

Virtus KAR Global Quality Dividend Fund

A: PPTAX (92828N460) | C: PPTCX (92828N452) | I: PIPTX (92828N445) | R6: VGQRX (92836N874)

MARKET REVIEW

2022 was a very volatile and difficult year for equity and fixed income markets, with investors losing money in both asset classes for only the third time since 1926. Fortunately, the year ended on a positive note with U.S. large-cap stocks, as measured by the S&P 500® Index, rallying to a 7.56% return in the fourth quarter. Value stocks performed better than hard-hit growth stocks, with the Russell 1000® Value Index up 12.42% and the Russell 1000® Growth Index up 2.20% in the quarter. Small-capitalization stocks, as measured by the Russell 2000® Index, returned 6.23% in the quarter, slightly underperforming U.S. large-cap stocks. Emerging market stocks, as measured by the MSCI Emerging Markets Index, outperformed U.S. large-cap stocks for the quarter, gaining 9.70%.

PORTFOLIO OVERVIEW

The Virtus KAR Global Quality Dividend Fund returned 13.95% (Class I) for the quarter, underperforming the MSCI World High Dividend Yield Index, which returned 14.41%. Stock selection in the financials and materials sectors detracted from performance. Stock selection and an underweight position in the healthcare sector, combined with stock selection in the energy sector, contributed positively to performance.

Omnicom and TotalEnergies were the largest contributors to performance during the quarter.

- > Omnicom is seeing stronger-than-expected revenue growth as the global media company's customers are not reducing marketing and promotion investments in the current environment.
- > Higher energy prices, notably gas, contributed to TotalEnergies' strong bottom-line results and increased return of capital to shareholders of the global energy company.

Crown Castle and NN Group were the largest detractors from performance in the quarter.

- > As a real estate investment trust, telecommunications company Crown Castle's stock valuation was negatively impacted by higher interest rates early in the quarter.
- > International financial services company NN Group is a recent purchase in the portfolio, which was made in early December. The company's lower contribution to the fund's return was the result of not owning the stock for the entire period as the stock appreciated earlier in the quarter.

PORTFOLIO CHANGES

During the quarter, we purchased British multinational electricity and gas utility company National Grid and Netherlands-based financial services company NN Group (discussed earlier). We sold Norwegian consumer goods company Orkla and Norwegian telecom operator Telenor from the portfolio.

OUTLOOK

The Federal Reserve's hawkish monetary policy combined with improving supply chain issues appear to be working in reducing the core inflation rate. Inflation concerns, however, have been replaced by impending recession fears in the market. We certainly have witnessed a growth slowdown over the last year, and we are likely to see a continued growth slowdown over the next six to 12 months. The stock market seems to be already pricing in a moderate recession for 2023. This has to be the most anticipated recession in the history of corporate America. This does not mean that a recession cannot occur, but it does suggest a hard landing is less probable. Recession fears will not disappear overnight so investors should expect continued volatility in 2023 and will need to be patient. Additionally, the top-heavy S&P 500 companies—MAMAA (Meta, Apple, Microsoft, Amazon, and Alphabet) in particular—are having significant fundamental growth issues, which has not been the case since 2008. In our view, this may bode well for many small- and medium-sized companies, which can continue to grow in a lackluster economic environment.

Related Reading: [Q4 KAR Market Review & Outlook](#)

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Kayne Anderson Rudnick Investment Management, LLC

PORTFOLIO MANAGER



Richard Sherry, CFA
 Industry start date: 1991
 Start date as Fund Portfolio Manager: 2009

TOP TEN HOLDINGS

% Fund

International Business Machines Corp.	4.79
BCE Inc.	4.55
Spark New Zealand Ltd.	4.19
Amcor PLC	4.17
AbbVie Inc.	4.07
The Southern Co.	3.99
Royal Bank of Canada	3.26
Omnicom Group Inc.	3.24
TotalEnergies SE	3.23
MSC Industrial Direct Co. Inc.	3.08

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

Omnicom Group Inc.	1.04
TotalEnergies SE	0.93
Spark New Zealand Ltd.	0.89
International Business Machines Corp.	0.86
AbbVie Inc.	0.84

TOP FIVE DETRACTORS % Contribution

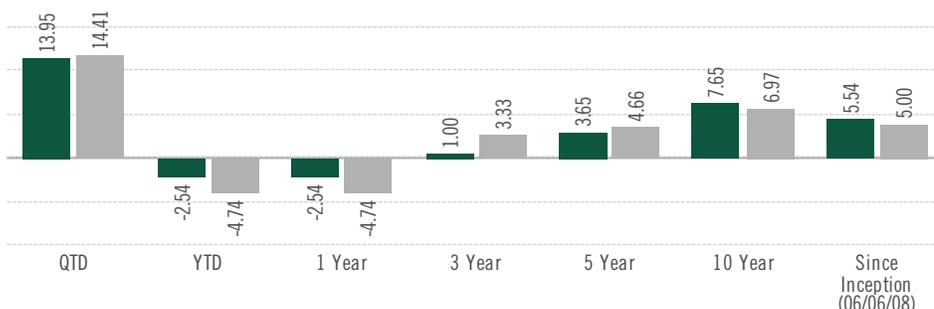
Crown Castle Inc.	-0.13
NN Group NV	-0.12
National Grid PLC	-0.08
Leggett & Platt Inc.	-0.04
Orkla ASA	-0.01

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/30/22

■ Fund Class I ■ Index



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 1.25%. The net expense ratio is 1.10%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

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 MSCI World High Dividend Yield Index (net)** is based on the MSCI World Index, its parent index, and includes large and midcap stocks across 23 Developed Markets (DM) countries. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends. The index is calculated on a total return basis with net dividends reinvested; it is unmanaged; its returns do not reflect any fees, expenses or sales charges; and it is not available for direct investment.

Notes on 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 or medium-sized companies may enhance that risk. **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. **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 shorter long-term. Local, regional, or global events such as war or military conflict (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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