VIRTUS FUNDS

Virtus SGA Emerging Markets Equity Fund

A: HEMZX (92828W387) | C: PICEX (92828W379) | I: HIEMX (92828W361) | R6: VREMX (92828W353)

Effective December 27, 2023, this Fund's name, subadviser, and investment approach changed.

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 Emerging Markets Index rose 9.3%, following its January lows, to finish the quarter up 2.4%.

The largest contributor to market returns were semiconductor stocks, which returned over 20% and accounted for nearly all the quarter's gains on the back of continued excitement around artificial intelligence (AI) and chip demand. Companies in the energy sector, the best performing sector over the past year, also continued their outperformance as oil prices climbed higher amid rising tensions in the Middle East and broader concerns around supply. In contrast, companies in consumer staples, a large component of the Fund, continued to underperform.

Growth expectations for the global economy continued to inch higher with the International Monetary Fund raising its 2024 and 2025 global growth projections to 3.1% and 3.2%, respectively, reflecting greater resiliency in the U.S. and strong and improving growth outlooks in key emerging markets such as India, Brazil, and Mexico. Earnings growth estimates also climbed higher in the quarter, after bottoming in 2023, which provided a favorable backdrop for companies with greater sensitivity to fluctuations in the macroeconomic backdrop.

PERFORMANCE

The Virtus SGA Emerging Markets Fund returned -5.55% (Class I) for the quarter versus 2.37% for the MSCI Emerging Markets Index. Stock selection in financials, communication services, consumer staples, and healthcare detracted from performance. Stock selection and an underweight in information technology, as well as an overweight in consumer staples, also detracted from returns. Stock selection in consumer discretionary contributed to returns.

Fast Retailing and H World Group were among the strongest stock contributors in the quarter.

> Fast Retailing delivered good quarterly results and profitability surprised positively. Consolidated revenue and profit grew 13% and 25%, respectively, with notable strength in its international UNIQLO business. We trimmed the position on strength but continued to hold the stock as we view the company's longer-term growth opportunity favorably.

> China-based hotel company H World Group delivered strong quarterly results with domestic revenue-per-available-room increasing 44%, while operating income and cash flows improved significantly, following a challenging operating environment in 2022. We maintained a below-average weight position in the company given concerns around the Chinese growth backdrop.

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 Tata Consulting Services and Taiwan Semiconductor were initiated during the quarter.

> Tata Consulting Services (TCS) is the second largest IT services company in the world and the largest based in India. The company offers a comprehensive suite of technology solutions, and its client retention rate is over 95% as they benefit from high switching costs due to deep knowledge of its clients' needs and trust that has been built up over the years. TCS remains well positioned for attractive future growth given its pivot towards supporting cloud migrations and digital services as well as its investments into solutions driving up productivity in managed services.

> Taiwan Semiconductor is the world's preeminent semiconductor foundry with over 50% market share and a dominant position in the newest and most advanced semiconductor technology. The company has established an unparalleled position in the semiconductor ecosystem, enabling the chip design industry to flourish. Secular growth drivers, including growth in 5G, AI, and growing datacenter compute demands, provide a long duration growth opportunity ahead for the company.

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

Robert L. Rohn
Industry start date: 1983
Start date as Fund Portfolio Manager: 2023

Kishore Rao
Industry start date: 1997
Start date as Fund Portfolio Manager: 2023

Hrishikesh (HK) Gupta
Industry start date: 2009
Start date as Fund Portfolio Manager: 2023

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

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (10/20/97)
Fund Class I	-5.55	-5.55	-6.39	-12.66	-3.42	0.31	4.71
Index	2.37	2.37	8.15	-5.05	2.22	2.95	n/a

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 1.25%. The net expense ratio is 1.23%, which reflects a contractual expense reimbursement in effect through 1/31/2025.

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 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 is not available for direct investment.

TOP TEN HOLDINGS

	% Fund
HDFC Bank Ltd.	6.66
Fomento Economico Mexicano SAB de CV	5.84
Infosys Ltd.	5.20
Wal-Mart de Mexico SAB de CV	4.67
XP Inc.	4.65
MercadoLibre Inc.	4.53
NAVER Corp.	4.51
CP All Pcl	4.36
Bank Central Asia Tbk PT	4.28
Unilever PLC	4.15

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

	% Contribution
Fast Retailing Co. Ltd.	1.18
H World Group Ltd.	0.39
Bank Central Asia Tbk PT	0.24
adidas AG	0.20
Unilever PLC	0.17

TOP 5 DETRACTORS

	% Contribution
AIA Group Ltd.	-1.10
HDFC Bank Ltd.	-1.10
NAVER Corp.	-0.83
Shandong Weigao Group Medical Polymer Co. Ltd.	-0.76
Budweiser Brewing Co. APAC Ltd.	-0.69

% 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. **Geographic Concentration:** A portfolio that focuses its investments in a particular geographic location will be sensitive to financial, economic, political, and other events negatively affecting that location. **Convertible Securities:** A convertible security may be called for redemption at a time and price unfavorable to the portfolio. **Currency Rate: F**luctuations in the exchange rates between the U.S. dollar and foreign currencies may negatively affect the value of the portfolio's shares. **Sector Focused Investing:** Events negatively affecting a particular industry or market sector in which the portfolio focuses its investments may cause the value of the portfolio to decrease. **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. **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.

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