VIRTUS FUNDS

Virtus Income & Growth Fund

A: AZNAX (92837N584) | C: AZNCX (92837N576) | INST: AZNIX (92837N535) | P: AIGPX (92837N543)

Virtus Investment Partners is the manager for the Virtus Income & Growth Fund and Voya IM is the subadvisor.

GENERAL MARKET ENVIRONMENT

Most markets finished lower in the quarter as strong economic activity suggested monetary policy may stay restrictive through most of next year. Second-quarter earnings results topped forecasts, with corporate managements generally highlighting stable business trends, cost reductions, and operating efficiencies as profit drivers. Low unemployment, rising retail sales, and expansionary services activity indicated gross domestic product growth accelerated in the third quarter, while inflation continued to moderate over the period. After hiking the benchmark rate by 25 basis points (bp) to a range of 5.25% to 5.50% in July, the U.S. Federal Reserve (Fed) left it unchanged in September but forecasted another increase before year-end, and less easing than prior expectations in 2024. Against this backdrop, U.S. Treasury yields rose sharply. These factors negatively impacted investor sentiment, weighing on risk assets.

Equities: The S&P 500® Index returned –3.27% for the period. On a year-to-date (YTD) basis, the Index returned 13.07%.

Most sectors finished lower. Energy, communication services, and financials sectors were the top performers, while utilities, real estate, and consumer staples sectors were the bottom performers.

The Russell 1000® Growth Index (–3.13%) performed in line with the Russell 1000® Value Index (–3.16%). Growth's YTD outperformance stood at 23%.

Equity volatility increased, finishing above 17 from below 14 to start the quarter.

Convertibles: The ICE BofA US Convertible Index returned –2.53% for the period. On a YTD basis, the Index returned 5.81%.

Convertible securities were negatively impacted by falling stock prices.

Most sectors were lower in the period. Energy, media, and telecommunications sectors were strongest, while transportation, utilities, and healthcare sectors were weakest.

Below-investment grade (IG) issues outperformed IG issues. Yield alternative issues outperformed both total return (balanced) and equity-sensitive issues.

New issuance was steady with 21 new deals priced, raising $13.5 billion in proceeds. The year's total stood at $40.9 billion.

High Yield: The ICE BofA US High Yield Index returned 0.53% for the period. On a YTD basis, the Index returned 5.97%.

CCC rated bonds returned 2.83%, significantly outperforming BB and B rated bonds, which returned –0.34% and 0.95%, respectively.

Spreads modestly tightened to 403 bps from 405 bps, the average bond price fell less than a point to 87.95, and the market's yield increased to 8.97%.

Industry gains were mixed for the period. Cable, energy, and financials sectors were the largest outperformers whereas real estate, healthcare, and gaming sectors were the biggest laggards.

New issuance increased quarter-over-quarter with 66 issues priced, raising $41.1 billion in proceeds. The year's total stood at $136.6 billion.

Trailing 12-month default rates remained low, falling to 2.11% on a dollar-weighted basis and rising to 1.76% on an issuer-weighted basis.

PORTFOLIO COMMENTARY

The portfolio was negatively impacted by weakness in equities and convertible securities. HY exposure helped dampen downside risk.

Several energy names, including an oilfield services holding and an exploration and production position, benefited from rising crude oil prices partly due to Organization of the Petroleum Exporting Countries plus production cut extensions. Multiple pharmaceutical companies advanced on strong earnings announcements and positive clinical trial data, and several software providers posted better-than-expected profitability. Alphabet Inc. also outperformed, driven by strong second quarter earnings and promising developments in its generative artificial intelligence offerings. Other top contributors included freight and logistics, as well as cable and satellite TV positions.

Top detractors during the quarter were among holdings that significantly aided YTD performance, including Apple Inc., Microsoft Corp., and a cybersecurity company. A pet-focused e-commerce company that had slower sales and increased competition traded lower, as did an aerospace company after announcing a jet engine recall. Positions with exposure to China, such as a casino operator and an athletic apparel company, also pressured performance. Other top detractors included a clean energy power producer, a telecom services provider, and a cellular tower real estate investment trust.

Most option positions expired below strike and the portfolio was able to retain the set premiums.

Exposure increased the most in consumer discretionary, communication services, financials, and materials sectors, and decreased the most in technology, healthcare, industrials, and consumer staples. The percent of equities with a covered call structure increased quarter-over-quarter concurrent with a rise in equity volatility and attractive yield opportunities.

OUTLOOK

The likelihood of a U.S. recession in 2023 continues to fade and headline inflation should trend lower. The pace of monetary policy tightening has already slowed, and corporate earnings estimates have stabilized.

Steady employment, consumption, and U.S. fiscal policy remain economic tailwinds. Prolonged restrictive monetary policy and quantitative tightening are key risks to growth.

Waning inflation will likely influence the Fed to consider slowing the pace of interest rate hikes further or even ending its current campaign.

Corporate earnings estimates for 2023 and 2024 have stopped falling due to better-than-expected quarterly results and upward revisions to earnings and sales projections.

If the hiking cycle is nearing an end, it could be a positive development for stocks. Per Goldman Sachs, U.S. equities generally rallied in the months following the end of past Fed tightening cycles. In the three months following the peak Fed funds rate, the S&P 500 Index returned 8% (average), rising in 5 of 6 episodes. On a 12-month basis, the S&P 500 Index returned 19% (average), rising in 5 of 6 episodes.

U.S. convertible securities should continue to provide benefits to investors, including an attractive asymmetric return profile and lower interest rate sensitivity relative to core fixed income. After a challenging 2022, the universe's composition has shifted compared to the past decade. Today, many securities offer higher yields and most exhibit defensive characteristics given lower deltas and closer proximities to bond floors. This dynamic may allow for greater downside protection if equity volatility rises in 2023. If the prices of underlying stocks advance, convertible securities are positioned to participate in the upside. Higher financing costs will serve to benefit new issuance, which could reach an upwardly revised $50-55 billion, according to market strategists.

U.S. HY's risk and reward opportunity is compelling. Credit fundamental factors are healthy, near-term refinancing obligations remain low, and managements continue to prioritize debt reduction. Given these factors, defaults should remain well below historical cycle peaks. With the market trading at a deep discount to face value, HY bonds offer very attractive total return potential. Notably, there are no instances of the asset class producing back-to-back negative annual returns[1] and forward 12- and 24-month return projections based on the current yield have been consistent with mid to high single digits.[2]

A covered call options strategy can benefit from elevated or rising equity volatility by collecting premiums that translate into attractive annualized yields.

Collectively, these three asset classes can provide a steady source of income and a compelling 'participate and protect' return profile. Additionally, they serve as a diversification tool, historically offering outperformance relative to core fixed income in a rising interest rate environment.

[1]Source: ICE Data Services; data as of December 2022
[2]Source: JP Morgan; data as of October 2022

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Voya Investment Management

PORTFOLIO MANAGERS

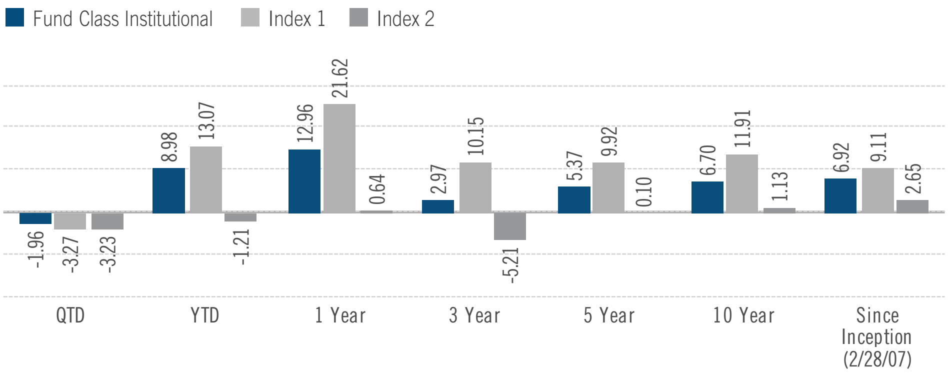
Justin M. Kass, CFA
Industry start date: 1998
Start date as Fund Portfolio Manager: 2007

David J. Oberto
Industry start date: 2003
Start date as Fund Portfolio Manager: 2020

Michael E. Yee
Industry start date: 1994
Start date as Fund Portfolio Manager: 2007

Ethan Turner, CFA
Industry start date: 2005
Start date as Fund Portfolio Manager: 2023

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/23



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 0.90%.

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 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. 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 **Bloomberg U.S. Aggregate Bond Index** measures the U.S. investment grade fixed rate bond 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.

The **ICE BofA U.S. High Yield Index** tracks the performance of U.S. dollar denominated below investment grade rated corporate debt publicly issued in the U.S. domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating and an investment grade rated country of risk. The **Russell 1000® Growth Index** is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **Russell 1000® Value Index** is a market capitalization-weighted index of value oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **ICE BofA US Convertibles Index** tracks the performance of publicly issued U.S. dollar denominated convertible securities of U.S. companies. The index is calculated on a total return basis. The **CBOE Volatility Inde**x, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
Alphabet, Inc.- Cl A	2.13
Microsoft Corp.	1.70
Amazon.com Inc.	1.52
Tesla Inc.	1.49
Apple Inc.	1.47
Mastercard Inc.	1.19
NVIDIA Corp.	1.13
Exelon Corp.	0.87
Barclays Bank PLC	0.86
GS Finance Corp.	0.86

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

TOP FIVE CONTRIBUTORS	% Contribution
Alphabet, Inc. Cl A	0.19
Schlumberger NV	0.07
ConocoPhillips	0.07
Eli Lilly & Co.	0.07
Intuit Inc.	0.05

TOP FIVE DETRACTORS

TOP FIVE DETRACTORS	% Contribution
Apple Inc.	-0.22
Microsoft Corp.	-0.13
RTX Corp.	-0.13
Las Vegas Sands Corp.	-0.11
Chewy Inc.	-0.10

Contribution: Absolute weighted contribution.

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

Notes on Risk: 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. **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. **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. **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, medium, or large-sized companies may enhance that risk. **Unrated Fixed Income Securities:** If the quality of an unrated fixed income security is not accurately assessed, the portfolio may invest in a security with greater risk than intended. **Debt Instruments:** Debt instruments are subject to greater levels of credit and liquidity risk, may be speculative and may decline in value due to changes in interest rates or an issuer's or counterparty's deterioration or default. **Derivatives:** Derivatives may include, among other things, futures, options, forwards and swap agreements and may be used in order to hedge portfolio risks, create leverage, or attempt to increase returns. Investments in derivatives may result in increased volatility and the fund may incur a loss greater than its principal investment. **Convertible Securities:** A convertible security may be called for redemption at a time and price unfavorable to the portfolio. **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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