

Virtus Terranova U.S. Quality Momentum ETF

NYSE ARCA | NAV Symbol JOET.NV | IOPV Symbol JOET.IV | CUSIP 92790A504

INDEX COMPOSITION

The Terranova U.S. Quality Momentum Index filters securities based on positive technical momentum, and then ranks them by measures of fundamental quality. This results in an equally weighted portfolio of 125 well-established U.S. securities. The Index is rebalanced and reconstituted quarterly, based on technical factors.

MARKET REVIEW

The second quarter of 2024 was defined by the dramatic return of mega-cap outperformance relative to small caps and the S&P 500® Equal Weight Index (EWI). During the quarter, the S&P 500® Index (SPX) returned 4.28% while the Russell 2000® Index lost 3.28% and EWI lost 2.63%. The performance difference between SPX and EWI was the widest in the past 50 years.

Reviewing the 11 major SPX sectors, the artificial intelligence (AI) tailwind acted as a catalyst for the technology and communication services sectors, while also surprisingly supporting a 4.66% return for the S&P 500® Utilities Index. Cyclical sectors such as energy, materials, industrials, financials, and real estate moved lower during the quarter.

Economic data vacillated between suggesting a cooling economy and indicating some friction in the current disinflation trend. However, this did little to alter the Federal Reserve's (Fed) disposition toward finding the evidence to support easing monetary policy. The 10-year U.S. Treasury began the quarter trading at 4.20% and quickly rose to 4.73% on April 25, which fostered a modest correction for the SPX. By the end of the second quarter, the 10-year had retreated to 4.46%. During the quarter, the Fed began reducing the pace of U.S. Treasuries allowed to mature off the Fed's balance sheet without reinvestment, going from \$60 billion per month to \$25 billion.

SPX earnings continued to recover from the early 2023 earnings recession, recording 8% earnings growth and 4% revenue growth during the quarter. The technology sector recorded earnings growth of 26% with revenue growth of 8.7%, supported by spending to advance the transformation of traditional AI to generative AI. Corporate credit markets remained steady with high yield returning slightly more than 1%. The spot price of crude oil behaved, moving marginally lower from \$83.14 to \$81.54. Volatility, after an early quarter spike above 20 for the CBOE Volatility Index® (VIX), remained at the lower end of its 10-year range, closing the quarter below 13 for the VIX.

The trading period from 1994 to 1996 continues to be a strong analogous timeframe to the current 2022-2024 period. Monetary policy, economic conditions, technological innovation, and earnings growth all share distinctive similarities for those two timeframes, providing evidence that the second quarter was an extension of the bull market that began in October 2022.

HOW THE FUND PERFORMED

Performance was in line with the Terranova U.S. Quality Momentum Index throughout the quarter, with nominal tracking error. For the quarter, JOET posted a total return of -0.16% at NAV versus the Fund Index's return of -0.10%. For comparative purposes, the S&P 500 Index returned 4.28%. For the one-year period, JOET posted a total return of 20.98% at NAV versus the Index's return of 21.46%. For comparative purposes, the S&P 500 Index returned 24.56% in the same period.

	2024	1-Year
Terranova U.S. Quality Momentum Index	-0.10%	21.46%
MSCI USA Momentum Index	4.45%	37.39%
MSCI USA Quality Index	5.29%	30.92%
Virtus Terranova U.S. Quality Momentum ETF	-0.16%	20.98%
S&P 500 Index	4.28%	24.56%
S&P 500 Equal Weight Index	-2.63%	11.79%
Nasdaq Composite® Index	8.47%	29.61%

SECTOR ALLOCATION EFFECT

- › Sector allocation was a detractor from performance over the quarter relative to the broader market, as measured by the S&P 500 Index.
- › Top absolute contributors from a sector standpoint were the information technology, communication services, and consumer discretionary sectors. The worst sectors in terms of absolute performance were the industrials, materials, and energy sectors.
- › On a relative basis, the only positive contributors were the financials and consumer discretionary sectors, while the information technology, communication services, and industrials sectors were among the largest detractors relative to the broader market, as measured by the S&P 500 Index.

STOCK ATTRIBUTION

- › Stock selection detracted from performance over the quarter relative to the broader market, as measured by the S&P 500 Index.
- › The largest individual contributors to performance were NVIDIA Corp., CrowdStrike Holdings, Inc. Class A, Coupang, Inc. Class A, Arista Networks, Inc., and Monolithic Power Systems. The largest detractors were Ulta Beauty Inc., Celanese Corporation, Veeva Systems Inc Class A, Nucor Corporation, and Old Dominion Freight Line, Inc.

ADVISER

Virtus ETF Advisers LLC

INVESTMENT PROFESSIONALS



Seth Kadushin
Portfolio Manager
Industry start date: 1988
Start date as Fund Portfolio Manager: 2020



Matthew B. Brown
Executive Managing Director, Chief
Operating Officer, and Portfolio Manager
Industry start date: 1999
Start date as Fund Portfolio Manager: 2020

TOP TEN HOLDINGS

% Fund

NVIDIA Corp.	1.19
Arista Networks Inc.	1.08
Monolithic Power Systems Inc.	1.05
Broadcom Inc.	1.02
KLA Corp.	1.00
CrowdStrike Holdings Inc.	1.00
MercadoLibre Inc.	0.95
The Trade Desk Inc.	0.95
Applied Materials Inc.	0.94
Netflix Inc.	0.94

Holdings are subject to change. To view the full list of holdings, please visit virtus.com.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 6/30/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (11/17/20)
NAV	-0.16	12.02	20.98	6.77	n/a	n/a	10.21
Market Price	-0.15	12.00	21.03	6.78	n/a	n/a	10.21
Index	-0.10	12.26	21.46	7.17	n/a	n/a	10.64

TOP FIVE CONTRIBUTORS

% Contribution

NVIDIA Corp.	0.32
CrowdStrike Holdings, Inc. Class A	0.25
Coupang, Inc. Class A	0.24
Arista Networks, Inc.	0.20
Monolithic Power Systems, Inc.	0.19

TOP FIVE DETRACTORS

% Contribution

Ulta Beauty Inc.	-0.19
Celanese Corp.	-0.18
Veeva Systems Inc. Class A	-0.18
Nucor Corp.	-0.18
Old Dominion Freight Line, Inc.	-0.17

% Contribution: Absolute weighted contribution.

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

Returns for periods of less than one year are cumulative total returns.

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, so your shares, when redeemed, may be worth more or less than their original cost. Please visit virtus.com for performance data current to the most recent month end.

The fund class gross expense ratio is 0.29%.

The Total Expense Ratio represents the Fund's Total Annual Fund Operating Expenses, which includes the management fee and other expenses where applicable, except for certain payments that are paid directly by the Fund, as described in the Prospectus.

The Fund is an exchange-traded fund ("ETF"). The "net asset value" (NAV) of the Fund is determined at the close of each business day, and represents the dollar value of one share of the Fund; it is calculated by taking the total assets of the Fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV of the Fund is not necessarily the same as its intraday trading value. Fund investors should not expect to buy or sell shares at NAV because shares of ETFs such as the Fund are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Thus, shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. NAV returns are calculated using the Fund's daily 4:00 pm NAV, and include the reinvestment of all dividends and other distributions (reinvested at the Fund's NAV on distribution ex-date). Market price returns are calculated using the 4:00 pm midpoint between the bid and offer, and include the reinvestment of all dividends and other distributions (reinvested at the 4:00 pm bid/offer midpoint on distribution ex-date). Market price returns do not represent the return you would receive if you traded at other times.

Benchmark: **The Terranova U.S. Quality Momentum Index** is an equally weighted index designed to provide diversified exposure to quality momentum large-cap equities listed in the United States. The index is calculated on a total return basis with dividends reinvested. **The S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The indexes are calculated on a total return basis with dividends reinvested. **The MSCI USA Momentum Index** is designed to capture the performance of an equity momentum strategy by emphasizing stocks with high price momentum. The **S&P 500® Equal Weight Index** includes the same constituents as the capitalization weighted S&P 500, but each company in the S&P 500 EWI is allocated a fixed weight – or 0.2% of the index total at each quarterly rebalance. **The MSCI USA Quality Index** is designed to capture the performance of quality growth stocks by identifying stocks with high quality scores based on high return on equity (ROE), stable year-over-year earnings growth, and low financial leverage. **The CBOE Volatility Index**, known by its ticker symbol VIX, is a popular measure of the stock market's expectation of volatility implied by S&P 500 index options. **Nasdaq-100® Index** is a basket of the 100 largest, most actively traded U.S. companies listed on the Nasdaq stock exchange. **The Nasdaq Composite® Index** is a market capitalization-weighted index that tracks all securities listed on the Nasdaq stock exchange. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. **The Russell 2000® Index** is a market capitalization-weighted index of growth-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies.

Tracking Error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark.

IOPV, or Indicative Optimized Portfolio Value, is a calculation disseminated by the stock exchange that approximates the Fund's NAV every fifteen seconds throughout the trading day.

Notes on Risk: Exchange-Traded Funds (ETF): The value of an ETF may be more volatile than the underlying portfolio of securities it is designed to track. The costs to the portfolio of owning shares of an ETF may exceed the cost of investing directly in the underlying securities. Large-sized companies may enhance that risk. **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, medium, or large-sized companies may enhance that risk. **Momentum Factor Investing:** Momentum investing is subject to the risk that the securities may be more volatile than the market as a whole. There may be periods when the momentum style of investing is out of favor and therefore, the investment performance of the portfolio may suffer. **Passive Strategy/Index Risk:** A passive investment strategy seeking to track the performance of the underlying Index may result in the portfolio holding securities regardless of market conditions or their current or projected performance. This could cause the portfolio's returns to be lower than if the portfolio employed an active strategy. **Market Price/NAV:** At the time of purchase and/or sale, an investor's shares may have a market price that is above or below the fund's NAV, which may increase the investor's risk of loss. **Correlation to Index:** The performance of the portfolio and its index may vary due to factors such as flows, transaction costs, whether the portfolio obtains every security in the index, and timing differences associated with additions to and deletions from the index. **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. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **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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