VIRTUS FUNDS

Virtus SGA International Growth Fund

A: SCIIX (92837F284) | I: STITX (92837F276) | R6: SCIZX (92837F268)

MARKET REVIEW

Following a tepid start to the year, renewed optimism around the global macroeconomic backdrop outside of China sent broad market indexes higher in the first quarter. The MSCI AC World ex USA Index rose 9.2% following its January lows to finish the quarter up 4.7%. The broader market advance was led by technology stocks, in particular semiconductor names, which returned 21% on the back of continued excitement around artificial intelligence (AI) and chip demand.

More economically sensitive areas of the market, including banks and industrial stocks, were also among the better performing, driven by the improving macro backdrop; companies in the consumer staples sector performed worst. Developed markets performed best, led by strength in European and Japanese stocks. Continued weakness in Chinese stocks and a pullback in Latin American markets weighed on emerging markets, which underperformed despite strong performance in Taiwan.

PERFORMANCE

The Virtus SGA International Growth Fund returned -1.33% (Class I) for the quarter versus 4.69% for the MSCI AC World ex USA Index. Stock selection in information technology, financials, and consumer discretionary, and an overweight in consumer staples detracted from performance. Stock selection in healthcare and materials contributed to performance.

Novo Nordisk and SAP were among the strongest stock contributors in the quarter.

> Pharmaceutical company Novo Nordisk benefited from another quarter of strong results driven by continued strength in its diabetes offerings, led by GLP-1 drugs Ozempic and Rybelsus, and high demand for its obesity drug Wegovy. We trimmed the position on strength but maintained an above-average-weight position.

> Enterprise software company SAP reported mixed quarterly results, and the market reacted favorably to the company's announced restructuring program, higher 2025 operating profit and free cash flow targets, and positive long-term margin and growth expectations. We trimmed the position on strength during the quarter.

AIA Group and HDFC Bank were among the largest stock detractors in the quarter.

> Despite strong growth in the value of new business and annualized new premiums, weak after-tax profit growth weighed on Hong Kong-based insurer AIA Group's shares. We view current pressures on profits, largely driven by higher medical claims and demand for lower margin savings products, as shorter-term issues and continue to view the long-term growth opportunity favorably. We maintained our position in the company.

> India-based banking company HDFC's quarterly results disappointed as deposit and loan growth came in below historical trends, along with a lack of improvement in its net interest margin. We remain confident in the longer-term growth opportunity ahead for HDFC Bank and bought more shares on weakness during the quarter.

PORTFOLIO CHANGES

New positions in LVMH, Lululemon, Haleon, and Waste Connections were initiated during the quarter, replacing positions in CP All, Temenos, and Shandong Weigao.

> LVMH sells luxury products globally, and we believe it benefits from a competitive advantage due to its vertical integration, which enables it to control the retail, customer, and creative experience for its brands. While we anticipate China-related growth slowing moving forward, we still see an attractive growth opportunity ahead for the company.

> Lululemon offers premium products with strong points of differentiation and is a market leader in the athleisure category. Lululemon's attractive growth opportunity is supported by further penetration in women's apparel from new product categories and men's apparel, along with international expansion.

> Haleon is a leading global consumer healthcare business, spun out of GlaxoSmithKline in 2022. Haleon's growth opportunity is supported by several structural tailwinds, including rising demand for consumer healthcare products due to aging populations globally, the growth of the middle class, and increasing focus on immunity, health, and wellness.

> Waste Connections is a leading North American waste collection and disposal company. We expect WCN to deliver resilient and predictable growth moving forward. Additional upside from investments into renewable natural gas facility projects, which focus on converting landfill gas to valuable renewable natural gas, should provide incremental growth in the coming years.

OUTLOOK

The market environment in the first quarter reflected a continuation of trends that began in 2023 when optimism around a more resilient global economy gained steam and earnings estimates started to inflect higher. Periods of rising investor optimism and growth estimates have been difficult for the portfolio's relative performance, historically, as investors tend to gravitate toward areas of the market more exposed to an improving macroeconomic backdrop, while more predictable and reliable growth companies go unrewarded.

We remain committed to our bottom-up benchmark-indifferent process and focus on highly predictable growth companies despite variations in short-term performance. We have confidence in the ability of the companies in our portfolio to deliver better fundamental results over time, which we expect will ultimately be rewarded by the market over the long term.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Sustainable Growth Advisers, LP

PORTFOLIO MANAGERS

Tucker Brown
Industry start date: 1995
Start date as Fund Portfolio 2019

Alexandra Lee, M.D.
Industry start date: 2000
Start date as Fund Portfolio Manager: 2019

Kishore Rao
Industry start date: 1997
Start date as Fund Portfolio Manager: 2022

TOP TEN HOLDINGS

	% Fund
Novo Nordisk A/S	4.97
Fomento Economico Mexicano SAB de CV	4.80
Steris PLC	4.79
Aon PLC	4.76
Universal Music Group NV	4.07
HDFC Bank Ltd.	3.99
Alcon Inc.	3.98
Canadian Pacific Kansas City Ltd.	3.91
L'Oreal SA	3.53
Infosys Ltd.	3.52

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 (12/1/95)
Fund Class I	-1.33	-1.33	7.23	0.67	7.59	6.36	6.29
Index	4.69	4.69	13.26	1.94	5.97	4.25	4.89

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.

Since inception performance for the index reflects a start date of 12/29/2000.

The fund class gross expense ratio is 1.32%. The net expense ratio is 1.05%, which reflects a contractual expense reimbursement in effect through 4/30/2025.

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 AC World ex USA Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets, excluding the United States. 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.

TOP FIVE CONTRIBUTORS

	% Contribution
Novo Nordisk A/S	1.16
Sap SE	0.62
Aon PLC	0.61
Adyen NV	0.59
Icon PLC	0.54

TOP FIVE DETRACTORS

	% Contribution
AIA Group Ltd.	-0.86
HDFC Bank Ltd.	-0.79
Shandong Weigao Group Medical Polymer Co. Ltd.	-0.75
Temenos AG	-0.69
Atlassian Corp.	-0.42

% Contribution: Absolute weighted contribution.

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

Notes on Risk: 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. **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. **Limited Number of Investments:** Because the portfolio has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a portfolio with a greater number of securities. **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. **Currency Rate:** Fluctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the portfolio's shares. **Depositary Receipts:** Investments in foreign companies through depositary receipts may expose the portfolio to the same risks as direct investments in securities of foreign issuers. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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

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