

## Virtus AllianzGI Global Allocation Fund

A: PALAX (92838V767) | ADMIN: AGAMX (92838V742)  
C: PALCX (92838V775) | INST: PALLX (92838V759) | P: AGAPX (92838V726) | P6: AGASX (92838V551)

### MARKET REVIEW

Global equities gained further ground in Q2, as the strengthening economic recovery boosted investor sentiment. U.S. equities benefited from easing COVID-19 infection levels, while Japanese equities conversely lagged on spiking infection rates and tightening restrictions. In the U.S., the technology sector's quarter-end rally contributed to the growth style's outperformance. Global bonds were mixed. In the U.S., yields fell, with the 10-year U.S. Treasury bond moving back below 1.5%, a level last seen at the start of the year. Yields also trended lower in the UK and Australia. In contrast, European yields rose modestly, with the 10-year German bund yield inching closer to zero. Corporate bonds outperformed sovereign debt in a sign that the recent rise in inflation was not expected to derail the economic recovery.

### PERFORMANCE

The Virtus AllianzGI Global Allocation Fund (INST Shares) returned +5.36% vs. +5.15% for its referenced 60/40 benchmark (60% MSCI ACWI Net Return UDS, 40% Bloomberg Barclays U.S. Aggregate Bond Index). The 1-year result remained ahead by 0.40% (+22.59% vs. 22.19%, respectively).

### PORTFOLIO CHANGES

The portfolio maintained its sustainably oriented exposures across core equity and fixed income segments over the period. In the diversifying portion of the portfolio, the trend overlay maintained relatively stable exposures to global equities, while fixed income exposures were increased to modest longs from previous short exposures. Here, the most notable increases were in U.S. government bonds and the more commodity price sensitive Australian and Canadian bond markets, as rates declined particularly later in the period, which lifted the strategy's momentum-based indicators for these markets. Further diversifiers included the clean energy theme, which was first added in September through ETFs and included as a basket of stocks in mid-March, which was modestly increased during the quarter. The adjustment reflected our preference to increase exposure to the positive catalysts that we expect will drive certain, higher conviction clean energy stocks higher.

### Contributors

Contributors to the period's results included exposure to the sustainably oriented equity holdings in the portfolio, most notably the Virtus AllianzGI Global Sustainability Fund, which posted strong results relative to the benchmark MSCI ACWI. The outperformance came from stock selection mainly within the information technology sector, where the Fund had its most pronounced overweight relative to its benchmark. The portfolio further benefited from certain exposures in the diversifying trend overlay, namely long exposure to global equities, including the U.S. and Europe.

### Detractors

In the U.S. equity portion of the portfolio, an overweight to the value style ultimately detracted as growth rallied later in the period. Against the current growth backdrop and pressure for bond yields to rise, we expect that value stocks in the U.S. could benefit in such an environment. Further detractors included the strategic exposure to minimum volatility equities, which underperformed broader global equities. This would be expected given that risk-mitigation oriented, minimum volatility stocks were out of favor over the period. In the diversifying portion of the portfolio, the trend overlay included short fixed-income exposures, which were brought closer to neutral as rates fell over the period. Exposure to the clean energy theme also detracted as further froth came off following a particularly strong result over the prior quarter.

### OUTLOOK

We expect that as vaccine rollouts persist globally and the virus remains under control, restrictions will be lifted, and growth will continue to exceed expectations. Therefore, we are optimistic that continued exposure to global equities, including those with a value orientation and which stand to benefit from the acceleration in nominal GDP growth, will add value.

We expect that while bond yields will once again rise, there will be other opportunities to take advantage of interim "overshoots" in rates and to access pockets of fixed income that stand to benefit. We also see opportunities as the U.S. Administration rolls out plans for a major infrastructure overhaul with an emphasis on reducing greenhouse gases and fossil fuel consumption to focus on themes aligned with our sustainable mandate, such as clean energy.

**INVESTMENT ADVISER**

Virtus Investment Advisers, Inc.

**INVESTMENT SUBADVISER**

Allianz Global Investors

**PORTFOLIO MANAGERS**



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 Industry start date: 2005  
 Start date as Fund Portfolio Manager: 2017



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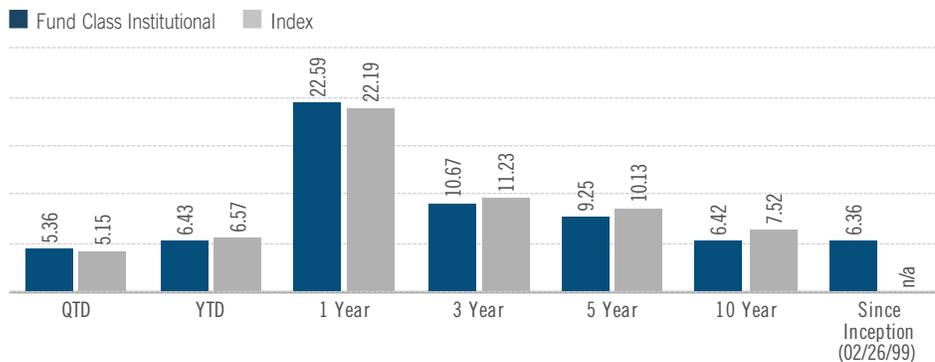


**Michael Heldmann, Ph.D., CFA**  
 Industry start date: 2007  
 Start date as Fund Portfolio Manager: 2020



**Carl W. Pappo, Jr., CFA**  
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 Start date as Fund Portfolio Manager: 2019

**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](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 1.39%. The net expense ratio is 0.68%, which reflects a contractual expense reimbursement in effect through 2/1/2023. This ratio reflects the direct and indirect expenses paid by the Fund.

The net expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 0.29%.

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: The composite index consists of 60% MSCI AC World Index (net) and 40% Bloomberg Barclays U.S. Aggregate Bond Index. 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 Bloomberg Barclays 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.

**Notes on Risk: Allocation:** The portfolio's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets. **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. **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. **Underlying Fund Risk:** The portfolio will be indirectly affected by factors, risks and performance specific to any other portfolio in which it invests. **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. **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. **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. **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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**TOP TEN HOLDINGS**

	% Fund
Virtus AllianzGI Global Sustainability Fund Institutional Class	30.77
iShares ESG Aware MSCI USA ETF	4.50
iShares ESG Aware MSCI EAFE ETF	3.00
Gnma Ii 30yr Pool#bv0838 2.500% 20-Aug-2050	2.06
iShares Core U.S. Aggregate Bond ETF	1.80
Government Of The United States Of America 0.375% 15-Apr-2024	1.68
Government Of The United States Of America 1.5% 28-Feb-2023	1.37
Government Of The United States Of America 1.875% 15-Feb-2051	1.30
Gnma Ii 30yr Pool#784648 3.000% 20-Nov-2048	1.22
United States Small Business Administration	1.05

Holdings are subject to change.