

Virtus Westchester Credit Event Fund

A SHARES WCFRX (95737C707) | I SHARES WCFIX (95737C806)

MARKET REVIEW

The Westchester Credit Event Fund (WCFIX) returned 1.45% for the third quarter of 2022; however, it lost 6.93 during the year-to-date period. The Bloomberg U.S. Aggregate Bond Index (AGG) lost 4.75% during the quarter and has retreated 14.61% year-to-date, while the ICE BoA U.S. High Yield Index lost 0.68% and 14.62% for the same periods, respectively. Our outperformance against the high yield index is primarily due to our investments in hard catalyst-driven situations that provide price support. Meanwhile, our outperformance against the aggregate bond index is largely due to the effective low duration of our portfolio. Based on our calculations, our bond duration is estimated to be significantly shorter than the AGG and shorter than the average high yield index. At quarter-end, the portfolio's effective duration was 2.22 years, with a duration to maturity of 3.71 years and, most importantly, a duration to event completion of approximately 12 months.

Our allocation to hard catalyst events in the merger arbitrage and special situations, such as spin-offs, split-ups, and other types of asset sales, continues to be the "sweet spot" for the portfolio, particularly given market volatility. Generally, these events exhibit a lower correlation to the equity and fixed-income markets. Given the increase in interest rates and overall market volatility, their return profiles have become more attractive, providing compelling opportunities for our portfolio. Moreover, because we express these positions through credit securities, as these events often result in bond redemptions, calls, or tenders, the risk-reward (upside versus downside) profile has also improved.

The Fund continues to put money to work in the SPAC market. Rates of return have been attractive as most are now trading at a discount to trust value of \$10 plus interest, creating an embedded return to trust liquidation. Trust cash is invested in short-term treasuries, earning interest at prevailing rates that have recently risen. Therefore, total rates of return, otherwise known as the return to trust, have increased several hundred basis points on average versus last year. As of Q3 2022, the SPAC silo's weighted average internal rate of return was approximately 6.5% gross.

As mentioned in previous letters, we position these holdings conservatively, with the projected rate of return derived from a return to trust liquidation instead of betting on potential capital appreciation from a transaction. The window of opportunity in SPACS will likely remain for several more months. Many existing SPAC sponsors that fail to secure a deal by late March 2023 will be required to return capital plus earned interest to investors. Yet, with approximately 668 issuances, we have been actively selecting investments that represent attractive risk-adjusted returns relative to other available 'soft-catalyst' opportunities.

The top winners for the quarter were **Nielson Holdings/Elliott & Brookfield** (+0.37%), **Exterran Corp/Enerflex Ltd.** (+0.32%), and **Tenneco Inc./Apollo Global Management Inc.** (+0.27%). The largest detractors in the quarter were **FXI Holdings Inc.** (-0.16%), **Mallinckrodt International Finance** (-0.09%), and **WeWork Companies Inc.** (-0.09%).

OUTLOOK

With a little less than three months to go in 2022, we expect more of the same. Whether or not we are currently in a recession, strategic transactions continue to be announced, activism is on the rise, and growth vehicles are still in demand. Finally, trillions of dollars of capital (literally!) remain on corporate and private equity balance sheets, both of which are looking to secure their futures with accretive restructuring, reorganizations, and acquisitions.

We anticipate a constructive fourth quarter, and we appreciate your continued confidence in us.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Westchester Capital Management, LLC

PORTFOLIO MANAGERS



Roy D. Behren
 Industry start date: 1987
 Start date as Fund Portfolio Manager: 2017



Michael T. Shannon, CFA
 Industry start date: 1988
 Start date as Fund Portfolio Manager: 2017



Steven V. Tan
 Industry start date: 2000
 Start date as Fund Portfolio Manager: 2017

TOP TEN HOLDINGS

1	Life Healthcare, Inc.
2	Tenneco Inc.
3	Switch Ltd.
4	MoneyGram International, Inc.
5	HP Inc.
6	Twitter, Inc.
7	Exterran NRG Solutions/F
8	Latam Finance Ltd.
9	iStar Inc.
10	Nielsen Holdings PLC

Top 10 Positions as % of Fund 39.72
 Holdings are subject to change.

TOP CONTRIBUTORS % Contribution

Nielsen Holdings/Elliott&Brookfield	0.37
Exterran Corp./Enerflex Ltd.	0.32
Tenneco Inc./Apollo Global Management Inc.	0.27
Getty Images, Inc.	0.22
MoneyGram International/Madison Dearborn Partners	0.17

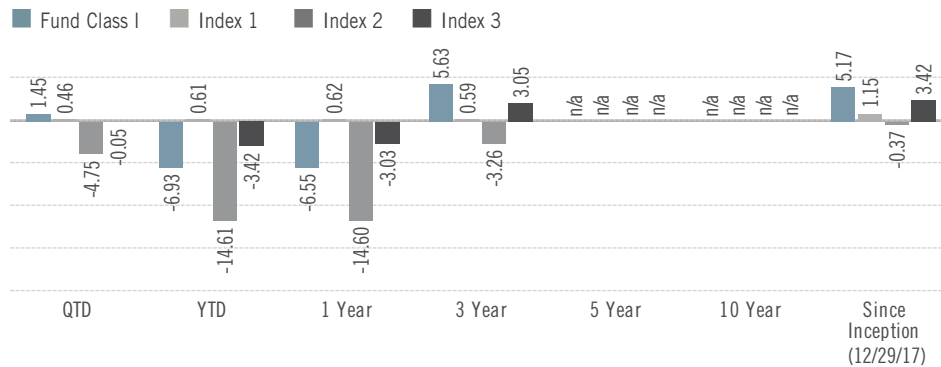
TOP DETRACTORS % Contribution

FXI Holdings Inc.	-0.16
Mallinckrodt International Finance	-0.09
WeWork Companies Inc.	-0.09
ISTAR Inc./Safehold Inc.	-0.08
Syniverse Holdings	-0.05

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 9/30/22



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 2.39%. The net expense ratio is 2.01%, which reflects a contractual expense reimbursement in effect through 9/30/2023. This ratio reflects the direct and indirect expenses paid by the Fund.

The net expense ratio minus dividend and interest expense on short sales and indirect expenses incurred by the underlying funds in which the Fund invests is 1.64%.

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 1: The **ICE BofA US Treasury Bill 3 Month Index** measures performance of the three-month Treasury bill, based on monthly average auction rates. 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.

Index 2: The **Bloomberg 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.

Index 3: The **Morningstar US Fund Event Driven Category Average** contains strategies that attempt to profit when security prices change in response to certain corporate actions, such as bankruptcies, mergers and acquisitions, emergence from bankruptcy, shifts in corporate strategy, and other atypical events. Activist shareholder and distressed investment strategies also fall into this category. These portfolios typically focus on equity securities but can invest across the capital structure. The category average is calculated on a total return basis with dividends reinvested. The category average is unmanaged and is not available for direct investment.

The **ICE BofA US High Yield Index** is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as "junk") corporate debt publicly issued in the U.S. domestic market. 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: Fundamental Risk of Investing: There can be no assurance that the portfolio will achieve its investment objectives. An investment in the portfolio is subject to the risk of loss of principal; shares may decrease in value. **Merger-arbitrage & Event-driven investing:** Merger-arbitrage and event-driven investing involve the risk that the adviser's evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue, or other event, will prove incorrect and that the Fund's return on the investment may be negative. **Credit & Interest:** Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Short Sales:** The portfolio may engage in short sales, and may incur a loss if the price of a borrowed security increases before the date on which the portfolio replaces the security. **Portfolio Turnover:** The portfolio's principal investment strategies may result in a consistently high portfolio turnover rate. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when the portfolio is held in a taxable account. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **Hedging:** The portfolio's hedging strategy will be subject to the portfolio's investment adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. **Lower-rated securities:** Instruments in lower-rated and non-rated securities present a greater risk of loss to principal and interest than higher-rated securities. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market 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. **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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