

Virtus AllianzGI Focused Growth Fund

A: PGWAX (92837N824) | ADMIN: PGFAX (92837N758)
C: PGWCX (92837N816) | INST: PGFIX (92837N766) | P: AOGPX (92837N774) | R: PPGRX (92837N790) | R6: AFGFX (92837N782)

MARKET REVIEW

U.S. equities rallied in the first quarter, with the broad-based S&P 500® Index closing the quarter out at a fresh record high. U.S. equity markets ratcheted steadily higher until mid-February, helped by a swift recovery in corporate earnings, signs of an easing in COVID-19 infections, and the promise of massive fiscal stimulus. However, the size of the proposed stimulus measures triggered a selloff in bonds, causing U.S. stocks to reverse direction in the second half of February. Richly valued growth stocks, in particular, were hit by a rise in long-term bond yields, which lowered the value of their future earnings, while out-of-favor value stocks fared far better. March saw U.S. companies resume their upward trend amid growing optimism over the outlook for the U.S. economy. Smaller cap companies outstripped larger ones by a sizeable margin for much of the quarter. The Russell 1000® Growth Index returned 0.9%, while the S&P 500 Index returned 6.2% during the quarter.

Economic news signaled that the U.S. economy may be picking up steam following a temporary slowdown at the end of 2020. President Biden ramped up his promise to deliver 100 million vaccine shots in 100 days, with the new target set at 200 million, reflecting the success of the U.S. inoculation program. Non-farm payrolls increased by a stronger-than-expected 379,000 in February, driven by rising hospitality employment as some states started to relax restrictions. Additionally, preliminary data for March indicated that the University of Michigan's consumer sentiment index had jumped to a one-year high, boosted by the improving jobs market and one-off relief payments.

PERFORMANCE

In the first quarter, the Virtus AllianzGI Focused Growth Fund returned 1.37% (Class INST), while the Russell 1000 Growth Index returned 0.94%. Stock selection in the healthcare and industrials sectors contributed to returns. Stock selection in the consumer discretionary and financials sectors detracted from performance.

Lam Research and Southwest Airlines were among the strongest stock contributors.

- > Lam Research, a semiconductor equipment manufacturer, was a top contributor during the period. The company reported strong quarterly financial results and provided guidance ahead of elevated investor expectations. A global supply shortage of semiconductors has driven the shares of chip production equipment makers higher as major chipmakers increase their capex budgets. We continue to believe Lam Research has strong prospects driven by more favorable supply/demand dynamics and ever-increasing capital intensity of semiconductor production.
- > Southwest Airlines was also a top contributor, as leisure and travel stocks outperformed during the period. The company reported fourth-quarter losses that were better than feared and

said it would continue to operate with reduced capacity in the first quarter. We believe Southwest is well-positioned to benefit from the recovery of U.S. air travel due to its strong balance sheet, high levels of liquidity, and efficient business model.

CrowdStrike Holdings and Paycom Software were among the largest stock detractors.

- > Cybersecurity expert CrowdStrike was a top detractor as investors took profits in high-growth tech stocks over the second half of the quarter. The company reported robust Q4 results across the board, with revenue, annual recurring revenue, and profitability all ahead of estimates. We continue to view the company as a long-term secular winner in cybersecurity due to its native cloud platform advantage versus peers and its expansion into additional security segments to capture a greater share of security budgets.
- > Paycom Software, an online HR and payroll solution provider, saw its shares pull back as analysts expressed concern over its valuation and coronavirus headwinds. The company reported quarterly results that beat revenue expectations, and management issued positive guidance as they see success in their new sales efforts. We see the company as a unique cloud asset modernizing the payroll market, which allows it to continue experiencing double-digit revenue growth while maintaining a best-in-class EBITDA margin.

OUTLOOK

As we enter the second quarter, the number of COVID-19 cases in the U.S. has generally declined from earlier peaks, but the case count and vaccine distribution will continue to be closely monitored. The U.S. economy is showing signs of improvement, with first-quarter GDP growth estimated to exceed 5%. As vaccinations progress, we expect the U.S. economy to experience above-potential growth for the remainder of the year before moderating in 2022. Risk markets may continue to benefit as the reopening story remains on track for the second half of 2021, fueling pent-up consumer demand. Additionally, fiscal stimulus is still making its way through the economy, and the U.S. Federal Reserve has shown little desire to change course.

From an investment perspective, we believe there will be winners and losers as business and consumer behavior changes. As we evaluate opportunities, we believe it is critical to be highly selective in this environment to ensure that growth and balance sheet strength are sustainable. Our focus continues to be on applying rigorous fundamental research to identify companies with strong balance sheets, under-appreciated growth prospects, and attractive risk/reward characteristics.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Allianz Global Investors

PORTFOLIO MANAGERS



Raphael L. Edelman
 Industry start date: 1984
 Start date as Fund Portfolio Manager: 2016



Nina Gupta, CFA
 Industry start date: 2003
 Start date as Fund Portfolio Manager: 2021

TOP TEN HOLDINGS

	% Fund
Microsoft Corporation	9.31
Apple Inc.	8.41
Amazon.com, Inc.	6.56
Facebook, Inc. Class A	4.93
Tesla, Inc.	3.99
Mastercard Inc. Class A	3.38
NVIDIA Corporation	3.19
Lam Research Corporation	3.07
Visa Inc. Class A	2.96
PayPal Holdings, Inc.	2.77

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

Lam Research Corporation	0.69
Microsoft Corporation	0.55
Southwest Airlines Co.	0.48
Horizon Therapeutics Public Limited Company	0.47
Facebook, Inc. Class A	0.37

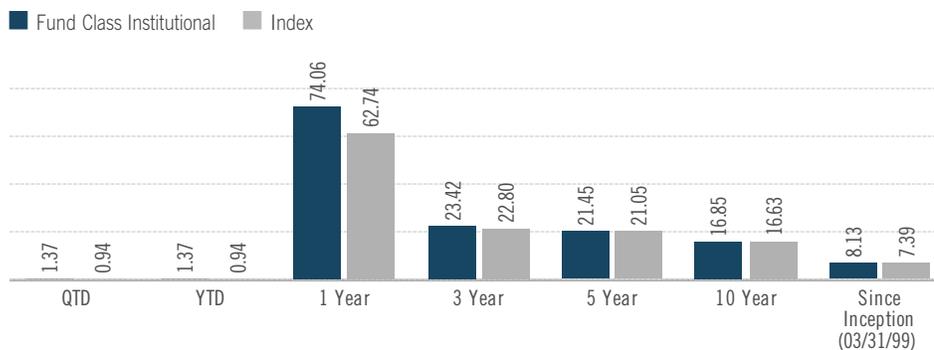
TOP FIVE DETRACTORS % Contribution

Apple Inc.	-0.78
Amazon.com, Inc.	-0.32
CrowdStrike Holdings, Inc. Class A	-0.25
Paycom Software, Inc.	-0.23
Okta, Inc. Class A	-0.21

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 03/31/21



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 0.69%. The net expense ratio is 0.67%, 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.

Index: 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 index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

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.

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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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