Five Ways to Diversify a 60-40 Portfolio

A look at how adding Convertibles, Preferreds, Real Estate, Event-Driven, and Managed Futures strategies can drive your portfolio

Benefits of Alternative Investments

As more Wall Street strategists and analysts lower their return expectations for a traditional 60% stock/ 40% bond portfolio, investors should seriously consider enhancing their portfolios with alternative investment strategies.

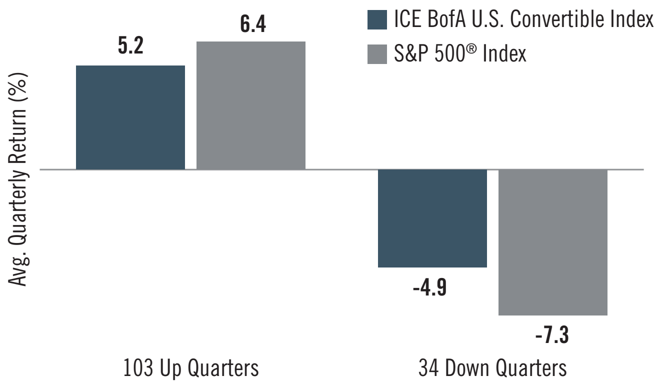
Despite a roaring bull market for traditional stocks and bonds over the course of the last 20 years, incorporating five time-tested alternative strategies into a 52.5% S&P 500® Index/32.5% U.S. Agg/15% alts portfolio (3% allocation to Preferred Securities, Convertibles, REITs, Managed Futures, and Event Driven strategies, as shown below), provided for a more efficient portfolio over time.

In a new era of surging inflation, higher interest rates, and increased levels of volatility, allocating to alternative investments offers traditional investors a differentiated source and pattern of returns and may offer enhanced diversification benefits.

	20-Year (3/1/2002-3/31/2022)			
Investment	Return (Annualized)	Standard Deviation (Annualized)	Sharpe Ratio (Annualized)	Beta
60% S&P 500® Index / 40% Bloomberg U.S. Aggregate Index	7.43	8.89	0.69	0.60
Blended Alt Benchmark	7.53	8.87	0.70	0.59
S&P 500® Index	9.25	14.71	0.54	1.00

Past performance is not indicative of future results. As of 3/31/2022. Stocks are represented by the S&P 500®. The Diversified Portfolio with Alts is composed of 32.5% Bloomberg U.S. Aggregate Bond Index; 52.5% S&P 500® Index; 3% ICE BofA Fixed Rate Preferred Securities Index; 3% ICE BofA U.S. Convertibles Index; 3% FTSE NAREIT Equity REIT Index; 3% SG Trend Index; 3% Morningstar Event Driven Category Average. Bonds are represented by the Bloomberg U.S. Aggregate Bond Index.

Convertibles Offer Investors the Advantages of Both Stocks and Bonds



- May provide investors with upside participation of equities
- May provide investors income and downside risk mitigation of bonds

	ICE BofA U.S. Convertible Index	S&P 500® Index
Annualized return	10.06%	11.25%
Annualized volatility	12.01%	14.44%

Past performance is not indicative of future results.

Volatility is represented by standard deviation. Indexes are defined on page 6. January 1988 to March 2022. Source: Allianz Global Investors US LLC using FactSet, ICE Data Services, Morningstar.

Convertible bonds are an underutilized and underappreciated asset class. After a strong stock market advance and the most recent pullback, retirees and near-retirees are looking for risk-averse ways to pursue real growth. They are also looking for performance in a rising rate environment. Lastly, they are looking to do so with less than full-on equity risk.

Convertible bonds offer higher long-term return potential than traditional bonds and lower volatility than the broad equity market. Moreover, in periods of rising interest rates, convertibles have historically outperformed traditional fixed income.

Why Invest in Preferred Securities

Attractive Yield Potential	Have the potential for steady levels of income
Tax-Advantaged Income Potential	Many preferred securities pay qualified dividend income (QDI); QDI is taxed at the same rate as long-term capital gains, which are lower than rates for ordinary income
Lower Interest Rate Sensitivity	Floating-rate & fixed-to-floating rate security structures
Increased Diversification	Limited correlation with other asset classes increases portfolio diversification benefits
Large Asset Class with Potential Opportunities to Identify Inefficiencies	Preferred securities comprise a $1 trillion market that is riddled with inefficiencies

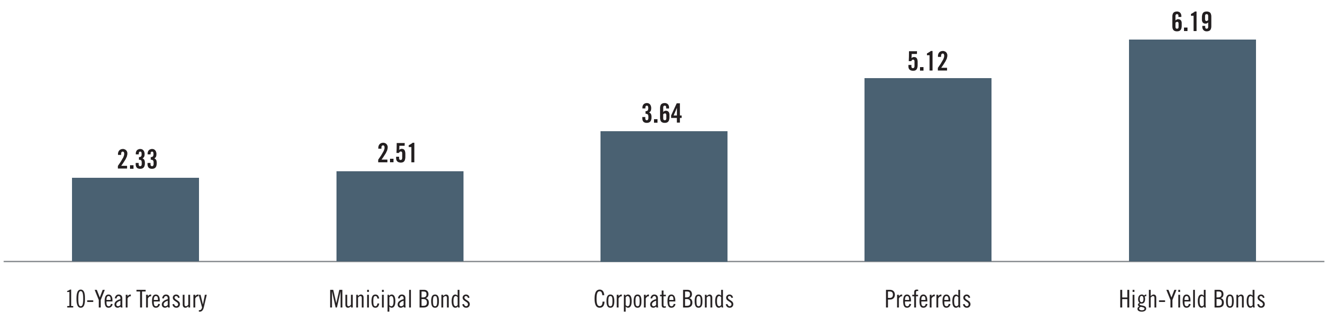
Preferreds are a niche investment class, but their growing popularity reflects their appeal to investors seeking a level of potential risk and reward between equity and debt securities, while providing issuers with an additional source of capital.

Like stocks, preferred securities issued to retail investors trade on major exchanges. They have the potential to rise or fall in value but exhibit less volatility than the issuer's common shares. And preferred shareholders have a prior claim over common stockholders to the corporation's assets in the event of a liquidation.

Like bonds, preferreds provide investors with current income through recurring payments, which may be fixed or floating. Preferred shareholders stand in line ahead of common shareholders for dividend payouts, whose yield is generally higher than the dividend yield on the issuer's common stock.

Preferreds Have Tended to Be High Quality Securities with Attractive Yield Potential

YIELD-TO-MATURITY (YTM) COMPARISON (Current YTM)



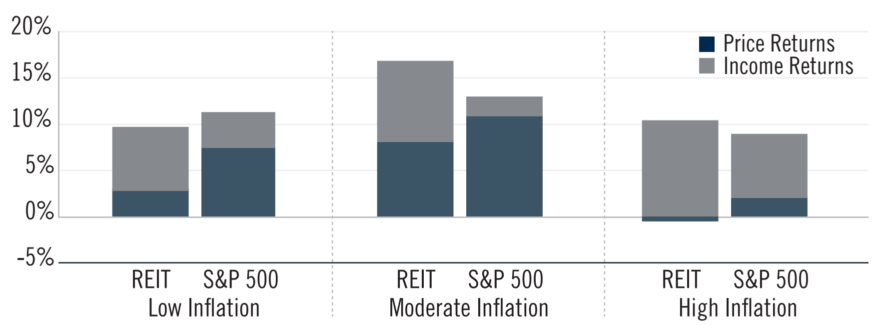
Preferred securities generally have paid a higher level of income when compared to most other fixed income classes.

Past performance is not indicative of future results. As of March 31, 2022. Source: Allianz Global Investors US LLC, Bloomberg, ICE BofA. Yield to maturity as of March 31, 2022 of ICE BofA U.S. Treasury Index, ICE BofA Fixed Rate Preferred Securities Index, ICE BofA 3-7 Year U.S. Municipal Securities Index, ICE BofA U.S. Corporate Index, ICE BofA U.S. High Yield Index.

Real Estate with Real Returns

In its various forms, real estate historically has provided a hedge against inflation and rising interest rates. Since 1972, for example, REITs have delivered attractive returns in a wide range of inflationary environments. REITs can offset increased costs by pushing rents higher as demand for space grows. With the dramatic expansion of the REIT universe, increased investment opportunity exists across a number of sectors benefiting from secular growth.

REIT RETURNS HAVE COMPARED FAVORABLY TO S&P 500® RETURNS DURING DIFFERENT INFLATION PERIODS



Past performance is not indicative of future results. Source: Nareit analysis of prices for the FTSE Nareit All Equity REIT Index and S&P 500® Index; 1972-2020; inflation measured for all items, all urban consumers. Low inflation includes the years where inflation was 2.5% or lower, moderate inflation is between 2.5% and 6.9% (one standard deviation over the average), and high inflation is for years with inflation of 6.9% and higher.

During historical periods of rising interest rates and medium-to-high inflation, REITs have generated positive total returns and outperformed equities. As shown in the chart, which incorporates several different inflation regimes since Nareit began tracking data for REITs in 1972, REITs have delivered attractive returns during periods of low, moderate, and high inflation.

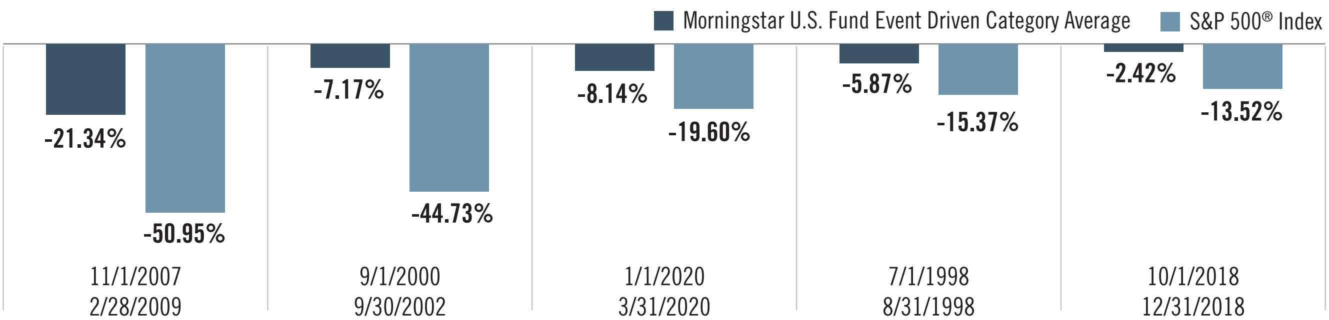
Event-Driven Strategies: Portfolio Diversifier and Potential Volatility Dampener

Merger arbitrage strategies have historically provided attractive absolute returns with lower volatility and minimal correlation, relative to traditional stock and bond strategies, making for a powerful portfolio diversifier.

Unlike bond portfolios, event-driven strategies (and other absolute return vehicles, have historically exhibited a positive correlation to interest rate levels. Inclusion of such strategies may provide a hedge to the decreased value of bonds in a portfolio. Therefore, as rates climb, so do potential returns.

POTENTIAL FOR DIVERSIFICATION IN TOUGH MARKETS

Performance of Merger Arbitrage Strategies During Largest S&P 500® Index Drawdowns

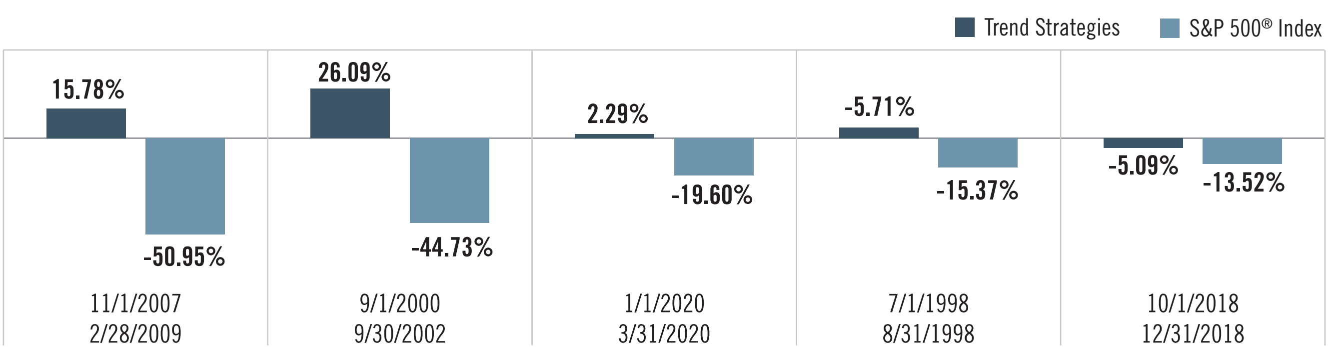


Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. Time periods reflect the five largest S&P 500® Index drawdowns using peak to trough performance. Merger Arbitrage Strategies' performance during periods represented are annualized for periods longer than 12 months and cumulative for periods shorter than 12 months. Merger Arbitrage Strategies represented by the Morningstar U.S. Fund Event Driven Category Average. See page 6 for glossary and index definitions.

Managed Futures: Going Long and Short in a Wide Variety of Markets

Also known as "trend" investing, managed futures have historically provided attractive returns relative to stock and bond markets, over time. These non-correlated trend strategies have the flexibility to capture momentum, going "long" in markets that are trending higher and "short" in markets that are trending lower, with the expectation that price movements continue their direction. The historically low correlation to traditional stocks and bonds has the potential to provide much needed diversification, especially in difficult markets.

PERFORMANCE OF TREND STRATEGIES DURING LARGEST S&P 500® INDEX DRAWDOWNS



Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. Time periods reflect the five largest S&P 500® Index drawdowns using peak to trough performance. Trend Strategies performance during periods represented are annualized for periods longer than 12 months and cumulative for periods shorter than 12 months. Trend Strategies represented by the BTOP50 Index for 1998 drawdown period and the SG Trend Index for the other listed periods.

VIRTUS FUNDS

In a dramatically changing market environment, seeking out investments beyond traditional stocks and bonds has become more important than ever. However, investors now have a wide variety of solutions in previously out of reach, difficult-to-access, and hard-to-manage asset classes. For more information on Virtus' multi-manager approach to non-correlated returns, explore the convertible, preferred, real estate, merger arbitrage, and managed futures strategies detailed on virtus.com, or contact us at 800-243-4361.

VIRTUS ALLIANZGI CONVERTIBLE FUND

Institutional Shares: ANNPX

VIRTUS INFRACAP U.S. PREFERRED STOCK ETF

PFFA

VIRTUS DUFF & PHELPS GLOBAL REAL ESTATE SECURITIES FUND

I Shares: VGISX

THE MERGER FUND®

I Shares: MERIX

VIRTUS FORT TREND FUND

I Shares: VAPIX

Index Definitions

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 **BTOP50 Index** seeks to replicate the overall composition of the managed futures industry with regard to trading style and overall market exposure. The BTOP50 employs a top-down approach in selecting its constituents. The largest investable trading advisor programs, as measured by assets under management, are selected for inclusion in the BTOP50. In each calendar year the selected trading advisors represent, in aggregate, no less than 50% of the investable assets of the Barclay CTA Universe. The **FTSE NAREIT All Equity REITs Index** is a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria, which are listed on the New York Stock Exchange, the American Stock Exchange, and the Nasdaq National Market System. The **ICE BofA Fixed Rate Preferred Securities Index** tracks the performance of fixed rate, U.S. dollar denominated, investment-grade preferred securities in the U.S. domestic market. The **ICE BofA 3-7 Year U.S. Municipal Securities Index** is a subset of ICE BofA U.S. Municipal Securities Index including all securities with a remaining term to final maturity greater than or equal to 3 years and less than 7 years. The **ICE BofA Treasury Index** tracks the performance of U.S. dollar denominated sovereign debt publicly issued by the U.S. government in its domestic market. The **ICE BofA U.S. Convertibles Index** tracks the performance of publicly issued U.S. dollar denominated convertible securities of U.S. companies. The **ICE BofA U.S. Corporate Bond Index** measures market performance of USD-denominated investment grade corporate debt publicly issued in the U.S. domestic market with a remaining term to final maturity between 5 and 10 years. The **ICE BofA U.S. High Yield Index**, which tracks the performance of defined dollar denominated below investment grade rated corporate debt publicly issued in the defined domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). The **Morningstar U.S. 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 **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The **SG Trend Index** is designed to represent the performance of the 10 largest Trend Following CTA programs in the managed futures space. To qualify for inclusion in the index, a program must be open to new investment, report returns daily, be an industry recognized trend follower as determined at the discretion of the SG Index Committee and must exhibit significant correlation to trend following peers and the SG Trend Indicator. The index is equally weighted, and rebalanced and reconstituted annually. The indexes are calculated on a total return basis. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Definitions

Beta—A quantitative measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. **Correlation**—Computed into what is known as the correlation coefficient, a measure that determines the degree to which two variables' movements are associated. The correlation coefficient will vary from -1 to +1. A -1 indicates perfect negative correlation and +1 indicates perfect positive correlation. **Long and Short**—If you are buying a future, you are said to be going "long" the asset. If you are selling, you are said to be going "short" the asset. **Sharpe Ratio**—A statistic that measures the efficiency, or excess return per unit of risk, of a manager's returns. It is calculated by taking the portfolio's annualized return, minus the annualized risk-free rate (typically the 30-Day T-Bill return), divided by the portfolio's annualized standard deviation. The greater the Sharpe Ratio, the better the portfolio's risk adjusted return. **Standard Deviation**—Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

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. Price changes may be short- or long-term. Local, regional or global events such as war, acts of terrorism, the spread of infectious illness or other public health issue, 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. **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. **Counterparties:** 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 or medium-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. **Contingent Convertible Securities:** Contingent convertible securities (CoCos") are subject to greater levels of credit and liquidity risk than fixed income securities generally. They may rank junior to other creditors in the event of a liquidation or other bankruptcy-related event and become further subordinated as a result of conversion from debt to equity." **Preferred Stocks:** Preferred stocks may decline in price, fail to pay dividends, or be illiquid. **Real Estate:** The portfolio may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Industry/Sector Concentration:** A portfolio that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated portfolio. **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. **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. **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. **Foreign Investing:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility; currency fluctuations; less liquidity; less publicly available information about the foreign investment; and political, regulatory, economic, and market risk. **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. **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. **Derivatives:** Derivatives may include, among other things, futures, options, forwards and swap agreements and may be used in order to hedge portfolio risks, create leverage, or attempt to increase returns. Investments in derivatives may result in increased volatility and the portfolio may incur a loss greater than its 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. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **Sector Focused Investing:** Events negatively affecting a particular industry or market sector in which the portfolio focuses its investments may cause the value of the portfolio to decrease. **Quantitative Model:** Investments selected using quantitative models may perform differently from the market as a whole or from their expected performance. There can be no assurance that use of a quantitative model will enable the portfolio to achieve positive returns or outperform the market. **Commodity and Commodity-Linked Instruments:** Commodity and commodity-linked instruments may experience a return different than the commodity they attempt to track and may also be exposed to counterparty risk. **Leverage**: When a portfolio leverages its portfolio by certain types of transactions or instruments, including derivatives, the portfolio may liquidate positions at an unfavorable time, and its value more volatile. **Prospectus:** For additional information on risks, please see the fund's prospectus.

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, call 800-243-4361 or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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