

Virtus NFJ Emerging Markets Value Fund

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

MARKET REVIEW

Emerging markets (EM) equities posted solid returns for the quarter, though a wide disparity between the best- and weakest-performing countries remained. Amid a recovering global economy and reflationary environment, several EM central banks tightened monetary policy, contrary to more patient approaches adopted by the Federal Reserve, European Central Bank, and Bank of Japan. Also, many EM countries have lagged developed nations in vaccinations and wrestled with COVID-19 outbreaks and mobility restrictions. In the MSCI Emerging Markets Index, returns were led by double-digit gains across the healthcare, industrials, and energy sectors, as well as strength from materials stocks. In contrast, the real estate sector posted negative returns, followed by weakness from the communication services, utilities, and consumer discretionary sectors. In terms of country performance, Brazil, Russia, Taiwan, and India equity markets performed well, while Indonesia, Thailand, and South Africa finished in negative territory, and China underperformed the overall EM Index on a relative basis.

FUND PERFORMANCE

The Fund returned 8.20% (Class I) in the quarter, compared to the MSCI Emerging Markets Index, which returned 5.05%. Stock selection was the primary driver of outperformance, while country and sector allocations modestly detracted over the reporting period.

Luxshare Precision Industry and East Money Information were the largest contributors to performance over the quarter.

- > Luxshare Precision Industry rose over the quarter as Q1 results were largely in line with expectations and management issued strong Q2 profit guidance. The innovative technology company and largest AirPods assembler is benefiting from solid end-market demand for AirPods, in addition to a diversified and resilient product portfolio.
- > China's financial and stock information provider East Money Information has benefited from expanded A-share trading volumes, an increase in fund sales, as well as rising market share in brokerage, margin trading, and securities lending.

Tencent and Ping An Insurance were the largest detractors from performance over the quarter.

- > Tencent posted 25% year-over-year revenue growth for Q1 and pledged to increase spending amid heightened competition. Like many Chinese internet companies, Tencent faces growing regulatory pressures and scrutiny over antitrust issues. However, news headlines have not impacted overall business fundamentals, and the stock continues to trade at incredibly attractive valuations.
- > Shares of Ping An Insurance slumped as the company faced pressured auto insurance premiums and lower auto sales. That said, the company is operating more efficiently, as evidenced by improved cost ratios.

PORTFOLIO CHANGES

Notable new holdings include Gold Fields, AngloGold Ashanti, and Jiangsu Hengli Hydraulics, while the team exited Guangdong Investment Limited and Henan Shuanghui.

- > Gold Fields and AngloGold Ashanti are supported by attractive fundamentals and growing dividends coupled with extremely attractive valuations as gold stocks globally remain undervalued.
- > Jiangsu Hengli Hydraulics was added following a sharp selloff in the first quarter, which provided a favorable valuation and compelling entry point into one of China's top hydraulic parts suppliers.
- > Chinese water company Guangdong Investment was sold following a disappointing quarter that saw declining profits mixed with higher costs as well as a below-expectations dividend increase.
- > Packaged food company Henan Shuanghui was sold on poor price momentum.

OUTLOOK

Early in the year, some of the best-performing EM stocks were those hit hardest by the pandemic. We believe that pattern has begun to shift as earnings estimates continue to rise. Importantly, earnings growth will be one of the biggest drivers of individual stock returns, creating a separation between winners and losers in the coming months.

The market is also behaving as though inflation may persist longer than expected. If that is the case, investors might want to focus on shorter duration assets, not just within fixed income, but across equities as well. In other words, companies that return cash to shareholders sooner are more attractive to investors versus companies with valuations more dependent on a terminal value in the distant future. We believe that dividend payers, especially those with the ability to consistently raise their payouts, are the best place to focus given the current environment.

Finally, valuations in the EM space are compelling, particularly versus the U.S. Given the strong performance of the S&P 500® Index in the first half of 2021 and the MSCI Emerging Market Index's relative discount by comparison, now appears to be a compelling time to allocate to the EM asset class. As an active value manager investing in quality EM equities, many of which offer attractive and/or growing dividends, we believe our portfolio is well positioned to take advantage of the myriad crosscurrents impacting global equity markets.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

NFJ Investment Group

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



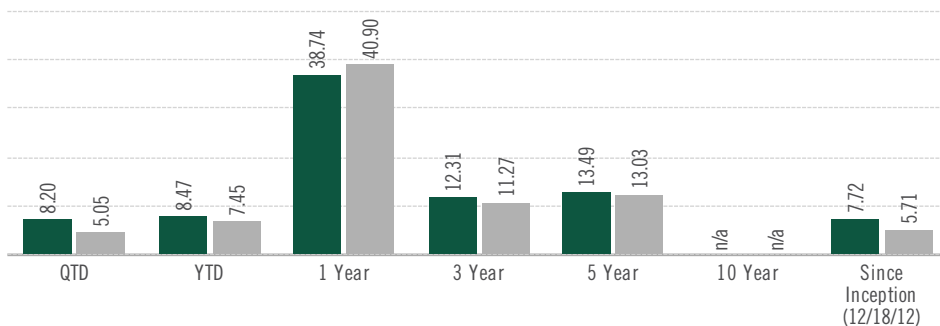
Thomas Oliver, CFA, CPA
 Industry start date: 1995
 Start date as Fund Portfolio Manager: 2012



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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 06/30/21

■ Fund Class Institutional ■ Index



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 1.42%. The net expense ratio is 0.89%, 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 **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: 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. **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.

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TOP TEN HOLDINGS

% Fund

Tencent Holdings Ltd.	7.35
Alibaba Group Holding Ltd.	6.60
Samsung Electronics Co., Ltd. Pfd Non-Voting	4.43
Luxshare Precision Industry Co., Ltd.	4.30
Teradyne, Inc.	3.16
China Merchants Bank Co., Ltd.	2.59
Ping An Insurance (Group) Company of China, Ltd.	2.31
Gold Fields Limited Sponsored ADR	1.67
East Money Information Co., Ltd	1.54
B3 SA - Brasil, Bolsa, Balcao	1.47

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

Luxshare Precision Industry Co., Ltd.	1.33
East Money Information Co., Ltd.	0.56
Li Ning Co., Ltd.	0.47
Ambipar Participacoes e Empreendimentos SA	0.42
NVIDIA Corp.	0.38

TOP FIVE DETRACTORS % Contribution

Tencent Holdings Ltd.	-0.30
Ping An Insurance (Group) Company of China, Ltd.	-0.23
Yihai International Holding Ltd.	-0.22
New Oriental Education & Technology Group, Inc. Sponsored ADR	-0.14
Gold Fields Limited Sponsored ADR	-0.10

% Contribution: Absolute weighted contribution.

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