VIRTUS FUNDS

Virtus NFJ Emerging Markets Value Fund

A: AZMAX (92838V395) | C: AZMCX (92838V387) | INST: AZMIX (92838V361) | P: AZMPX (92838V379)

MARKET REVIEW

Emerging markets (EM) equities fell over the third quarter as continued interest rate hikes and persistent inflation plagued companies and countries worldwide. China delivered some of the poorest returns amid COVID restrictions, regulatory pressures on technology companies, and rising tensions with Taiwan. Other countries in the region, including South Korea and Taiwan, also underperformed. In contrast, a handful of countries—including Brazil and India—posted gains over the quarter, benefiting in part due to strong demand for oil and metals. In the benchmark MSCI Emerging Markets Index, the energy, utilities, and consumer staples sectors held up on a relative basis, while the real estate, communication services, and consumer discretionary sectors slumped double digits over the quarter.

FUND PERFORMANCE

The Virtus NFJ Emerging Markets Value Fund returned -14.70% (Class I) in the quarter, underperforming the MSCI Emerging Markets Index, which returned -11.57%. Stock selection and country allocations detracted from returns, as did sector allocations, albeit to a lesser degree.

Brasil, Bolsa, Balcao (B3) and Fabrinet were the largest contributors to performance over the quarter.

> Financial market infrastructure provider B3 is highly levered to the Brazilian equity market, which rallied strongly with unemployment being down. The Brazilian central bank was aggressive about taming inflation early on, giving it leeway to cushion future economic weakness as needed.

> Semiconductor company Fabrinet reported fiscal Q422 revenue and earnings per share (EPS) that beat the Street's expectations as robust demand helped counter supply pressures. Management anticipates negative supply chain impacts to lessen going forward and fiscal Q123 sales/EPS outlook was ahead of consensus estimates. Following a sharp appreciation of the stock price and elevated valuation levels, we exited the position.

Alibaba and Tencent were the largest detractors from performance over the quarter.

> China's Alibaba posted its first quarterly revenue decline since going public in 2014 as the country's COVID-19 lockdowns and related supply chain disruptions negatively impacted the company's e-commerce business. That said, quarterly profit topped analysts' estimates, and management continues to focus on cost-cutting measures amid challenging macroeconomic conditions.

> Social media giant Tencent also posted its first quarterly revenue loss since going public in 2004 as China's slowing economy hurt advertising revenues and continued regulatory scrutiny hurt the company's gaming business. Management has bought back $1.28 billion in shares this year alone in the wake of attractive multiples. Importantly, the NFJ investment team believes we are in the early innings of the China trade and expects attractive absolute and relative returns from the country going forward, albeit with likely volatility in the near term.

PORTFOLIO CHANGES

The team initiated a position in China Merchants Bank on increasingly attractive valuations as China-based equities generally struggled over the quarter. While the regional bank has demonstrated robust profitability compared to peers, the slowing economic recovery, declining interest rates domestically, and a challenged property sector have dampened net interest margins in the space. The bank's strong retail presence and strategic focus on wealth management should benefit future results.

The team also added to an existing position in Hong Kong-based power tools company Techtronic Industries on increasingly favorable multiples. We continue to believe valuation and strong fundamentals will win out with this solid business.

In addition to the previously discussed sale of Fabrinet, the team sold out of Naspers in part due to rising valuations. The stock was a top contributor in the previous quarter as investors cheered news that the South African internet group would slowly sell some of its 29% stake in Chinese internet giant Tencent and return the cash to shareholders.

OUTLOOK

Valuations remain historically disjointed between overseas and U.S. equities, continuing to provide long-term investors with opportunities to invest in non-U.S. companies. For example, the MSCI ACWI ex-U.S. Index trades at 12.5 times earnings versus the MSCI U.S. Index, which trades at more than 18 times earnings. The valuation spread is now over five multiple points—even higher than it was during the prior quarter. That is, perhaps, unsurprising given the U.S. has served as somewhat of a safe haven, with the dollar pushing to 20-year highs, while the rest of the world grapples with COVID-related headwinds and geopolitical crises.

Few regions have been more challenged than emerging markets this year as developing world stocks tend to lag when the Federal Reserve hikes interest rates, especially countries that have debt burdens denominated in U.S. dollar terms. Going back to 1988, when the U.S. Dollar Index (DXY) has risen, the MSCI Emerging Markets Index has generally lagged the S&P 500® Index. Conversely, when the DXY has declined, the MSCI EM Index has typically outpaced the S&P 500. Crucially, the last time the DXY was at current levels was in October of 2002—when the EM Index outperformed the S&P by 350% over the next five years.

While near-term volatility remains likely, we believe international equities—and emerging markets in particular—offer historically attractive valuations for patient investors. In our view, NFJ value strategies, which emphasize favorable multiples and quality characteristics, as well as market-exceeding dividend growth, should be well positioned in this stock-picker's market.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

NFJ Investment Group, LLC

PORTFOLIO MANAGERS

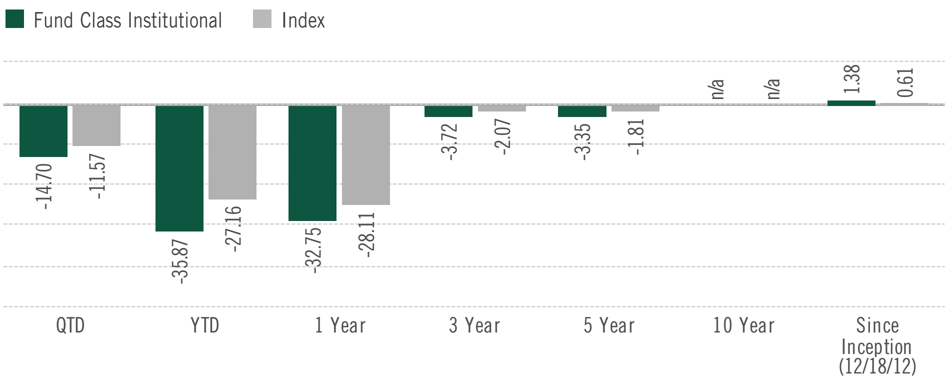
R. Burns McKinney, CFA
Industry start date: 1996
Start date as Fund Portfolio Manager: 2012

John R. Mowrey, CFA
Industry start date: 2007
Start date as Fund Portfolio Manager: 2013

Thomas Oliver, CFA, CPA
Industry start date: 1995
Start date as Fund Portfolio Manager: 2012

J. Garth Reilly
Industry start date: 2005
Start date as Fund Portfolio Manager: 2018

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/22



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 1.21%. The net expense ratio is 0.89%, which reflects a contractual expense reimbursement in effect through 09/20/2023.

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: The **MSCI Emerging Markets Index (net)** is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global 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 (e.g., Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness (e.g., COVID-19 pandemic) 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's 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. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **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.

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
Taiwan Semiconductor Manufacturing Co., Ltd.	6.43
Tencent Holdings Ltd.	5.19
Alibaba Group Holding Ltd.	4.48
China Merchants Bank Co., Ltd.	4.19
Samsung Electronics Co., Ltd. Pfd Non-Voting	3.01
Techtronic Industries Co., Ltd.	2.87
B3 SA - Brasil Bolsa Balcao	2.19
Luxshare Precision Industry Co., Ltd.	1.99
Longfor Group Holdings Ltd.	1.95
HDFC Bank Ltd.	1.78

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

TOP FIVE CONTRIBUTORS	% Contribution
B3 SA - Brasil Bolsa Balcao	0.31
Fabrinet	0.21
MercadoLibre Inc.	0.17
Lojas Renner SA	0.12
Coupang Inc.	0.11

TOP FIVE DETRACTORS

TOP FIVE DETRACTORS	% Contribution
Alibaba Group Holding Ltd.	-1.77
Tencent Holdings Ltd.	-1.61
Taiwan Semiconductor Manufacturing Co., Ltd.	-1.13
China Merchants Bank Co., Ltd.	-0.99
East Money Information Co., Ltd.	-0.68

% Contribution: Absolute weighted contribution.

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

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

Distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.