VIRTUS FUNDS

Virtus AllianzGI Technology Fund

A: RAGTX (92837Q801) | ADMIN: DGTAX (92837Q835) | C: RCGTX (92837Q884) | INST: DRGTX (92837Q843) | P: ARTPX (92837Q850)

MARKET REVIEW

Global equities delivered strong gains over the second quarter as sentiment was boosted by optimism over the strength of the economic recovery. In general, Western markets were among the strongest performers with economies recovering swiftly as COVID-19 infection levels eased. In contrast, Asian markets generally lagged as several countries were forced to re-impose/ tighten restrictions to control fresh outbreaks. For the second consecutive quarter, energy stocks surged, as oil prices rallied on expectations of strong demand. While technology companies initially lagged the broader market advance as investors rotated into more cyclical areas, they moved to the forefront again in June when the reflation trade reversed, following a change in the Federal Reserve's projections of the future path of interest rates.

Information technology and related stocks outperformed the broader market during the period. Software stocks were particularly robust with earnings reports and management guidance suggesting the fundamental strength through the last year was sustainable, reflecting broader trends around businesses digitizing their operations. Semiconductors initially faced headwinds given their cyclical orientation, but relative performance improved later in the period amid optimism regarding the U.S. Congress passing an infrastructure spending plan. Mega-cap technology shares outperformed on increased investor comfort around the regulatory environment and the generally robust operating environment.

PERFORMANCE

For the quarter ending June 30, 2021, the Virtus AllianzGI Technology Fund (INST Shares) returned +9.27%,underperforming the S&P North American Technology Sector Index's return of +12.29%. During the period, stock selection and industry allocation detracted from relative returns.

Contributors

Our position in CrowdStrike was a top contributor during the period. The company delivered another strong quarter with annual recurring revenue (ARR), total revenue, and profitability above consensus estimates. ARR grew 73% year-over-year (YOY) and total revenue grew 70% YOY. Profitability was strong as well, with an operating margin of 9.8%, reflecting 290 basis points of YOY expansion. Incremental demand driven by digital transformation and an elevated threat environment drove a re-acceleration of net new ARR growth and total ARR performance. Performance across the company's platform was broad based with strong new customer growth and incremental improvement in attach rates. Management indicated that new customers are purchasing more modules from the start with improving demand for modules outside of their largest products. We continue to view the company as a long-term secular winner in security due to its native cloud platform advantage versus peers and its expansion into additional security segments to capture a greater share of security budgets.

Our position in MongoDB was also a top contributor after reporting strong quarterly financial results that exceeded expectations driven by subscription revenue growth of 40% YOY. The company's global cloud database, Atlas, now accounts for more than half of revenue and grew 73% YOY. Management raised guidance for both revenues and operating margins ahead of estimates. MongoDB provides schema-less database technology that is becoming increasingly used for AI-oriented application development. The company's database is more flexible, scalable, and performant than more traditional SQL-based technologies for AI workloads. We believe that MongoDB has the potential to gain meaningful market share for general purpose databases. The company has shown accelerating growth trends and is well positioned to sustain a high level of growth.

Detractors

Our position in memory chip supplier Micron was a top detractor during the period as the outlook for the semiconductor industry was tempered with supply constraints limiting companies' ability to meet healthy demand. Micron reported quarterly revenue and margins that beat expectations driven by above-seasonal demand in mobile, PC, and automotive, along with recovering enterprise/ cloud demand. Management believes the DRAM market is currently facing a severe shortage and will remain undersupplied in 2021 because of strong demand prospects and disciplined capex investment in 2020. We maintain a constructive view of Micron's prospects amid a host of new applications such as data center servers, 5G infrastructure, smartphones, and automotive end markets. We believe the company remains well positioned to benefit from industry supply discipline and long-term demand trends in mobile and cloud computing.

Our position in online travel agency Expedia was also a top detractor during the period. The company's share price quadrupled from its pandemic low in March 2020 to its record high in March 2021 but was range bound during the second quarter as some investors took profits. Expedia's quarterly financial results exceeded elevated expectations with strong bookings driven by the recovery of the U.S. travel market. Management reiterated its cost savings goals, including integrating marketing operations across its brands. We maintain a positive outlook for Expedia given its exposure to the travel recovery and ongoing cuts to fixed costs and marketing rationalization.

OUTLOOK

In our view, the technology sector continues to benefit from strong tailwinds, which should continue to drive attractive long-term appreciation. There is no question in our minds that the present events around the COVID-19 crisis will spur the use of technology and change how we live and work in the future. As companies adjust budgets due to supply and/or demand disruptions, the need for companies to reduce costs should accelerate the move to cheaper and more productive solutions such as cloud, software-as-a-service, artificial intelligence, cyber security, etc. We are in a period of rapid change, where the importance of technology is key to the prosperity of most industries. This environment is likely to provide attractive growth opportunities in many technology stocks over the next several years.

We continue to believe the technology sector can provide some of the best absolute and relative return opportunities in the equity markets—especially for bottom-up stock pickers.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Allianz Global Investors

PORTFOLIO MANAGERS

Walter C. Price, Jr., CFA
Industry start date: 1974
Start date as Fund Portfolio Manager: 1995

Huachen Chen, CFA
Industry start date: 1984
Start date as Fund Portfolio Manager: 1995

Michael A. Seidenberg
Industry start date: 2001
Start date as Fund Portfolio Manager: 2018

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
Alphabet Inc.	7.83
Facebook, Inc.	6.68
Amazon.com, Inc.	4.68
Micron Technology, Inc.	3.56
PayPal Holdings Inc.	3.48
CrowdStrike Holdings, Inc.	3.44
Lam Research Corp.	3.41
Apple Inc.	3.26
Microsoft Corp.	3.17
Twilio, Inc.	3.02

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

TOP FIVE CONTRIBUTORS	% Contribution
Alphabet Inc.	1.46
Facebook, Inc.	1.10
CrowdStrike Holdings, Inc.	1.03
MongoDB, Inc.	0.64
HubSpot, Inc.	0.63

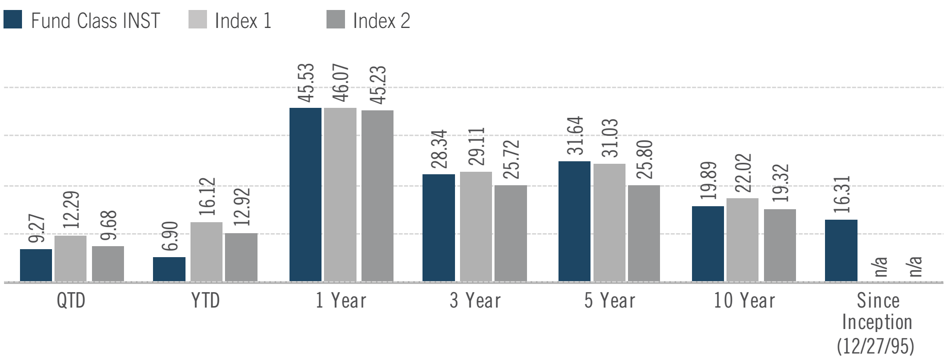
TOP FIVE DETRACTORS

TOP FIVE DETRACTORS	% Contribution
Micron Technology, Inc.	-0.25
Paycom Software, Inc.	-0.18
Expedia Group, Inc.	-0.14
Okta, Inc.	-0.13
Airbnb, Inc.	-0.11

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 06/30/21



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.

The fund class gross expense ratio is 1.14%.

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..

Index 1: The **S&P North American Technology Sector Index** is a modified capitalization-weighted index of selected technology and internet-related stocks. 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.

Index 2: The **Nasdaq Composite Index** is a market capitalization-weighted index of all common stocks listed on the Nasdaq Stock Market. 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.

Notes on Risk: 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 portfolio will be affected by factors specific to the issuers of securities and other instruments in which the portfolio invests, including actual or perceived changes in the financial condition or business prospects of such issuers. **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. **Focused Investments:** To the extent the portfolio focuses its investments on a limited number of issuers, sectors, industries or geographic regions, it may be subject to increased risk and volatility. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **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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