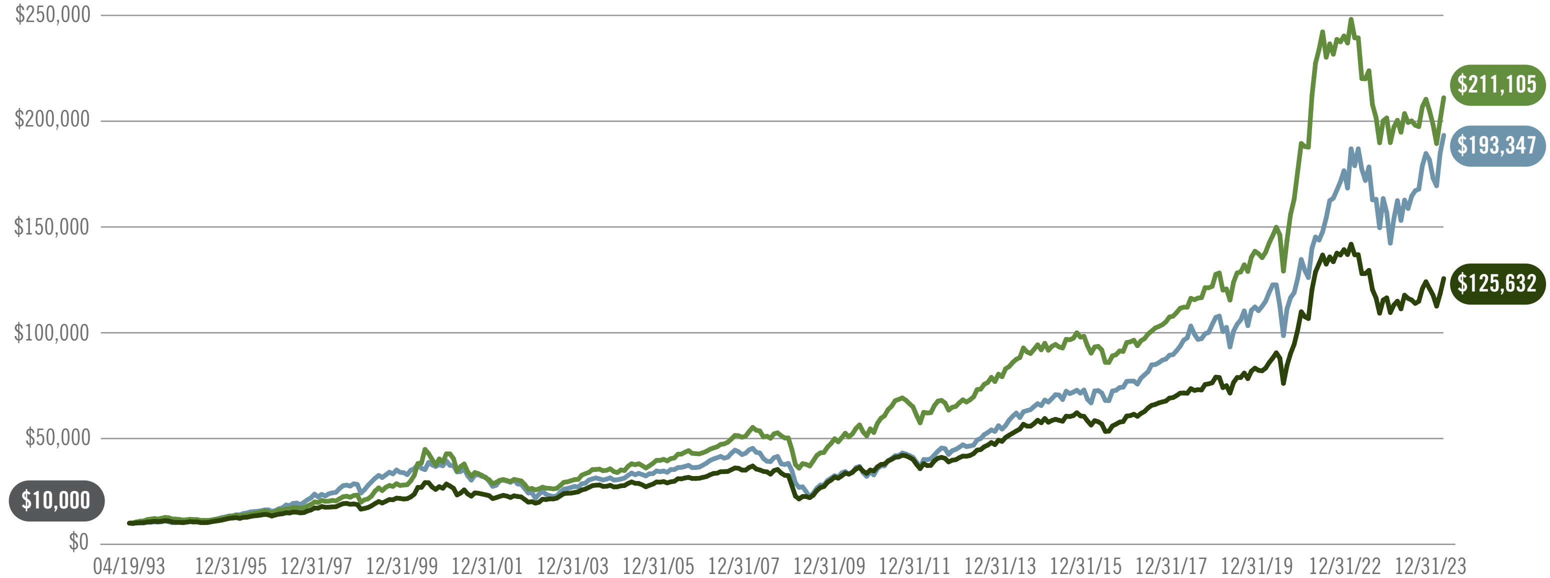
OUTSMARTING VOLATILITY WITH CONVERTIBLE BONDS

VIRTUS FUNDS

The Income & Growth Strategies team believes that an active approach is essential in the convertible space. They consistently apply a fundamental approach and detailed credit analysis to identify potential opportunities before changes are recognized by the market in an effort to ensure that the underlying securities selected will provide potential upside participation while also striving to mitigate downside risk.

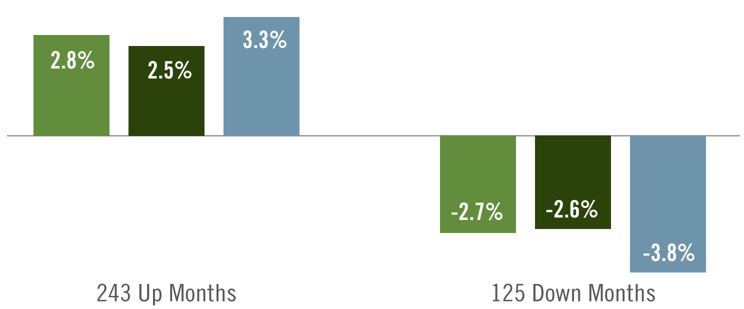
GROWTH OF $10,000: VIRTUS CONVERTIBLE FUND VS. S&P 500® INDEX AND ICE BOFA US CONVERTIBLE INDEX

Convertible bonds have delivered equity-like returns with less volatility than stocks. The Virtus Convertible Fund (ANNPX) has delivered higher annualized returns than both the Convertible Index and S&P 500® Index with similar levels of risk since the Fund's inception in 1993.



Past performance is not indicative of future results. This chart assumes an initial investment of $10,000 made on April 19, 1993 for Class INST Shares including any applicable sales charges. April 19, 1993 to December 31, 2023. Inception date: April 19, 1993. Source: Morningstar.

MARKET PARTICIPATION



	Annualized return	Annualized volatility
Virtus Convertible Fund (ANNPX)	10.38%	13.92%
ICE BofA US Convertibles Index	8.64%	12.60%
S&P 500® Index	10.20%	15.05%

Past performance is not indicative of future results. May 1993 to December 2023. Up and down months are based on monthly performance of the S&P 500® Index. Percentages shown reflect average monthly returns. Volatility is represented by standard deviation. Source: Voya Investment Management.

USING CONVERTIBLES TO MANAGE SEQUENCE OF RETURN RISK

What happens if the markets take a deep dive just when retirees are ready to start taking withdrawals? This is known as "sequence of return risk." A decline early in retirement can have a big impact on the value of one's nest egg. It means having to draw down a larger portion of one's portfolio to meet income needs, while a decline that occurs later might be less hazardous to one's wealth. Adding convertible bonds may provide downside mitigation during major equity market downturns.

CONSIDER THE FOLLOWING SCENARIO:

- Start with a $1,000,000 investment in each of three vehicles: Virtus Convertible Fund, ICE BofA US Convertibles Index, and S&P 500® Index.
- Withdraw 5% ($50,000) in year one, then adjust withdrawals upward each subsequent year to neutralize a 2% inflation rate.†
- ANNPX and the Convertible Index generated sufficient income through withdrawals, though their ending values varied widely as of 12/31/23. The S&P 500® Index would have run out of money in 2017.

	Initial Investment 1/1/2000	Total Withdrawals† (2000-2023)	Ending Value 12/31/23
Virtus Convertible Fund	$1,000,000	$1,442,248	**$631,372**
ICE BofA US Convertibles Index	$1,000,000	$1,442,248	**$317,000**
S&P 500® Index	$1,000,000	$1,064,200[2]	**$0**

Even after withdrawing an inflation-adjusted 5% per year, ANNPX outpaced both the ICE BofA US Convertibles Index and the S&P 500® Index.

KEY TAKEAWAY

Of the three portfolios, ANNPX had the largest portfolio value remaining after 23 years of withdrawals during a retirement scenario. Despite a sharp market rebound in 2003 after a difficult start, the S&P 500® portfolio never fully recovered and ran out of money. The Fund's experienced team follows a disciplined approach that has delivered strong returns in all market environments.

Past performance is not indicative of future results.

†Withdrawals taken in on December 31st of each calendar year. Withdrawals may require the selling of shares, which may include principal. Source: Voya Investment Management.

[2]The S&P 500® Index runs out of money in 2017.

STARTING RETIREMENT DURING A MARKET DECLINE

As seen in the example below, an investment that offered a more consistent return pattern, including smaller drawdowns, was better able to contribute to a healthy retirement account. This matters a lot in the long run, but is harder to see in a long bull market with big gains in the early years. It's easier to recognize when portfolio losses occur at the start of the decumulation phase of retirement. The table shows what happens when withdrawals from three portfolios started in 2000—the onset of a bear market.

5% Annual Withdrawal, Growing 2% Per Year		100% S&P 500® Index		100% ICE BofA US Convertibles Index		100% Virtus Convertible Fund	
Year	Withdrawal Amount	Return	Year-end Value	Return	Year-end Value	Return	Year-end Value
			$1,000,000		$1,000,000		$1,000,000
2000	$50,000	-9.10%	$858,956	-10.00%	$850,015	-3.68%	$913,206
2001	$51,000	-11.89%	$705,862	-4.44%	$761,236	-16.75%	$709,276
2002	$52,020	-22.10%	$497,843	-8.58%	$643,893	-13.42%	$562,086
2003	$53,060	28.68%	$587,586	27.15%	$765,638	28.23%	$667,719
2004	$54,122	10.88%	$597,406	9.61%	$785,121	12.04%	$693,975
2005	$55,204	4.91%	$571,547	1.01%	$737,858	7.18%	$688,607
2006	$56,308	15.79%	$605,510	12.83%	$776,242	12.92%	$721,300
2007	$57,434	5.49%	$581,342	4.53%	$753,976	16.24%	$780,983
2008	$58,583	-37.00%	$307,675	-35.73%	$426,027	-28.83%	$497,208
2009	$59,755	26.46%	$329,345	49.13%	$575,563	37.72%	$625,013
2010	$60,950	15.06%	$318,006	16.77%	$611,147	21.22%	$696,674
2011	$62,169	2.11%	$262,553	-5.18%	$517,321	-2.30%	$618,487
2012	$63,412	16.00%	$241,159	14.96%	$531,279	11.96%	$629,056
2013	$64,680	32.39%	$254,585	24.92%	$599,006	25.58%	$725,312
2014	$65,974	13.69%	$223,460	9.44%	$589,587	6.68%	$707,818
2015	$67,293	1.38%	$159,259	-2.99%	$504,680	-1.55%	$629,548
2016	$68,639	11.96%	$109,667	10.43%	$488,674	5.87%	$597,841
2017	$70,012	21.83%	$63,597	13.70%	$485,612	15.22%	$618,843
2018	$71,412	-4.38%	—	0.15%	$414,935	3.01%	$566,065
2019	$72,841	31.49%	—	23.15%	$438,152	26.42%	$642,774
2020	$74,297	18.40%	—	46.22%	$566,374	55.82%	$927,299
2021	$75,783	28.71%	—	6.34%	$526,519	5.28%	$900,444
2022	$77,299	-18.11%	—	-18.71%	$350,708	-18.64%	$655,302
2023	$78,845	26.29%	—	12.87%	$317,000	8.38%	$631,372

KEY TAKEAWAY

During equity market downturns, such as in the early 2000s, convertible bonds provided downside mitigation by not falling as much as the S&P 500® Index and recovering more quickly.

To learn more about the Virtus Convertible Fund, contact us at 800-243-4361 or visit virtus.com.

Past performance is not indicative of future results.

Withdrawals taken December 31st of each calendar year. Withdrawals may require the selling of shares, which may include principal. Source: Voya Investment Management.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 04/19/93
Class I	6.42	8.38	8.38	-2.45	12.83	9.21	10.44
ICE BofA US Convertibles Index	6.67	12.87	12.87	-0.82	11.93	8.90	8.59

Inception: Class INST: 04/19/93.

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 charge 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 0.86%. The net expense ratio is 0.71%, which reflects a contractual expense reimbursement in effect through 02/01/25. This ratio reflects the direct and indirect expenses paid by the Fund.

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 **ICE BofA US Convertibles Index** tracks the performance of publicly issued U.S. dollar denominated convertible securities of U.S. companies. 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.

IMPORTANT RISK CONSIDERATIONS

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. **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. **Convertible Securities:** A convertible security may be called for redemption at a time and price unfavorable to the portfolio. **Interest Rate:** The values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced for securities with longer maturities. **Counterparty:** There is risk that a party upon whom the portfolio relies to complete a transaction will default. **Credit Risk:** If the issuer of a debt instrument fails to pay interest or principal in a timely manner, or negative perceptions exist in the market of the issuer's ability to make such payments, the price of the security may decline. **Prepayments/Calls:** If issuers prepay or call fixed rate obligations when interest rates fall, it may force the portfolio to reinvest at lower interest rates. **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. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Standard Deviation measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk. **Up/Down Capture Ratio** measures how well a manager was able to replicate or improve on phases of positive benchmark returns and how badly the manager was impacted by phases of negative benchmark returns.

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 representative, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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