

Virtus Emerging Markets Opportunities Fund

A: AOTAX (92837N808) | C: AOTCX (92837N881) | INSTITUTIONAL: AOTIX (92837N840) | P: AEMPX (92837N857) | R6: AEMOX (92837N865)

MARKET REVIEW

Emerging markets equities broadly delivered positive returns in the first quarter, with the MSCI Emerging Markets Index rising 2.37%. The benchmark benefited particularly from strong market performance in two of its largest country weightings: Taiwan, which continued to soar on artificial intelligence (AI) momentum, and India, thanks to its booming economy. In contrast, China, the Index's largest country allocation, continued to drag on returns due to its lingering economic and property market struggles, though there were some signs of potential stabilization, or at least a general avoidance of further deterioration.

The strongest country performers were Peru (+15.83%), Turkey (+14.57%), Colombia (+14.20%), and the aforementioned Taiwan (+12.43%). The weakest returns were in Egypt (-29.73%), Thailand (-8.21%), the Czech Republic (-7.73%), and Brazil (-7.36%). At the sector level, strong performers included information technology (+9.86%), buoyed by AI enthusiasm, and energy (+6.91%), benefiting from climbing oil prices. The largest sector declines were in real estate (-5.96%) and materials (-4.59%).

PORTFOLIO OVERVIEW

The Virtus Emerging Markets Opportunities Fund rose 4.22% (Class INST) in the quarter. From a sector perspective, stock selection in financials, industrials, and energy contributed the most to performance. Stock selection in information technology and utilities detracted the most from returns.

PetroChina and NVIDIA were among the strongest stock contributors.

- > China's state-owned energy giant PetroChina rebounded on robust financial results driven by record profit in its core natural gas business. Shares also benefited from the company's favorable dividend, as well as continued focus on strengthening shareholder value. We held steady with the stock as it remains well positioned to deliver additional gains looking ahead.
- > NVIDIA outperformed on surging profit and an upbeat outlook due to its booming AI chip business. The company's chips are foundational for generative AI, and while it is based in the U.S., a substantial amount of its revenue comes from emerging market countries. We maintained the position as we see room for continued outperformance given the company's competitive strength in the AI segment.

Micro-Star International and CPFL Energia were among the largest stock detractors.

- > Taiwanese computer hardware manufacturer Micro-Star International underperformed due to lower-than-expected earnings and margin pressures from higher sales costs and rising component prices. We exited the stock.
- > Brazilian electric utility company CPFL Energia lagged on investor disappointment around its dividend payout. We continued to hold the stock as the company's main business is still performing well.

OUTLOOK

We continue to see a broadly constructive backdrop for emerging markets equities. Valuations relative to developed markets, particularly the U.S., are at historically attractive levels, and the asset class continues to offer compelling investment potential for active stock selection. Further, these markets tend to benefit when U.S. interest rates move lower, and the prospects that the Federal Reserve's tightening cycle has peaked should continue to prove supportive. It appears that investors may have gotten ahead of themselves at the end of last year in terms of rate cut expectations given still-sticky inflation numbers and the resilient employment market. However, it still seems likely that there will be some degree of monetary loosening by year end, but the odds of any additional rate increases seem remote.

In terms of specific opportunities, the economic news coming out of China has been less negative of late, and we have turned a bit more positive on the country, selectively adding more exposure to the portfolio in segments such as state-owned enterprises and cyclical industrials. Conversely, we have been scaling back holdings in India. While the country's economic picture remains strong, its stock market has become relatively expensive.

Looking across sectors, generative AI continues to offer considerable opportunities within information technology, where the portfolio maintains an overweight position. We also have been actively adding exposure to energy, which should continue to benefit from oil price strength.

We believe the portfolio remains well positioned in the current investment climate to continue delivering consistent, long-term outperformance. Our systematic, bottom-up methodology remains firmly rooted in a disciplined behavioral finance approach designed to take advantage of the inefficient nature of these markets, seeking to identify mispriced opportunities while reducing downside risk exposures. In our view, this can offer a tremendous information advantage when selecting stocks that align with the portfolio's higher-quality, lower-volatility profile as it pursues adding repeatable long-term alpha.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT MANAGER

Virtus Systematic

PORTFOLIO MANAGERS



Kunal Ghosh
Industry start date: 2003
Start date as Fund Portfolio
Manager: 2007



Lu Yu, CFA, CIPM
Industry start date: 2002
Start date as Fund Portfolio
Manager: 2010

TOP TEN HOLDINGS

% Fund

Taiwan Semiconductor Manufacturing Co. Ltd.	7.28
Samsung Electronics Co. Ltd.	3.50
PetroChina Co. Ltd.	3.49
Kia Corp.	3.20
CPFL Energia SA	2.99
Grupo Financiero Banorte SAB de CV	2.82
New Oriental Education & Technology Group Inc.	2.68
State Bank of India	2.61
Tata Consultancy Services Ltd.	2.53
Emirates NBD Bank PJSC	2.41
Holdings are subject to change.	

AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (5/27/04)
Fund Class I	4.22	4.22	14.85	-3.53	4.37	3.86	7.85
Index	2.37	2.37	8.15	-5.05	2.22	2.95	7.06

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 1.26%. The net expense ratio is 0.94%, which reflects a contractual expense reimbursement in effect through 10/31/2024.

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 Emerging Markets Index (net)** is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets. 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 it is not available for direct investment.

TOP FIVE CONTRIBUTORS % Contribution

Taiwan Semiconductor Manufacturing Co. Ltd.	1.52
PetroChina Co. Ltd.	0.76
NVIDIA Corp.	0.63
Hanwha Aerospace Co. Ltd.	0.44
Oil & Natural Gas Corp. Ltd.	0.43

TOP FIVE DETRACTORS % Contribution

Micro-Star International Co. Ltd.	-0.48
CPFL Energia SA	-0.43
JinkoSolar Holding Co. Ltd.	-0.28
Asustek Computer Inc.	-0.26
Lenovo Group Ltd.	-0.26

% Contribution: Absolute weighted contribution.

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

Notes on 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. 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. **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. **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, medium, or large-sized companies may enhance that risk. **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. **Focused Investments:** To the extent the portfolio focuses its investments on a limited number of issuers, sectors, industries or geographic regions, it may be subject to increased risk and volatility. **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.

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.

Not FDIC Insured | May Lose Value | Not Bank Guaranteed