Virtus Duff & Phelps Water Fund

A: AWTAX (92838V494) | C: AWTCX (92838V486) | INST: AWTIX (92838V460) | P: AWTPX (92838V478)

Effective July 25, 2022, this fund's subadviser changed. The commentary that follows reflects the management of the fund as of June 30, 2022.

MARKET ENVIRONMENT

Global equities tumbled over the second quarter, with the MSCI World Index suffering one of its worst quarterly declines on record. Central banks switched to a more aggressive stance in raising rates as inflation continued to accelerate, and speculation grew that a period of negative growth would be needed to bring rampant prices under control. Lockdowns in key Chinese cities also weighed on sentiment as it led to the prospect of further supply chain disruptions. Additionally, hopes of a swift end to the war between Russia and Ukraine were dashed with the conflict looking like it will become a war of attrition. All sectors in the MSCI World Index fell, led by the information technology, consumer discretionary, and communication services sectors. 'New technology' stocks slumped as the prospect of higher interest rates lessened the appeal of companies that may not generate meaningful earnings until well into the future. Defensive sectors, such as consumer staples and utilities, held up the best, as did energy stocks.

Water investments slightly underperformed global equities over the course of Q2, which was driven by the risk-off mode and an ongoing sector rotation. This has driven investors out of areas of the market perceived as higher risk such as cyclicals, technology, and smaller cap names and into relative safe havens. That said, there is no alternative to clean water creating a non-disruptable investment theme, and recent news-flow from European countries witnessing severe water stress underscores our long-term investment case.

The long-term track record of the strategy ultimately provides an attractive, long-term resilient growth opportunity regardless of short-term topics that focus on macro development. Given solid backing from governments all over the world and the global farming business, which currently shows decent investment activity, overall business fundamentals remain well supported. We continue to emphasize our long-term approach to investing in high quality water solutions providers, which are well positioned to generate not just financial alpha, but also environmental and social alpha over the market cycle.

PERFORMANCE OVERVIEW

Virtus Duff & Phelps Water Fund delivered negative results for the second quarter and trailed the global equity market represented by the MSCI World AC Index. Global water stocks continue to be harmed by the volatile market environment, which is defined by interest rate volatility and recession fears. This created an overall unpleasant environment for growth stocks, which have a high share in the water universe. From a sector perspective, the Fund benefited from its exposure to the utilities segment positively contributing to overall performance along with information technology and consumer discretionary. Being underweight in consumer staples and energy detracted from performance along with an overweight to industrials.

From a single stock perspective, **American Water Works** (utilities) benefited from the defensiveness of its business being highly regulated. Industrial solution providers like **Idex Corp.** and **Xylem** showed decent performance given their structural growth profile and further signals of an easing of COVID-19 restrictions in China, which should have a positive effect on supply chains. Highly valued small cap stocks like **Geberit**, a Swiss specialty manufacturer of sanitary, piping, and bathroom systems, and **Sika**, a Swiss specialty chemical manufacturer, have been detractors in the light of rising interest rates, as was **Alfa Laval**, after the company reported weaker-than-expected earnings.

OUTLOOK

While the social implications of a lack of action are increasingly obvious, nobody mentions the financial costs associated with inaction. In many cases the cost of inaction could be easily greater than the cost of action. Water issues and water scarcity are becoming severe issues globally. As the world continues to grapple with water supply and quality issues, Virtus Duff & Phelps Water Fund continues to invest in solutions-oriented companies, such as those with products and services that help us do more with less water supply, companies that provide the parts and equipment needed to upgrade and enhance our infrastructure, and companies that help to identify and address general quality concerns. These companies continue to be well positioned for long-term resilient growth. Virtus Duff & Phelps Water Fund maintains its long-term approach of investing in high quality, pure play companies delivering sustainable solutions to water scarcity. As the structural support for the theme generally remains strong, the most recent events have shown us that sustainability focused solutions among the water value chain are an area where more capital expenditures should occur globally.

Virtus Duff & Phelps Water Fund continues to invest in the companies that are delivering solutions to the most pressing water supply and quality issues. We continue to position the portfolio to take advantage of the macroeconomic environment, focusing on names benefiting further investments in innovative solutions across the three key areas of water—efficiency, quality, and supply—which are essential to address the global water crisis and safeguard important groundwater and corresponding ecosystems.

Lastly, the water space stands to benefit as corporations around the world look to improve their own sustainability profiles and water stewardship. That said, it continues to be an exciting time to invest in the water space. We target investments with the most attractive combination of alignment to the United Nations' Sustainable Development Goals (SDGs) related to water resource management and clean water access, and high-quality companies with significant exposure to the water end markets. We believe this combination offers investors the most attractive and effective long-term exposure to the water theme.

Effective July 25, 2022, this Fund's name and subadviser have changed.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Duff & Phelps Investment Management Co.

PORTFOLIO MANAGER

David D. Grumhaus, Jr.
Industry start date: 2000
Start date as Fund Portfolio Manager: 2022

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
American Water Works Company, Inc.	6.60
Xylem Inc.	4.49
Severn Trent Plc	4.45
Thermo Fisher Scientific Inc.	4.09
Alfa Laval AB	3.91
Danaher Corp.	3.89
IDEX Corp.	3.73
Geberit AG	3.71
Veolia Environnement SA	3.52
Tetra Tech, Inc.	3.35

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

TOP FIVE CONTRIBUTORS	% Contribution
CAD/USD FWD 20220525 00189	0.00
CAD/USD FWD 20220525 00189	0.00
CAD/USD FWD 20220614 00189	0.00
Waste Management Inc.	-0.06
Mueller Water Products Inc.	-0.08

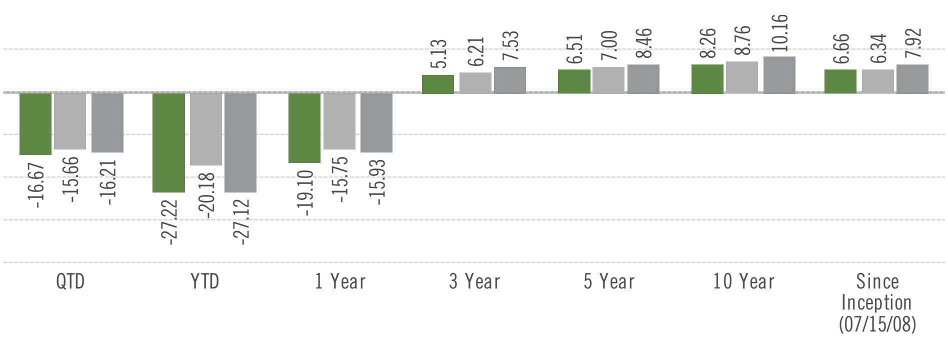
TOP FIVE DETRACTORS

TOP FIVE DETRACTORS	% Contribution
Alfa Laval AB	-1.38
Deere & Co.	-0.85
Veolia Environnement SA	-0.81
Geberit AG	-0.78
Halma PLC	-0.75

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 06/30/22



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 1.20%. The net expense ratio is 0.93%, which reflects a contractual expense reimbursement in effect through 9/20/2023.

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.

Index 1: The **MSCI AC World Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets. The index is calculated on a total return basis with net 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 **S&P Global Water Index (net**) is a modified capitalization-weighted index comprised of 50 of the largest publicly traded companies in water-related businesses that meet specific invest ability requirements. The index is designed to provide liquid exposure to the leading publicly-listed companies in the global water industry, from both developed markets and emerging markets. The index is calculated on a total return basis with net dividends reinvested. 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: 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. Price changes may be short- or long-term. 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 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. **Water-Related Risk:** Because the portfolio focuses its investments in water-related companies, it is particularly affected by events or factors relating to this sector, which may increase risk and volatility. **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 fund to additional risks such as increased volatility; currency fluctuations; less liquidity; less publicly available information about the foreign investment; and political, regulatory, economic, and market risk. **Sustainable Investing:** Because the portfolio focuses on investments in companies that the Manager believes exhibit strong environmental, social, and corporate governance records, the portfolio's universe of investments may be smaller than that of other portfolios and broad equity benchmark indices. **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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