

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 posted their strongest returns of the year in the fourth quarter, participating in a broad global rally of risk assets. Investors cheered encouraging inflation and economic data and growing signals that the global monetary tightening cycle appeared to be nearing an end. The shift in market sentiment lifted the MSCI Emerging Markets Index 7.86% for the period, overcoming last quarter's volatility to gain 9.83% for the year.

Many of the countries in the Index delivered double-digit gains in the period. However, China remained a notable outlier, as persistent uncertainties around its economic recovery continued to weigh on companies. The strongest performers were Poland (+38.03%), Peru (+23.45%), Egypt (+22.57%), Mexico (+18.60%), and Brazil (+17.84%). The only countries to post declines were Turkey (-12.17%), China (-4.22%), the United Arab Emirates (-3.11%), and Kuwait (-0.28%). All but one of the Index's sectors rose, led by information technology (+17.82%), utilities (+12.77%), and financials (+8.26%), with only real estate slightly declining (-0.21%).

PORTFOLIO OVERVIEW

The Virtus Emerging Markets Opportunities Fund gained 9.22% (Class INST) for the quarter, while the MSCI Emerging Markets Index rose 7.86%. Stock selection in financials, information technology, consumer discretionary, and consumer staples contributed the most to performance. Stock selection in industrials and energy detracted the most from returns.

Power Finance and Micro-Star International were among the strongest stock contributors.

- > Shares of Indian non-banking financial company Power Finance again outperformed. The company is a leading provider of financial products and services to the country's power sector and has continued to benefit from robust demand and an overall boost in economic activity. The stock has been a strong performer throughout 2023, and we slightly trimmed the position on the gains.
- > Taiwan-based technology firm Micro-Star International rose on the fourth quarter's tech sector rebound and overall strong country performance. The company provides computer hardware and related services, and the stock benefited from the broad risk-on investment environment and continued enthusiasm for businesses related to the artificial intelligence (AI) theme. We held steady with the position as we see room for additional gains.

PetroChina and Grupo Aeroportuario del Pacifico were among the largest stock detractors.

- > State-owned energy giant PetroChina had been a bright spot in the Chinese market for much of the year but lagged this quarter on broad energy price weakness. We trimmed the position but continued to hold the stock as the company again reported record results and remains well positioned looking ahead.
- > Shares of Mexican airport operator Grupo Aeroportuario del Pacifico fell due to a surprise announcement by regulators about a change in airport concessions agreements. We continued to hold the stock as the company assesses the potential impact these unexpected modifications may have on its operations.

OUTLOOK

We continue to find attractive investment opportunities in emerging markets. If the U.S. proves to be done raising interest rates for the current tightening cycle with potential for rate cuts later in the year, it could be very beneficial to these markets, along with expectations for a softening U.S. dollar.

In addition, the news coming out of China of late has been less negative, and with current market valuations at decade lows, it would not be surprising to see a bounce back if the economic picture continues to stabilize. Still, we are not aggressively increasing our exposure to the Chinese market at the moment, given continued policy risks.

In other regions, we remain largely positive toward Mexico and Brazil, where we continue to find favorable earnings outlooks. We also maintain a generally constructive view on Taiwan, based on its market's strength in technology and positive positioning around AI. In contrast, while India's economy and capital expenditure spending continue to boom, we have become slightly more neutral than positive on its market, given how rich equity valuations have become.

Looking ahead, we expect our disciplined focus of applying systematic bottom-up research to uncover investment potential to remain well positioned and potentially outperform the broader market. The Fund's strong outperformance for both the quarter and all of 2023 highlights the value of active management when it comes to emerging markets investing. These markets historically have been less efficient than developed markets, offering consistent opportunities to exploit information asymmetries through active stock selection. Over the long term, this can capture considerable alpha potential versus passive allocations.

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.	5.88
Samsung Electronics Co. Ltd.	5.43
CPFL Energia SA	3.42
Tencent Holdings Ltd.	3.12
Kia Corp.	3.00
Micro-Star International Co. Ltd.	2.99
Grupo Financiero Banorte SAB de CV	2.69
Novatek Microelectronics Corp.	2.66
Emirates NBD Bank PJSC	2.42
State Bank of India	2.24

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

Taiwan Semiconductor Manufacturing Co. Ltd.	1.05
Samsung Electronics Co. Ltd.	1.01
Power Finance Corp Ltd.	0.80
Micro-Star International Co. Ltd.	0.77
Kia Corp.	0.73

TOP FIVE DETRACTORS % Contribution

PetroChina Co. Ltd.	-0.40
Yum China Holdings Inc.	-0.28
Meituan	-0.26
Grupo Aeroportuario del Pacifico SAB de CV	-0.23
Kuaishou Technology	-0.21

% Contribution: Absolute weighted contribution.

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

AVERAGE ANNUAL TOTAL RETURNS (%) as of 12/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (5/27/04)
Fund Class I	9.22	17.87	17.87	-2.89	5.41	3.29	7.72
Index	7.86	9.83	9.83	-5.08	3.69	2.66	7.03

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.

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 insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

Distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.