VIRTUS FUNDS

The Case for Multi-Sector Fixed Income Investing Remains Strong in the Current Environment

In a rising rate environment marked by volatility and inflation, an active multi-sector fixed income strategy may help generate overlooked yield opportunities while avoiding poorly performing credits.

Fixed income may still be a potential hedge against equity volatility

As investors seek out defensive strategies to mitigate volatility, fixed income, particularly out-of-index securities, may be able to offer attractive yield with less overall volatility than equities. The table below highlights the Funds' and credit sectors' return-per-unit of risk over the last 20 years, which either exceeds or is equal to the performance of various equity indexes at lower levels of volatility. Furthermore, on a rolling three-year basis, the absolute value of the negative return and the percentage of negative returns over the last 20 years highlight the benefits of diversification in potentially insulating investors from equity market volatility.

RETURN-PER-UNIT OF RISK

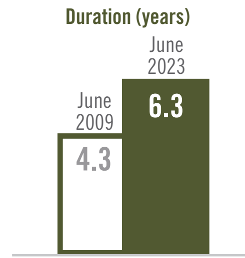
	1/1/1992 - 6/30/2023			20 Years (7/1/2003 - 6/30/2023)			Rolling 3-Year Periods		
Sector	Annualized Return	Standard Deviation	Return-Per-Unit of Risk	Annualized Return	Standard Deviation	Return-Per-Unit of Risk	Best	Worst	% Negative
Virtus Newfleet Multi-Sector Intermediate Bond Fund A	**5.65**	**6.95**	**0.81**	**4.64**	**6.79**	**0.68**	**19.55**	**-4.95**	**8.78**
Virtus Newfleet Multi-Sector Short Term Bond Fund A	-	-	-	**3.44**	**4.08**	**0.84**	**14.34**	**-2.17**	**6.83**
Leveraged Loans	-	-	-	4.64	6.51	0.71	17.50	-7.98	5.37
High Yield Bonds	7.14	8.38	0.85	6.65	9.08	0.73	26.11	-7.63	3.90
Multi-Sector	4.63	3.94	1.18	3.01	4.00	0.75	8.87	-3.96	6.34
Asset-Backed Securities	4.19	3.08	1.36	2.49	3.25	0.76	11.55	-2.25	5.85
Mortgage-Backed Securities	4.40	3.29	1.34	2.90	3.42	0.85	8.29	-4.25	7.32
Commercial Mortgage-Backed Securities	-	-	-	3.32	8.06	0.41	23.74	-9.78	10.73
Emerging Markets Bond	-	-	-	5.66	8.94	0.63	19.96	-7.19	8.78
Municipals	4.77	4.50	1.06	3.55	4.59	0.77	8.57	-2.18	4.88
Investment Grade Corporates	5.45	5.83	0.94	3.90	6.33	0.62	15.80	-4.18	7.32
Intermediate Government Bonds	3.94	3.06	1.29	2.31	3.01	0.77	7.62	-2.85	5.85
Long Government Bonds	5.92	10.49	0.56	3.92	11.62	0.34	14.43	-12.02	8.78
Large Cap Equity	9.97	14.77	0.67	10.04	14.74	0.68	26.07	-15.11	13.66
Small Cap Equity	9.05	19.31	0.47	8.89	19.62	0.45	29.48	-17.85	14.15
Mid Cap Equity	10.82	16.50	0.66	10.48	17.18	0.61	31.98	-17.29	13.17
Global All Cap Equity	-	-	-	8.17	15.52	0.53	23.71	-14.97	15.61
Domestic Real Estate	9.72	18.96	0.51	8.63	22.02	0.39	42.34	-25.05	16.59

Past performance is not indicative of future results. As of 6/30/23. Source: Virtus Investment Partners, Morningstar Direct. Index sources: Bloomberg (high yield bonds, ABS, CMBS, corporate investment grade bonds), Credit Suisse (leveraged loans), JP Morgan (emerging market bonds), S&P (large cap equity), Russell (small cap, mid cap), MSCI (global all cap) and FTSE (domestic real estate). For index definitions, please see last page.

Traditional approaches often fall short

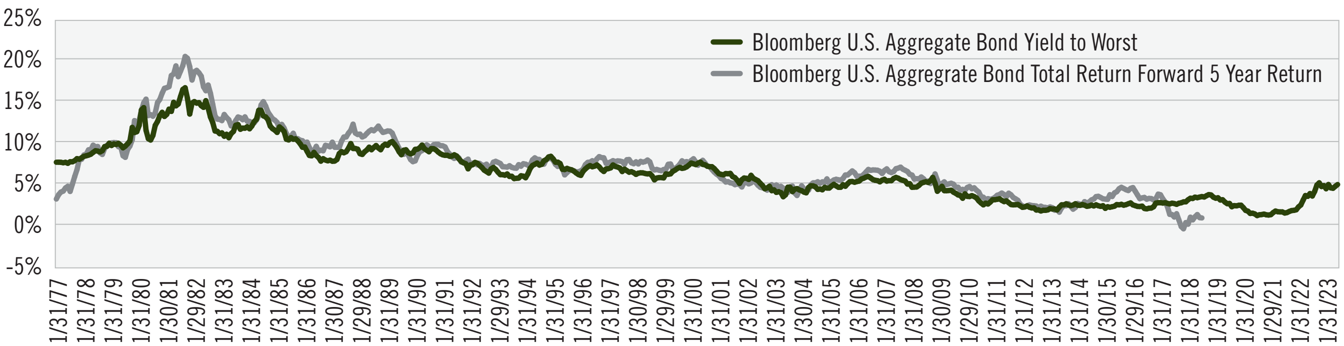
Since the Great Financial Crisis, interest rate risk has risen, as shown in the Bloomberg U.S. Aggregate Bond Index. While yields on traditional core bonds have also risen significantly since the days of zero-interest rates, they lack exposure to asset classes that offer diversification and protection against rising interest rates and inflation. Taking a traditional approach to fixed income investing may be insufficient in delivering what investors need – income and total return. Investing beyond the index broadens the opportunity set for fixed income investors hunting yield.

On a longer-term basis, the exhibit below shows the long-term decline in the yield and the forward five-year return for the Aggregate Bond Index.



Past performance is not indicative of future results. Current duration as of 6/30/2023.

YIELD TO WORST AND 5-YEAR FORWARD RETURN

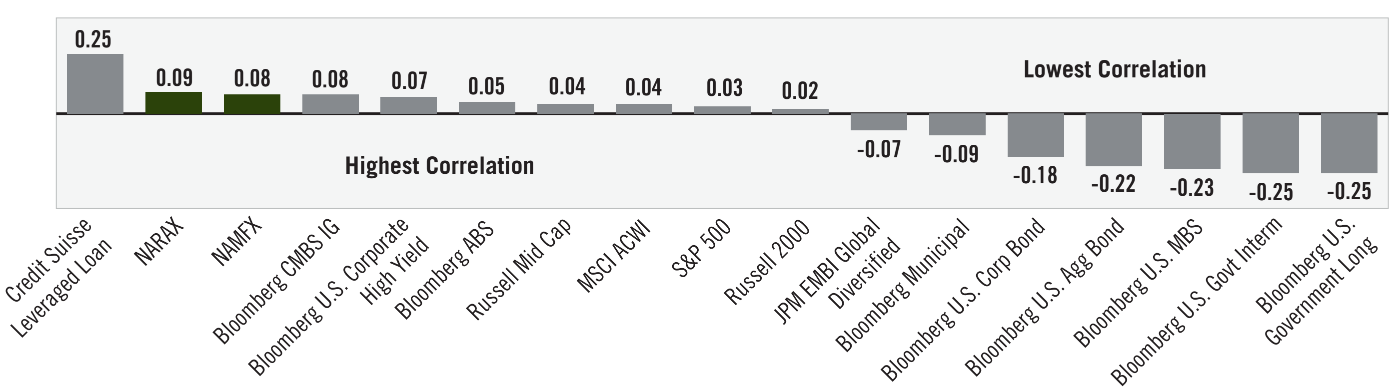


Past performance is not indicative of future results. Data through 6/30/23. Source: Bloomberg LP; eVestment.

Inflation Impact

As sticky inflation and Fed interest rate hikes continue to dominate headlines, historical perspective shows that certain out-of-index assets such as bank loans tend to perform better than traditional fixed income during periods of high CPI readings. The exhibit below shows the correlation to inflation for various asset classes over a 20-year period. The asset classes with the highest positive correlation to inflation include leveraged loans, high yield bonds, and asset-backed (ABS) and commercial mortgage-backed (CMBS) securities.

20-YEAR CORRELATION TO INFLATION



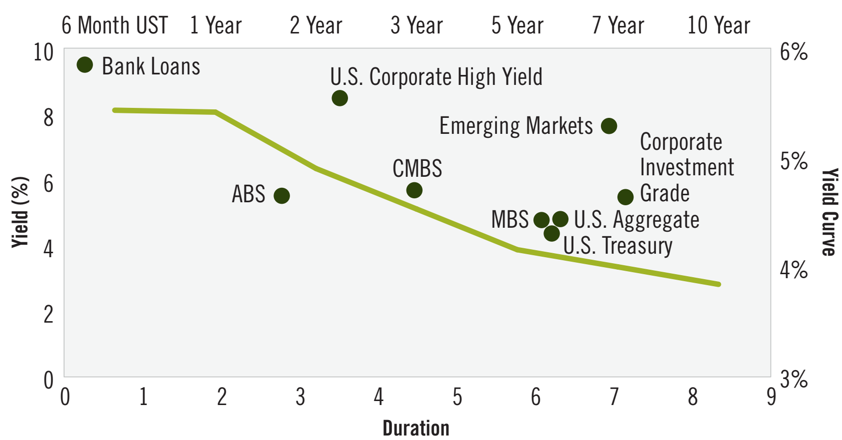
Past performance is not indicative of future results. As of 6/30/23. Inflation is represented by the IA SBBI Inflation Index, which tracks U.S. inflation. Performance of all cited indexes is calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. For index definitions, see last page. Source: Virtus Investment Partners, Morningstar Direct. See the Appendix for a detailed analysis of the Virtus Newfleet Multi-Sector Short Term Bond Fund and Virtus Newfleet Multi-Sector Intermediate Bond Fund during periods of rising rates.

Bank loans stand out with the strongest correlation. The asset class is considered an effective hedge against inflation due to its floating rate feature in which rates are reset at regular intervals to a benchmark rate. Corporate high yield bonds also perform well during inflationary environments, particularly in the early stages of an economic recovery that typically underlies inflation. Because ABS and CMBS are tied to real assets, they also perform well in inflationary environments.

As a relative value investor in fixed income, Newfleet is adept at optimizing yield and total return by making nimble shifts in its exposure to sectors in response to current market conditions. During periods of rising rates, its approach benefits from out-of-index bank loans, corporate high yield, ABS, and CMBS outperforming U.S. Treasuries and other long-duration sectors. As the exhibit above shows, the Virtus Newfleet Multi-Sector Short Term Bond Fund and Virtus Newfleet Multi-Sector Intermediate Bond Fund rank higher in correlation to inflation than all asset classes shown, except for CMBS and bank loans.

Identifying attractive yields with less interest rate risk

As active multi-sector fixed income managers, Newfleet focuses on the most attractive sources of income across the full market universe. Newfleet's multi-sector strategies seek to capture sources of income across and within sectors while being grounded in fundamental, technical, and valuation analysis. As the exhibit on the right highlights, many fixed income sectors offer more attractive yields than U.S. Treasuries. The key is having the expertise to identify those issues and sectors that appropriately compensate for the additional risk assumed.



Past performance is not indicative of future results. As of 6/30/23. Index sources: Bloomberg (U.S. Aggregate, U.S. Treasury, high yield bonds, MBS, ABS, CMBS, corporate investment grade bonds), Credit Suisse (bank loans), JP Morgan EMBIG (emerging market bonds). For index definitions, please see last page. Bank loan yield represents current yield. For all other sectors, yield shown is yield to worst. Source: Bloomberg L.P.

Potential benefits of a multi-sector approach

As investors manage threats from inflation, rising rates and slowing growth, a multi-sector approach can help investors outsource the complexity of managing credit and duration risks while finding opportunities for yield. Given the challenges of the current market environment, a multi-sector portfolio manager can dynamically allocate exposures to various sectors based on opportunities in the market and potentially deliver strong returns.

APPENDIX

Virtus Multi-Sector Bond Funds – Performance in Rising Rate Environments

As spread sector investors, the Virtus Newfleet Multi-Sector Short and Multi-Sector Intermediate Funds have historically outperformed comparable maturity U.S. Treasuries during spikes in interest rates. The exhibit below highlights periods over the last 20 years.

2003 Spike in Rates	Total Return Analysis (6/13/03 – 9/16/03)
	TOTAL RETURN
Multi Short	-0.89%
3 Year UST	-1.26
Multi Intermediate	-0.91
10 Year UST	-7.78

2004 Spike in Rates off Lows	Total Return Analysis (3/16/04 – 7/16/04)
	TOTAL RETURN
Multi Short	-0.55%
3 Year UST	-1.46
Multi Intermediate	-0.56
10 Year UST	-3.82

2006 Increase in Rates	Total Return Analysis (1/3/06 – 6/30/07)
	TOTAL RETURN
Multi Short	7.31%
3 Year UST	5.28
Multi Intermediate	9.50
10 Year UST	0.69

2013 Increase in Rates	Total Return Analysis (5/22/13 – 12/31/13)
	TOTAL RETURN
Multi Short	0.03%
3 Year UST	-0.15
Multi Intermediate	-0.82
10 Year UST	-6.78

Post-Election Increase in Rates	Total Return Analysis (1/1/16 – 11/7/16)	Total Return Analysis (11/7/16 – 12/31/16)	Total Return Analysis (11/7/16 – 11/7/17)
	TOTAL RETURN	TOTAL RETURN	TOTAL RETURN
Multi Short	5.53%	-0.10%	3.56%
3 Year UST	1.92	-1.12	-0.25
Multi Intermediate	10.79	-0.04	6.66
10 Year UST	5.19	-5.44	-2.82

2022 Increase in Rates	Total Return Analysis (3/16/22 – 6/30/23)
	TOTAL RETURN
Multi Short	-0.20%
3 Year UST	-1.71
Multi Intermediate	-1.27
10 Year UST	-7.60
U.S. Aggregate	-4.58
30 Year UST	-15.94

Past performance is no guarantee of future results. Source: Bloomberg and Virtus Investment Partners. Returns are not annualized. Total Return does not include the effect of the maximum sales charge of 2.25% for Multi-Sector Short or 3.75% for Multi-Sector Intermediate, which would reduce the return shown. Please see total returns on page 5.

Average Annual Total Returns Class A (%) as of 6/30/2023

	1 Year			5 Year			10 Year			Life of Fund			Inception Date
	NAV	POP	Index*	NAV	POP	Index	NAV	POP	Index	NAV	POP	Index	
Virtus Newfleet Multi-Sector Short Term Bond Fund	2.67	0.36	1.77	1.43	0.97	1.71	1.85	1.61	1.70	4.67	4.59	4.17	7/6/1992
Virtus Newfleet Multi-Sector Intermediate Bond Fund	4.12	0.22	-0.94	1.99	1.21	0.77	2.78	2.39	1.52	6.24	6.12	5.07	12/15/1989

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. Class A shares have a maximum sales charge of 3.75% for Virtus Newfleet Multi-Sector Intermediate Bond Fund and 2.25% for Virtus Newfleet Multi-Sector Short Term Bond Fund. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid for Virtus Newfleet Multi-Sector Intermediate Bond Fund and within 12 months for Virtus Newfleet Multi-Sector Short Term Bond Fund

Virtus Newfleet Multi-Sector Short Term Bond Fund: The fund class gross expense ratio is 0.96%. The net expense ratio is 0.90%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

Virtus Newfleet Multi-Sector Intermediate Bond Fund: The fund class gross expense ratio is 1.08%. The net expense ratio is 0.99%, 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.

*Virtus Newfleet Multi-Sector Short Term Bond Fund—ICE BofA 1-3 Year A-BBB US Corporate Index. Benchmark since inception performance is reported from 6/30/1992. Virtus Newfleet Multi-Sector Intermediate Bond Fund—Bloomberg U.S. Aggregate Bond Index. Average Annual Total Returns Class A (%) as of 6/30/2023.

INDEX DEFINITIONS

The **Bloomberg U.S. Aggregate Bond Index** is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. The **Bloomberg U.S. Corporate Investment Grade Index** measures the performance of investment-grade corporate securities within the Bloomberg U.S. Aggregate Index. The **Bloomberg U.S. MBS Index** covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The **Bloomberg U.S. Asset Backed Securities (ABS) Index** measures ABS with the following collateral type: credit and charge card, auto, and utility loans. The **Bloomberg U.S. CMBS Index** measures the market of conduit and fusion CMBS deals with a minimum current deal size of $300M. The **Bloomberg U.S. Corporate High Yield Bond Index** measures fixed rate non-investment grade debt securities of U.S. corporations, calculated on a total return basis. The **Bloomberg Municipal Bond Index** is a market capitalization-weighted index that measures the long-term tax-exempt bond market. The **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries. The **J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified** is a uniquely weighted USD-denominated emerging markets sovereign index. It has a distinct distribution scheme which allows a more even distribution of weights among the countries in the index. The EMBI Global Diversified has the same instrument composition as the market-cap-weighted EMBI Global. The **S&P 500® Index** is a freefloat 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 **Russell 2000® Index** is a market capitalization weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The **Russell Midcap® Index** is a market capitalization-weighted index of medium-capitalization stocks of U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **FTSE Nareit 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, that are listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market System. The index is calculated on a total return basis with dividends reinvested. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Duration represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price. Yield shown represents yield-to-worst (YTW), which is the lowest yield generated, given the potential stated calls prior to maturity. **Standard Deviation** measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

London Interbank Offered Rate (LIBOR): A benchmark rate that some of the world's leading banks charge each other for short-term loans and that serves as the first step to calculating interest rates on various loans throughout the world.

IMPORTANT RISK CONSIDERATIONS

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. **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. **Bank Loans:** Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **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. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the portfolio. **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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

About Newfleet Asset Management

Newfleet Asset Management, distinguished by its longstanding multisector approach, dynamic structural integration, experience, and culture of collaboration, has a proven track record of successfully navigating the fixed income markets to consistently generate excess returns over full market cycles.

About Virtus Investment Partners

Virtus Investment Partners (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process, and individual brand.

VIRTUS FUNDS

To learn more about Newfleet's multi-sector strategies available through Virtus Funds, visit virtus.com or call us at 800-243-4361.

Newfleet Asset Management is a division of Virtus Fixed Income Advisers, LLC ("VFIA"), an SEC registered investment adviser.

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

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