

**INVESTMENT OVERVIEW**

The Fund seeks a high level of current income and capital growth by investing in U.S. corporate bonds that have a credit rating below-investment-grade levels or are unrated and determined to be of similar quality.

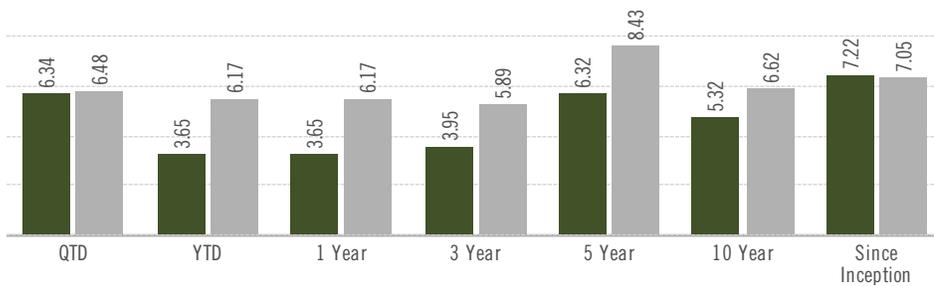
**KEY FEATURES**

**Risk Management** — Targets below-investment-grade corporate bonds that demonstrate improving fundamentals in order to pursue higher income and returns, but with reduced volatility

**Strives to Minimize Credit Risk** — Employs a disciplined, fundamental, bottom-up research process to identify issuers that are poised to benefit from positive change, exceed minimum credit statistics, and exhibit high operating performance, which may help the Fund avoid defaults and target upgrade candidates

**Pure Play Style** — Seeks to invest in non-investment-grade corporates with a higher-quality emphasis, U.S. public company focus, and no leverage

AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/20 ■ Fund Class Institutional ■ Index



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](http://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](http://virtus.com) for details.

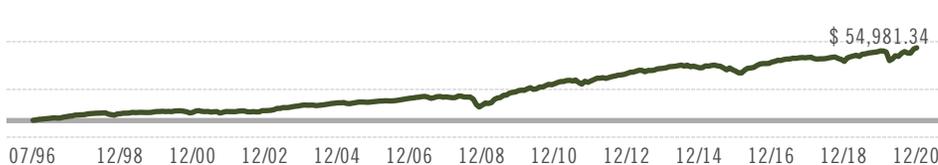
The fund class gross expense ratio is 0.87%. The net expense ratio is 0.83%, which reflects a contractual expense reimbursement in effect through 2/1/2023.

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.

**ANNUAL PERFORMANCE (%)**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Fund</b>	3.65	14.00	-4.93	6.08	14.01	-4.90	0.58	8.21	13.66	5.07
<b>Index</b>	6.17	14.41	-2.26	7.48	17.49	-4.64	2.50	7.42	15.58	4.38

**GROWTH OF \$10,000**



This chart assumes an initial investment of \$10,000 made on 7/31/1996. As of 12/31/2020 the fund value would have been \$54,981.34. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

Effective February 1, 2021, this fund's name and investment adviser have changed. The fund's distributor is now VP Distributors, LLC.

**FUND INFORMATION**

	<b>Ticker</b>	<b>CUSIP</b>
A Shares	AYBAX	92838V858
ADMIN Shares	AYBVX	92838V809
C Shares	AYBCX	92838V866
Institutional Shares	AYBIX	92838V700
P Shares	AYBPX	92838V882
R Shares	AYBRX	92838V874

Inception Date	07/31/96
AUM (\$ millions)	83.1
Number of Holdings	138
Dividends	Monthly
Morningstar Category	High Yield Bond
Lipper Category	High Yield Funds
Index	ICE BofA US High Yield Index

**MORNINGSTAR RATINGS**

Time Period	# of Stars	# of Funds
Overall	★★★	627
3 Year	★★	627
5 Year	★★	554
10 Year	★★★	351

Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive future performance.

**INVESTMENT ADVISER**

Virtus Investment Advisers, Inc.

**INVESTMENT SUBADVISER**



At Allianz Global Investors, active is the most important word in our vocabulary. Active is how we create and share value with clients. We believe in solving, not selling, and in adding value beyond pure economic gain. We invest for the long term, employing our innovative investment expertise and global resources. Our goal is to ensure a superior experience for our clients, wherever they are based and whatever their investment needs.

Active is: Allianz Global Investors

**PORTFOLIO MANAGERS**

**Douglas G. Forsyth, CFA**

Industry start date: 1991  
Start date as Fund Portfolio Manager: 1996

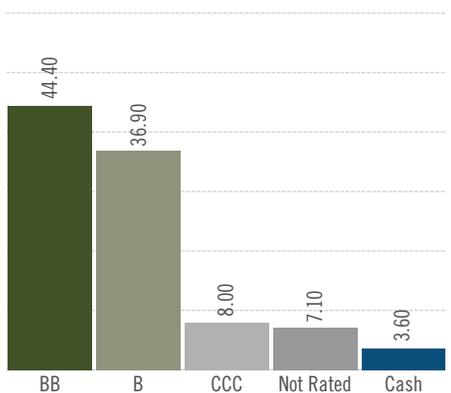
**David J. Oberto**

Industry start date: 2003  
Start date as Fund Portfolio Manager: 2017

**William (Brit) L. Stickney**

Industry start date: 1989  
Start date as Fund Portfolio Manager: 1999

**RATINGS DISTRIBUTION**



**FIXED CHARACTERISTICS**

	Fund
Average Years to Maturity	6.40
Effective Duration	2.80
30-day SEC Yield <sup>1</sup>	3.03

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

**TOP TEN HOLDINGS**

	% Fund
Reorganized SFXE Preferred 15	6.42
Community Choice Financial Issuer LLC, 9.0000% 06/15/2023	2.41
Kraft Heinz Foods Co, 6.5000% 02/09/2040	1.38
CSC Holdings LLC, 7.5000% 04/01/2028	1.16
Navient Corp, 6.7500% 06/15/2026	1.15
OneMain Finance Corp, 6.6250% 01/15/2028	1.13
TransDigm Inc, 6.5000% 05/15/2025	1.11
Hughes Satellite Systems Corp, 6.6250% 08/01/2026	1.11
Clarios Global LP / Clarios US Finance Co, 8.5000% 05/15/2027	1.11
Sprint Corp, 7.6250% 03/01/2026	1.09

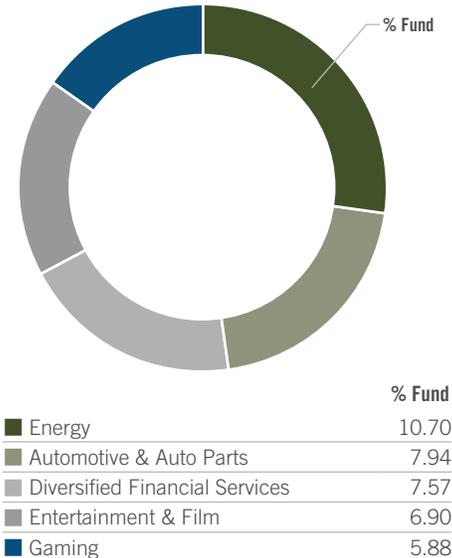
**DISTRIBUTIONS**

Month		NAV at Month-End
October 2020	\$0.039000	8.00
November 2020	\$0.039000	8.35
December 2020	\$0.039000	8.43

**RISK STATISTICS (3 YEAR)**

	Fund	Index
Alpha	-1.45	n/a
Beta	0.90	1.00
R <sup>2</sup>	0.95	1.00
Sharpe Ratio	0.28	0.46
Standard Deviation	8.65	9.39

**SECTOR ALLOCATIONS**



Holdings and sector weightings are subject to change.

**IMPORTANT RISK CONSIDERATIONS**

**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. **Issuer Risk:** The fund will be affected by factors specific to the issuers of securities and other instruments in which the fund invests, including actual or perceived changes in the financial condition or business prospects of such issuers. **Interest Rate:** The values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced for securities with longer 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. **Counterparties:** There is risk that a party upon whom the fund relies to complete a transaction will default. **Credit Risk:** If the issuer of a debt instrument fails to pay interest or principal in a timely manner, or negative perceptions exist in the market of the issuer's ability to make such payments, the price of the security may decline. **Prospectus:** For additional information on risks, please see the fund's prospectus.

**GLOSSARY**

**Effective Duration:** The change in the value of a fixed income security that will result from a 1% change in interest rates while taking into account the way changes in rates will affect the expected cash flows of any bond with an embedded option such as call or prepayment option. This measure assigns a probability to the exercise of a call option, where applicable, based on specified shifts in the yield curve. Duration is expressed as a number of years, and generally, the larger the duration, the greater the interest rate risk or reward for a portfolio's underlying bond prices. **Alpha:** A risk-adjusted measure of an investment's excess return relative to a benchmark. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **R<sup>2</sup>:** A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

**INDEX DEFINITION**

Index: The ICE BofA US High Yield Index tracks the performance of below investment grade U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market and includes issues with a credit rating of BBB or below. 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.

**RATINGS DISTRIBUTION METHODOLOGY**

Credit ratings issued by Nationally Recognized Statistical Rating Organizations assess the credit worthiness of the issuers of the underlying securities and not to the Fund or its shares. Ratings are measured using a scale that ranges from AAA (highest) to NR (not rated). Not rated securities do not necessarily indicate low quality. The security's credit rating does not eliminate risk and credit ratings are subject to change. Credit Quality reflects the higher of the ratings of Standard & Poor's Corporation and Moody's Investors Service, Inc. Only one rating will be utilized if only one is available. Ratings are then adjusted to the Standard & Poor's rating tiers shown.

Morningstar Rating™ for funds, or 'star rating,' is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effect of sales charges and loads.

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