

# GLOBAL INFRASTRUCTURE: A STRATEGY FOR ALL SEASONS



## SPOTLIGHT ON: VIRTUS DUFF & PHELPS GLOBAL INFRASTRUCTURE FUND

A: PGUAX / C: PGUCX / I: PGIUX / R6: VGIRX

Infrastructure companies provide essential services, have high barriers to entry, and operate under long-term contractual agreements, all qualities contributing to highly visible, less variable, and more stable revenue streams and earnings growth potential. The **Virtus Duff & Phelps Global Infrastructure Fund (PGIUX)** targets high-quality, owner/operator companies, and strives to provide investors stable growth, higher income, and downside mitigation, relative to traditional equities.

	Compelling risk-adjusted returns		A history of generating excess return			
	PGIUX Percentile Rankings Morningstar Infrastructure Category Based on Total Return as of 9/30/2022		PGIUX Return (%)	Virtus Global Infrastructure Linked Benchmark Return (%)	Excess Return Over Benchmark	MSCI ACWI Index Return (%)
	Return	Sharpe Ratio				
1 Year	<b>25<sup>th</sup></b> (21/106 Funds)	<b>16<sup>th</sup></b> (14/106 Funds)	-6.90	-7.11	<b>+21 bps</b>	-20.66
3 Year	<b>41<sup>st</sup></b> (40/87 Funds)	<b>41<sup>st</sup></b> (40/87 Funds)	-0.02	-0.51	<b>+49 bps</b>	3.75
5 Year	<b>22<sup>nd</sup></b> (17/75 Funds)	<b>27<sup>th</sup></b> (23/75 Funds)	3.51	3.04	<b>+47 bps</b>	4.44
10 Year	<b>36<sup>th</sup></b> (11/34 Funds)	<b>38<sup>th</sup></b> (13/34 Funds)	6.01	5.50	<b>+51 bps</b>	7.28
Since Inception (6/6/08)	<b>16<sup>th</sup></b> (3/11 Funds)	<b>16<sup>th</sup></b> (3/11 Funds)	4.98	3.85	<b>+113bps</b>	4.74

Past performance is not indicative of future results. Source: Morningstar, Virtus Performance & Analytics.

## Double Play: Diversification and Defense

Consider the defensive characteristics PGIUX has historically generated over the 10 years ended 9/30/2022:

- **Strong downside mitigation**—Up/Down Capture Ratio (77%/74% vs. MSCI ACWI Index)
- **Lower correlation to traditional stocks**—Correlation to the S&P 500® Index of 1.00
- **Lower volatility, relative to global equities**—Beta of 0.78 vs. MSCI ACWI, with less standard deviation than the Index (13.52% vs. 13.97%)
- **Stable income from essential services**—Attractive yield and dividend growth potential, compared to many other asset classes
- **Strong risk-adjusted returns**—Above average Sharpe Ratio within its Morningstar Category

Past performance is not indicative of future results. Source: Morningstar Direct.

**Beta** measures the volatility of a given portfolio relative to the overall market. Higher beta suggests higher volatility. Beta can also refer to relative volatility to a portfolio's stated benchmark. **Correlation** measures 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. **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. **Sharpe Ratio** 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 fund. Higher standard deviation suggests greater risk. Indexes are defined on page 3.

## The global infrastructure market offers attractive opportunities to add meaningful value through active management.

### Key Features of PGIUX

#### Attractive Income and Growth Potential

Pursues the relatively high, predictable dividends and solid capital appreciation opportunities that infrastructure companies can offer

#### Strong Protective Attributes

Focuses on essential services companies that historically have performed well regardless of economic conditions, with long-term contracts or regulatory agreements that provide a potential inflation hedge

#### Historically Lower Relative Risk Profile

High-conviction portfolio of 40-60 securities emphasizes quality, developed market owner/operators with high-visibility revenues, above-average dividend payouts, and steady cash flow and earnings growth

### Duff & Phelps Infrastructure Secular Trends

**Sustainability**—Global listed infrastructure investments are key to sustainable development amidst a growing global population (power generation, clean water, etc.)

**Under Investment**—Years of under-investment by government and continued lack of funding

**Data Demand**—Massive data needs as cloud adoption grows and data demand increases

**Global Resource Management**—Key driver for assets such as airports, railways (supply chain), ports

**Urban Congestion**—Toll roads help relieve congestion and fund investment

**Expertise**—Increased efficiency and expertise of private enterprise vs. government agency

### Duff & Phelps Infrastructure Sector Views

**Macro:** Global infrastructure relatively well positioned in an uncertain macro environment

- Market volatility has created attractive valuations across much of the infrastructure universe
- Inflation-linked clauses in long-term contracts, regulatory resets, and energy exposure provide inflation protection
- Midstream energy companies and renewables-focused utilities are positioned to provide the energy security necessary for global economies to grow and thrive over the long term
- Maintain sector and regional diversity to capitalize on areas with best growth opportunities while balancing risk

**Communications** (wireless/broadcast towers and satellite operators): maintain bullish long-term outlook on wireless tower companies

- Leasing activity has increased to all-time highs in the U.S.; in Europe, the independent tower model is accelerating, offering significant growth opportunities
- Long runway for growth as 5G technology and small cells/fiber networks are deployed over multiple years

**Utilities** (electric, gas, and water): decarbonization of the economy creates a favorable outlook for utilities

- Political and regulatory initiatives globally encourage investment in renewables, providing a visible ramp of growth that extends for more than a decade
- Utilities offer strong earnings visibility and attractive valuations relative to the broader market

**Transportation** (diversified transportation infrastructure, airports, seaports, and railroads): Mixed operating measures across railroads, toll roads, airports

- Political and regulatory initiatives globally encourage investment in renewables, providing a visible ramp of growth that extends for more than a decade
- Utilities offer strong earnings visibility and attractive valuations relative to the broader market

**Energy** (oil and gas transportation, distribution, and storage): Tight supply conditions support industry and company fundamentals

- Political and regulatory initiatives globally encourage investment in renewables, providing a visible ramp of growth that extends for more than a decade
- Utilities offer strong earnings visibility and attractive valuations relative to the broader market

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.

## Virtus Duff & Phelps Global Infrastructure Fund Annual Total Returns and Morningstar Ratings

Class I as of 9/30/2022

RETURNS (%)	QTD	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	SINCE INCEPTION (6/6/08)	TIME PERIOD	INFRASTRUCTURE CATEGORY # OF FUNDS	RATINGS
Fund	-8.93	-14.39	-6.90	-0.02	3.51	6.01	4.97	Overall	87	★★★
Index	-10.26	-13.77	-7.11	-0.51	3.04	5.50	3.82	3 Year	87	★★★
								5 Year	75	★★★★
								10 Year	34	★★★

**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](http://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](http://virtus.com) for details.**

The fund class gross expense ratio is 1.01%

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: Virtus Global Infrastructure Linked Benchmark

Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive fund performance.



To learn more, please contact us at 800-243-4361 or visit [virtus.com](http://virtus.com)

**Morningstar:** Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

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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. **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. **Income:** Income received from the portfolio may vary widely over the short- and long-term and/or be less than anticipated if the proceeds from maturing securities in the portfolio are reinvested in lower-yielding securities. **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 (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.

**Index:** The **Virtus Global Infrastructure Linked Benchmark** consists of the FTSE Developed Core Infrastructure 50/50 Index (net), a free float-adjusted market capitalization weighted index that gives participants an industry-defined interpretation of developed market infrastructure companies and adjusts the exposure to certain infrastructure subsectors. The constituent weights are 50% Utilities, 30% Transportation (including capping 7.5% for railroads/railways), and a 20% mix of other sectors including pipelines, satellites, and telecommunication towers. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Virtus Global Infrastructure Linked Benchmark between 9/1/2008 and 9/30/2016 represents a 100% allocation to the MSCI World Infrastructure Sector Capped Index. Prior to 9/1/2008 the allocation consisted of 65% MSCI USA/Utilities Index, 20% MSCI World Telecom Services Index, and 15% MSCI World ex USA/Utilities Index.

The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The **MSCI AC World Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets. The indexes are 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.

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