

The Virtus Sector Trend Strategy strives to participate in rising markets while placing an emphasis on preserving capital during major market declines. The Strategy has an investment objective of long-term capital appreciation. It aims to deliver attractive returns with lower volatility, beta, and correlation over full market cycles.

## Participate and Protect

- Equity investors seek attractive long-term capital appreciation, but the volatility often associated with equities can make it hard to stay the course during choppy or falling markets.
- A “participate and protect” mandate recognizes that sometimes the best offense is a good defense. It is designed to deliver equity-like returns over a full market cycle but with a smoother ride.
- The Virtus Sector Trend Strategy employs a simple three-step process.

**1**  
DWA

**RANK**  
market components by **relative strength** price momentum

- Dorsey, Wright & Associates (DWA) employs its proprietary Relative Strength price momentum model to rank and select market components



**2**  
VIA

**ASSESS**  
each sector based on its **200 Day Moving Average**

- Virtus Investment Advisers (VIA) then evaluates each sector’s absolute momentum based on whether it is above or below its 200 day moving average

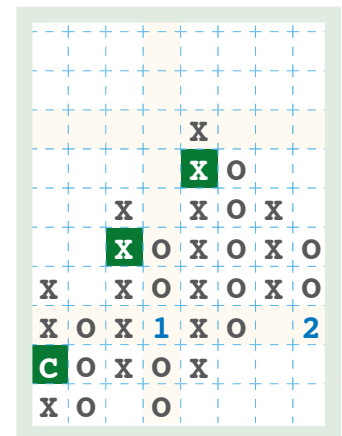
**3**  
VIA

**BUILD**  
according to the rules designed to prioritize sectors showing the strongest momentum

- The portfolio is built according to pre-specified rules which allocate to the top-ranked market components

## The Value of Relative Strength

- Unlike fundamental analysis, which focuses on corporate fundamentals, relative strength—or technical price momentum—analysis uses Point & Figure methodology to evaluate securities through a simple but powerful lens on supply and demand.
- By understanding supply and demand dynamics, we can develop an unbiased view of the real-time forces which drive prices higher or lower. This applies to not only stocks, but to sectors and asset classes.
- Both academic research and practical application have demonstrated that a systematic execution of momentum investing is an enduring source of value in driving attractive long-term investment results.



DWA's Point & Figure charting identifies trends

The Virtus Sector Trend Strategy employs relative strength analysis provided by Dorsey, Wright & Associates to construct a risk-managed portfolio of U.S. equities, prioritizing sectors with the strongest price momentum. Cash equivalents are used for defensive positioning as the model indicates.

**1**  
DWA

**RANK**  
10 sectors of the S&P 500® by relative strength price momentum



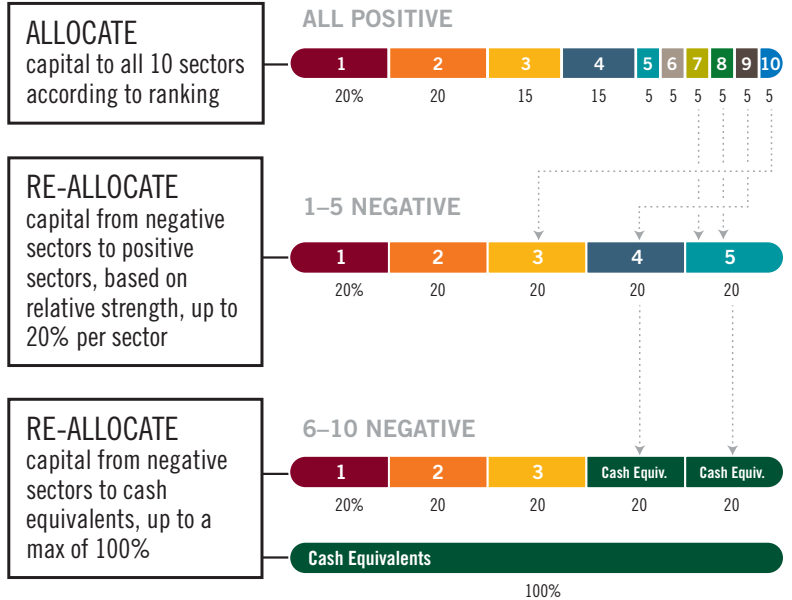
**2**  
VIA

**ASSESS**  
each sector based on its own 200 Day Moving Average

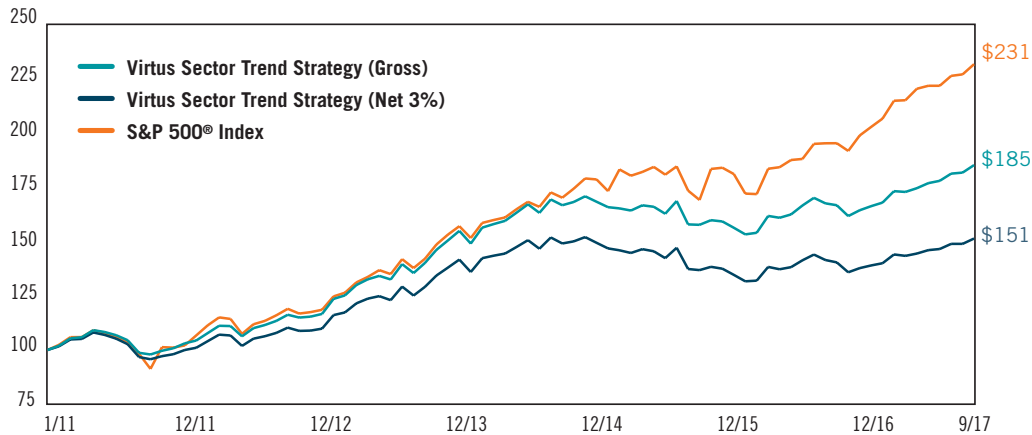


**3**  
VIA

**BUILD**  
according to the rules designed to prioritize sectors showing the strongest price momentum



**Growth of \$100 as of 9/30/17**



The chart assumes an initial investment of \$100 in both the S&P 500® Index and the Virtus Sector Trend Strategy (gross and net) on the first day of the period. Performance assumes reinvestment of dividends and capital gain distributions. Past performance is no guarantee of future results.

**Performance<sup>1</sup>**

As of 9/30/17	Virtus Sector Trend Strategy (Gross)	Virtus Sector Trend Strategy (Net 3%)	S&P 500® Index
Annualized Return	9.53%	6.31%	13.22%
3 Yr Return (Annualized)	3.56%	0.51%	10.81%
5 Yr Return (Annualized)	9.74%	6.51%	14.22%
Standard Deviation	8.21	8.21	10.77
Maximum Drawdown	-10.25	-13.37	-16.26

Past performance is no guarantee of future results. Performance assumes reinvestment of dividends and capital gain distributions.

**Statistics<sup>1</sup>**

As of 9/30/17	Virtus Sector Trend Strategy (Gross)	S&P 500® Index
Alpha	1.4%	0.0%
R-Squared	64.3%	100.0%
Beta	0.6	1.0

Past performance is no guarantee of future results. Performance assumes reinvestment of dividends and capital gain distributions.

**Annual Performance**

As of 9/30/17	2017 YTD	2016	2015	2014	2013	2012	2011
Virtus Sector Trend Strategy (Gross)	11.36%	6.35%	-7.10%	8.63%	32.71%	13.10%	3.05%
Virtus Sector Trend Strategy (Net 3%)	8.91	3.22	-9.87	5.44	28.87	9.79	0.00
S&P 500® Index	14.24	11.96	1.38	13.69	32.39	16.00	2.11

<sup>1</sup>January 2011 – September 2017 (unless otherwise indicated)

Source: Virtus Performance Analytics

The Annual Performance Disclosure Presentation is an integral part of this presentation and is included on the following page.

Past performance is no guarantee of future results. Performance assumes reinvestment of dividends and capital gain distributions.

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.

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**IMPORTANT RISK CONSIDERATIONS**

**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. **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. **Allocation:** The portfolio's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets.

**Alpha:** the excess return of the portfolio relative to the return of the benchmark index. **Beta:** quantitative measure of the volatility of a given portfolio to the overall market. Higher beta suggests higher volatility. **Maximum Drawdown:** the peak-to-trough decline during a specific record period of an investment, fund, or commodity. A drawdown is usually quoted as the percentage between the peak and the trough. **Standard Deviation:** measures variability of returns around the average return for an investment. Higher standard deviation suggests greater risk. **R<sup>2</sup>:** a measure of how closely a portfolio's performance correlates with the performance of a benchmark index.

There is no relationship between Dorsey Wright and Virtus other than a license by Dorsey Wright to Virtus of certain Dorsey Wright trademarks and trade names, and the Dorsey Wright technical analysis ("Technical Analysis"). The Technical Analysis has been created and developed by Dorsey Wright without regard to and independently of Virtus, its business, its development of this product, and/or any prospective investor. The licensing of any Technical Analysis to Virtus is not an offer to purchase or sell, or a solicitation or an offer to buy any securities. A determination that any portion of an investor's portfolio should be devoted to any product developed by Virtus is a determination made solely by the investment advisor serving the investor or the investor himself, not Dorsey Wright or Virtus.

# VIA SECTOR TREND SMA COMPOSITE—ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (Billions)	Composite Assets		Annual Performance Results					
		U.S. Dollars (Millions)	Number of Accounts	Composite			Benchmark <sup>†</sup>		Composite Dispersion
				Gross (%)	3 Year Annual Std. Deviation (%)	Net (%)	Return (%)	3 Year Annual Std. Deviation (%)	
2016	24	14	Five or fewer	6.35	8.21	3.22	11.96	10.59	N.A.
2015	29	20	Five or fewer	-7.10	9.38	-9.87	1.38	10.47	N.A.
2014	38	9	Five or fewer	8.63	8.51	5.44	13.69	8.97	N.A.
2013	39	8	Five or fewer	32.71	8.65	28.87	32.39	11.94	N.A.
2012	30	6	Five or fewer	13.10	na	9.79	16.00	na	N.A.
2011	21	2	Five or fewer	3.05	na	0.00	2.11	na	N.A.

<sup>†</sup>Benchmark: S&P 500<sup>®</sup> Index

Composite/Benchmark Standard Deviation: na - The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

Composite Dispersion: N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

Virtus Investment Advisers, Inc. (VIA) claims compliance with the Global Investment Performance Standards (GIPS<sup>®</sup>) and has prepared and presented this report in compliance with the GIPS<sup>®</sup> standards. VIA has been independently verified for the periods January 1, 1991 to December 31, 2016. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS<sup>®</sup> standards on a firmwide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS<sup>®</sup> standards. The VIA Sector Trend SMA Composite has been examined for the period January 1, 2011 through December 31, 2016. The verification and performance examination reports are available upon request.

Virtus Investment Advisers, a wholly-owned subsidiary of Virtus Investment Partners, is a registered investment advisor that provides investment management services for institutional investors, affiliated investment companies (open and closed end mutual funds), structured finance products (CBOs and CDOs), and other institutional advisors. Composites include all discretionary assets either advised or managed by VIA. Effective October 1, 2008 the firm definition was changed as a result of company name changes due to an initial public offering. Phoenix Investment Counsel, Inc. became Virtus Investment Advisers, Inc. and Phoenix Investment Partners became Virtus Investment Partners. Virtus Investment Advisers, Inc., is a registered investment advisor under the Investment Advisers Act of 1940.

Effective May 11, 2015, Dorsey, Wright & Associates provides technical analysis research that the firm uses in constructing and monitoring the model. F-Squared Investments, Inc. was the model provider and managed the model from inception January 1, 2011 through May 10, 2015. The composite, which was previously known as VIA AlphaSector<sup>®</sup> Rotation Composite and is now known as VIA Sector Trend SMA Composite, has been updated to reflect these changes as well as the change in name due to the fact that the AlphaSector<sup>®</sup> name and mark are owned by the previous model provider.

Effective May 11, 2015, the composite is defined as all fully discretionary, wrap fee Sector Trend portfolios (including cash) under management. The model has an investment objective of long-term capital appreciation. It utilizes a rules based investment process and may invest in securities representing the primary sectors of the S&P 500<sup>®</sup> Index and/or cash equivalents (high-quality short-term securities). Allocations to each sector are based on quantitative models. The model has the flexibility to invest in any combination of the sectors and high-quality short-term securities, or 100% in high-quality short-term securities and strives to outperform the S&P 500<sup>®</sup> Index with lower volatility, lower beta, and lower correlation over full market cycles. Prior to May 11, 2015, the composite was defined as all fully discretionary, wrap fee AlphaSector<sup>®</sup> Rotation portfolios (including cash) under management. AlphaSector<sup>®</sup> Rotation portfolios were invested to meet the real needs of individual investors by seeking to provide risk controls in down markets and enhanced alpha in up markets. The model had an investment objective of long-term capital appreciation and sought to deliver the returns of the AlphaSector<sup>®</sup> Rotation Index which strived to outperform the S&P 500<sup>®</sup> Index with lower volatility, low beta, and low correlation.

The composite contains 100% wrap accounts for each period presented and the relationship is included in the composite as one account. There is no minimum account size for this composite. For comparison purposes, the composite is measured against the S&P 500<sup>®</sup> Index. The S&P 500<sup>®</sup> Index is a free-float capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500<sup>®</sup> Index are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in November 2011.

Accounts are not removed from the composite due to cash flows effective 10/1/16. Prior to 10/1/16, accounts that experienced a significant cash flow, defined as aggregate flows only if an account raises cash to greater than 20% of the portfolio and has remained at that level for at least one month at quarter end, were removed from the composite for the quarter the significant cash flow occurs. The account remained excluded until it has been invested without further significant cash flows for one full calendar quarter. Additional information regarding the firm's policies and procedures for calculating and reporting performance and for the treatment of significant cash flows is available upon request.

The standard fee schedule in effect is 0.60% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A of Form ADV, which is available on request. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Returns are presented gross and net of fees and include the reinvestment of all income. Gross returns are shown as supplemental information and are stated gross of all fees and transaction costs; net returns are reduced by the maximum wrap fee of 3.00% applied monthly and include all fees and transaction costs incurred. Wrap fees include all charges for trading costs, portfolio management, custody, and other administrative expenses.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. A complete list and description of all composites is available upon request. Past performance is no guarantee of future performance. The actual return and value of an account will fluctuate and at any point in time could be worth more or less than the amount invested. If applicable, the annual standard deviation presented is an asset-weighted calculation of performance dispersion for accounts in the composite for the entire year.

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