

INVESTMENT OVERVIEW

The Fund seeks to generate attractive risk-adjusted returns through an actively managed portfolio of primarily closed-end funds. Extensive closed-end fund industry expertise and rigorous quantitative and qualitative analysis strive to capitalize on potential price dislocations and market inefficiencies.

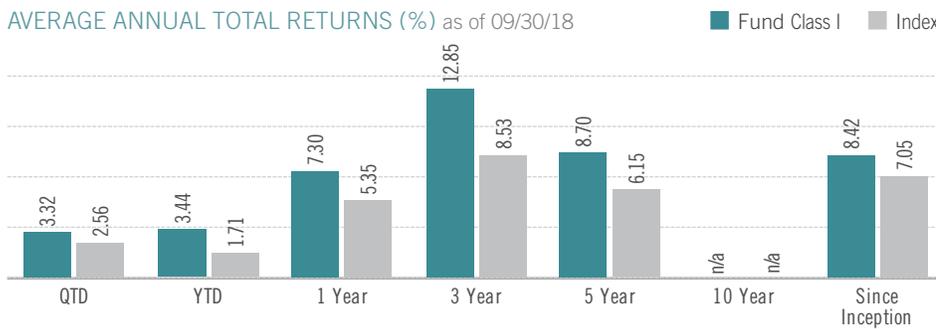
KEY FEATURES

Extensive Fundamental Research — Searches for well-managed closed-end funds trading at attractive relative values

Opportunistic Approach — Engages an active trading strategy based on a deep understanding of each closed-end fund's characteristics and changing fundamentals

A Complement to Traditional Assets — A flexible, unconstrained portfolio approach can help expand overall investor diversification with a highly specialized return source

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/18



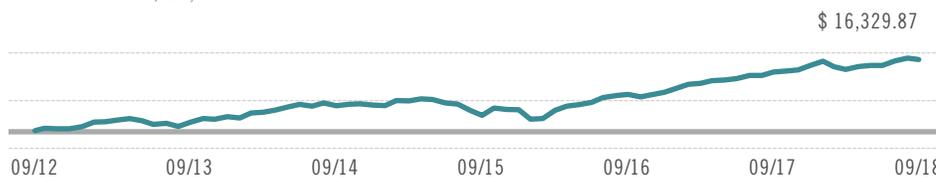
Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate, so your shares, when redeemed, may be worth more or less than their original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

The fund class gross expense ratio is 2.37%. The net expense ratio is 2.35%, which reflects a contractual expense reimbursement in effect through 1/31/2019. 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 1.35%. 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. Class I shares have no sales charges or distribution or service fees, therefore their returns do not reflect these expenses. Fees and expenses vary, and other share classes are subject to sales charges and fees. Class I shares are offered primarily to eligible institutional investors who purchase the minimum amounts required as described in the prospectus and may not be available to all investors. For fund performance on other share classes, please visit www.virtus.com.

ANNUAL PERFORMANCE (%)

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|-------|-------|-------|-------|------|-------|------|------|------|------|------|
| Fund | 17.66 | 13.09 | -3.36 | 9.15 | 8.66 | n/a | n/a | n/a | n/a | n/a |
| Index | 15.41 | 5.92 | -0.98 | 4.96 | 12.32 | n/a | n/a | n/a | n/a | n/a |

GROWTH OF \$10,000



This chart assumes an initial investment of \$10,000 made on 9/5/2012. As of 9/28/2018 the fund value would have been \$16,329.87. Fund performance assumes reinvestment of dividends and capital gain distributions. This growth reflects no front end sales charges.

FUND INFORMATION

| | Ticker | CUSIP |
|----------------------|---|-----------|
| A Shares | VHFAX | 92828W874 |
| C Shares | VHFCX | 92828W866 |
| I Shares | VHFIX | 92828W858 |
| Inception Date | 09/05/12 | |
| AUM (\$ millions) | 64.1 | |
| Number of Holdings | 41 | |
| Dividends | Quarterly | |
| Morningstar Category | Allocation--50% to 70% Equity | |
| Lipper Category | Flexible Portfolio Funds | |
| Index | 60% MSCI AC World Index (net) / 40% Bloomberg Barclays U.S. Aggregate | |

MORNINGSTAR RATINGS

| Time Period | # of Stars | # of Funds |
|-------------|------------|------------|
| Overall | ★★★★ | 703 |
| 3 Year | ★★★★★ | 703 |
| 5 Year | ★★★★ | 619 |
| 10 Year | Not Rated | n/a |

Strong ratings are not indicative of positive fund performance.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER



HERZFELD

Thomas J. Herzfeld Advisors' investment philosophy is predicated on recognizing the recurring valuation patterns found in the closed-end fund industry and exploiting them in a systematic manner.

PORTFOLIO MANAGERS

Thomas J. Herzfeld

Industry start date: 1968
Start date with Fund: 2012

Erik M. Herzfeld

Industry start date: 1998
Start date with Fund: 2012

Ryan Paylor

Industry start date: 2005
Start date with Fund: 2018

CHARACTERISTICS

| | Fund | Index |
|--|--------|-------|
| Average Weighted Discount of Portfolio | -10.55 | n/a |

RISK STATISTICS (3 YEAR)

| | Fund | Index |
|--------------------|------|-------|
| Alpha | 2.11 | n/a |
| Beta | 1.26 | 1.00 |
| R ² | 0.81 | 1.00 |
| Sharpe Ratio | 1.52 | 1.37 |
| Standard Deviation | 7.91 | 5.63 |

DISTRIBUTIONS

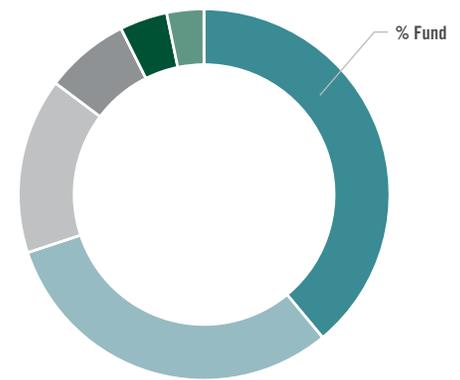
| Month | NAV at Month-End |
|----------------|------------------|
| December 2017 | \$0.098000 12.46 |
| March 2018 | \$0.043080 12.15 |
| June 2018 | \$0.058960 12.37 |
| September 2018 | \$0.131393 12.65 |

TOP TEN HOLDINGS

| | % Fund |
|---|--------|
| NexPoint Strategic Opportunities Fund | 8.48 |
| Central Securities Corp | 7.07 |
| Tekla Healthcare Opportunities Fund | 5.79 |
| Boulder Growth & Income Fund Inc | 5.47 |
| Tekla World Healthcare Fund | 4.05 |
| Eagle Point Credit Co., Inc. | 4.02 |
| Adams Natural Resources Fund Inc | 3.87 |
| Aberdeen Total Dynamic Dividend Fund of Benef Interest | 2.99 |
| AllianzGI NFJ Dividend Interest & Premium Strategy Fund | 2.66 |
| Apollo Tactical Income Fund, Inc. | 2.64 |

Holdings and asset allocations are subject to change.

ASSET ALLOCATIONS



| | % Fund |
|------------------------------------|--------|
| Closed End Funds (Domestic Equity) | 38.99 |
| Closed End Funds (Foreign Equity) | 30.95 |
| Closed End Funds (Domestic Bonds) | 15.32 |
| Cash and Equivalents | 7.37 |
| Closed End Funds (Senior Loan) | 4.13 |
| Preferred Stocks | 3.24 |

IMPORTANT RISK CONSIDERATIONS

Closed-End Funds: Closed-end funds may trade at a discount from their net asset values, which may affect whether the fund will realize gains or losses. They may also employ leverage, which may increase volatility. **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. **Credit & Interest:** Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **Fund of Funds:** Because the fund can invest in other funds, it indirectly bears its proportionate share of the operating expenses and management fees of the underlying fund(s). **Prospectus:** For additional information on risks, please see the fund's prospectus.

GLOSSARY

Alpha: A risk-adjusted measure of an investment's excess return relative to a benchmark. **Beta:** A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **R²:** A measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index. **Sharpe Ratio:** A risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. **Standard Deviation:** Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

INDEX DEFINITION

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.

Morningstar Rating™ for funds, or 'star rating,' is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effect of sales charges and loads.

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