

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. The following Market Review and Outlook sections were provided by the Fund's subadviser, Sustainable Growth Advisers, while the Performance section was provided by the Fund's previous subadviser, Vontobel Asset Management.

MARKET REVIEW

Rising investor risk appetites, following large declines in global bond yields and a weakening U.S. dollar, supported a strong finish for emerging markets (EM) stocks in the fourth quarter. Despite better-than-expected third-quarter gross domestic product growth, investor sentiment toward Chinese stocks remained weak in the period. China was the second-worst-performing market, down 4%, and one of only four markets to post negative returns for the quarter. For the year, Chinese stocks declined 11% and are down nearly 55% from their high in February of 2021, as concerns around the health of its property market and economic recovery, as well as geopolitical tensions, continued to linger.

In contrast, performance was strong in Latin America, led by Brazilian and Mexican markets, which benefited from solid and improving economic growth and expectations that central banks will cut interest rates given moderating inflation. EM markets in Europe performed strongly as well, led by Poland, the best performing market in the quarter. Asian markets outside of China also generally performed well, led by Taiwan and Korea, which benefited from a strong rebound in semiconductor and hardware technology stocks. Indian equities also outperformed on the back of strong economic growth and optimism around future growth prospects given its favorable demographics, stable democracy, and growing middle class.

Earnings expectations for the market improved in the fourth quarter amid a still resilient global economic backdrop and expectations for central banks to pivot in 2024 given moderating inflationary pressures.

PERFORMANCE

The Virtus SGA Emerging Markets Equity Fund returned +5.16% (Class I) in the fourth quarter, while the MSCI Emerging Markets Index returned +7.86%. Stock selection in consumer discretionary and financials, as well as an underweight and stock selection in information technology, detracted from performance. Stock selection in consumer staples and healthcare contributed to performance.

Taiwan Semiconductor Manufacturing Company and Samsung Electronics were among the strongest stock contributors.

> Taiwan Semiconductor, the world's largest semiconductor foundry, reported third-quarter results that were ahead of consensus expectations, largely due to better-than-expected margins.

> Korea's leading chip and smartphone maker, Samsung Electronics, reported third-quarter results that beat consensus expectations on the back of strength in its display and smartphone businesses.

Yum China and Americana Restaurants International were among the largest stock detractors.

> Yum China, which operates KFC, Pizza Hut, and Taco Bell restaurants in mainland China and has over 14,000 locations, disappointed in the third quarter due to lower-than-expected restaurant margins.

> Americana Restaurants is the largest franchise operator in the out-of-home dining market in the Middle East and North Africa with over 2,300 outlets, including KFC and Krispy Kreme. The company's quarterly results fell short of consensus expectations primarily due to a slowdown in consumption in Saudi Arabia.

OUTLOOK

We are committed to assembling a portfolio of attractively valued, high-quality companies that can reliably compound earnings and cash flows at above average rates with less macroeconomic sensitivity than the Index over the long-term. Over full market cycles, we believe these distinctive businesses should be rewarded by the market and deliver strong absolute and relative returns with lower levels of risk.

While the last three years have been challenging for emerging markets stocks, and growth stocks in particular, we remain comforted by the excellent businesses in the portfolio, which have so far benefited from long-term, secular growth tailwinds that should allow them to grow earnings and cash flow reliably and predictably over time.

We expect the portfolio to grow earnings by 15% per year over the next three years, in line with its long-term average. Expectations for 2024 and 2025 remain high with the MSCI Emerging Markets Index's earnings growing 18% and 15%, respectively. While broad-based earnings may continue to improve following a period of weakness, the challenging economic environment in China and likely modest global growth backdrop makes the growth outlook susceptible to disappointment, in our view.

Regardless of the direction of the macro-economic environment, we have confidence that the higher-quality and more predictable growth companies in our portfolio offer the potential to outperform over full market cycles.

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

TOP TEN HOLDINGS

	% Fund
HDFC Bank Ltd.	6.40
Infosys Ltd.	5.47
Fomento Economico Mexicano SAB de CV	5.32
Fast Retailing Co. Ltd.	5.29
CP All Pcl	4.80
Wal-Mart de Mexico SAB de CV	4.72
AIA Group Ltd.	4.63
XP Inc.	4.36
Bank Central Asia Tbk PT	4.16
NAVER Corp.	4.06

Holdings are subject to change.

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

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (10/20/97)
Fund Class I	5.16	0.39	0.39	-10.34	-0.26	1.08	4.98
Index	7.86	9.83	9.83	-5.08	3.69	2.66	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 FIVE CONTRIBUTORS % Contribution

Taiwan Semiconductor Manufacturing Co. Ltd.	0.83
Samsung Electronics Co. Ltd.	0.66
Dino Polska SA	0.65
Totvs SA	0.44
HDFC Bank Ltd.	0.43

TOP 5 DETRACTORS % Contribution

Yum China Holdings Inc.	-0.48
Americana Restaurants International PLC	-0.42
Hong Kong Exchanges & Clearing Ltd.	-0.31
Alibaba Group Holding Ltd. ADR	-0.31
Alibaba Group Holding Ltd.	-0.30

% 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:** Fluctuations 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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