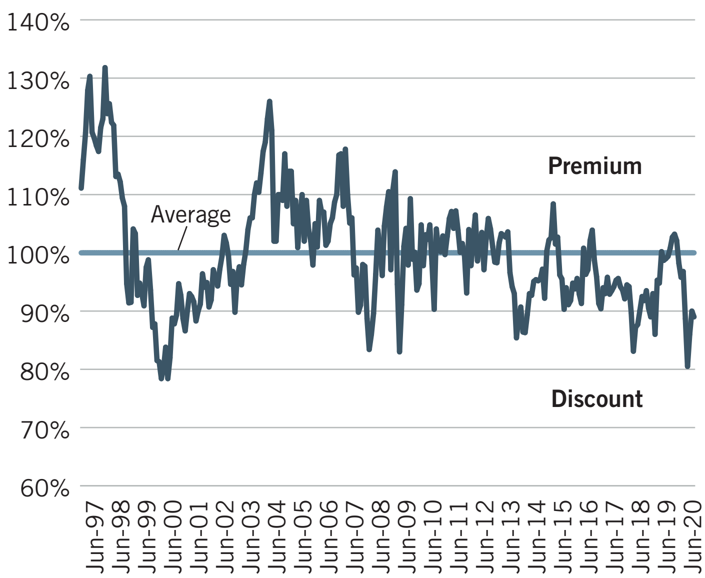
VIRTUS FUNDS

U.S. REITs have historically provided compelling returns when discounts to NAV were greater than 10%.

Not unlike other asset classes, large drawdowns have historically led to higher future return potential. Since 1996 whenever the price-to-net asset value (“NAV”) for REITs has been at a discount of greater than 10%, the returns for the FTSE Nareit Equity REITs Index in the following 12-months were positive 33 out of 38 periods.

REITs Trading at Historical Discount

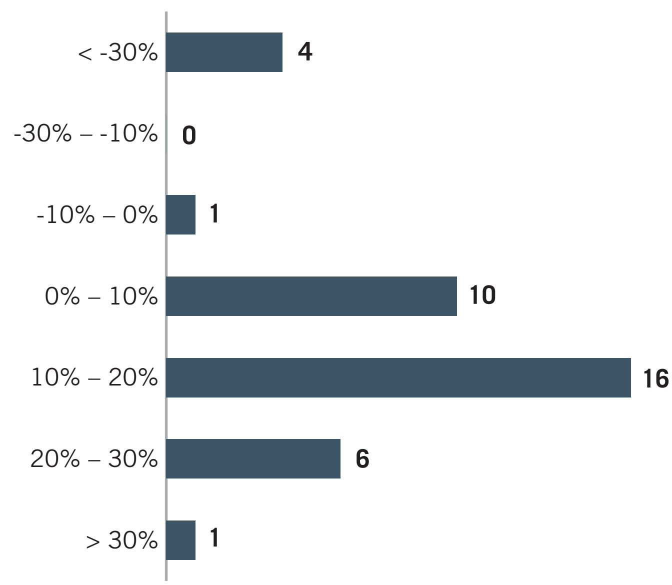
Historical Price to NAV*



Past performance is not indicative of future results.
Source: Duff & Phelps, Evercore ISI, FactSet, data as of 6/30/20. *Price to NAV is a metric used to estimate the market value for REIT holdings, it is not a measure of performance, but rather, a ratio similar to price-to-book value used when comparing traditional stocks.

REIT Performance when Discounts Were Greater than 10%

12-Month Forward Returns, FTSE Nareit Equity REITs Index



Past performance is not indicative of future results.
Source: Duff & Phelps, FTSE Nareit, Evercore ISI, FactSet, data as of 6/30/20.

- U.S. REITs were trading at a 30%+ discount to NAV in mid-March, and while the discount narrowed to 11% at the end of June, it was still larger than during the Global Financial Crisis (GFC) in 2008-09. On average, REITs have historically traded at 100% of their price-to-NAV.
- Previous crisis lows included a discount to NAV of 22% at the end of the dot.com bubble in December 1999; 17% in the GFC in February 2009; and 15% in the Taper Tantrum of August 2013. Had an investor purchased REITs during these three periods, their 12-month forward returns would have been 16.51%, 85.47%, and 19.35%, respectively.
- The median return for the 38 periods measured was 21.07%, compared to the 11.11% return since inception of the FTSE Nareit Equity REITs Index.[1]
- We do not believe the current market resembles 2008-09. Since then, REITs have strengthened their balance sheets and are better positioned today with lower leverage.
- Less than 10% of REIT’s debt comes due in the next two years, mitigating the need to refinance at a time when credit markets have been disrupted.[2]
- The world’s major economies have taken decisive action and launched fiscal and monetary stimulus that is without peacetime precedent to support the financial system.
- Active managers have the flexibility to overweight those securities and sectors they deem most attractive and underweight those that are highly impacted in the current environment.

Past performance is not indicative of future results.
[1]Index inception date is 12/31/1971. Performance data of the FTSE Nareit Equity REITs Index through 6/30/20. The high and low 12-month returns were both recorded during the GFC, -59.69% and 85.47%. Performance shown is not indicative of any Virtus product.
[2]Source: S&P Global Market Intelligence.

VIRTUS FUNDS

To learn more about the funds subadvised by Duff & Phelps Investment Management, please contact us at 800-243-4361 or visit virtus.com

VIRTUS DUFF & PHELPS GLOBAL REAL ESTATE FUND

Class A: VGSAX Class C: VGSCX Class I: VGISX Class R6: VRGEX

VIRTUS DUFF & PHELPS INTERNATIONAL REAL ESTATE FUND

Class A: PXRAX Class C: PXRCX Class I: PXRIX

VIRTUS DUFF & PHELPS REAL ESTATE FUND

Class A: PHRAX Class C: PHRCX Class I: PHRIX Class R6: VRREX

IMPORTANT RISK CONSIDERATIONS

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. **Real Estate:** The fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **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.

INDEX DEFINITION

The **FTSE Nareit Equity REITs Index** is a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria, that are listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq National Market System. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

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