

Virtus Rampart Equity Trend Fund

A: VAPAX (92828R255) | C: VAPCX (92828R248) | I: VAPIX (92828R230) | R6: VRPAX (92828W536)

MARKET REVIEW

2017 was a remarkable year, with a near-constant series of political, economic, cultural, and environmental events. Amid this tumult, the U.S. stock market kept its eye on the prize: corporate tax cuts. As year-end approached, it appeared that nearly every index move could be attributed to the progress that the Tax Cuts and Jobs Act was making through Washington. This single-minded focus produced a series of all-time high price levels with record-low volatility.

To put the year into perspective, some data analysis is in order:

- > The CBOE Volatility Index® (“VIX”) experienced both its lowest ever intraday level (8.56) and lowest ever closing level (9.14) in November.
- > The average VIX level during 2017 was the lowest of any year since the index was launched in 1990.
- > The highest intraday VIX level during the year (17.28) was lower than the long-term average VIX level (19.36).
- > 1-month realized volatility of the S&P 500® Index in 2017 was the third lowest ever at 6.67%, less than half the historical average.
- > The S&P 500 logged 62 all-time high closes during 2017, the second most in a single year (1995 had 77).
- > 25% of all trading days in 2017 — and 33% of all trading days in the fourth quarter — closed at a record high.
- > Since the market lows of 2009, U.S. stocks have nearly quadrupled in value, with the aggregate S&P 500 market cap going from \$6 trillion to \$23 trillion.
- > S&P 500 market cap exceeds the estimated 2017 GDP of the United States, and exceeds the combined GDPs of China, Japan, Germany, and the U.K.

2017 will go down in history as a definitive example of a low-volatility bull market. While the upward move was led by the technology sector, the rally was broad. Energy was the only sector down for the year, and seven out of ten sectors were up 10% or more. The story during the fourth quarter was similar, with only one sector (utilities) slightly down during the period. Without doubt, we are experiencing a remarkably broad and strong bull market in U.S. large-cap stocks.

PERFORMANCE

The Fund outperformed the S&P 500 during the quarter, gaining 8.17% (Class I) compared to 6.64% for the Index. This performance is a reflection of the improved environment for momentum and trend-based investment strategies, such as the relative strength technique that drives the Fund’s allocations. Examples of this increased effectiveness can be

found in the Fund’s sub-industry allocations during the quarter. While the top-performing sub-industries for the quarter were well-represented in the portfolio (in many cases with weightings in excess of the Index), none of the ten worst-performing sub-industries were held in the portfolio. This ability to identify and appropriately allocate to those market components that are exhibiting strength or weakness is one of the goals of the Fund’s investment strategy.

OUTLOOK

The unusual — and historically significant — combination of extremely low volatility and ever-higher stock prices has continued into 2018. Market participants appear to have capitulated and the common consensus is that prices will move higher for the foreseeable future. We claim no ability to see the future, and we resist the temptation to speculate. In our opinion, consistent outperformance is best achieved by relentlessly pursuing what we view to be a reliable and robust investment strategy.

In early January as we write this, current positioning includes relatively small changes from year-end, reflecting the market’s continued confidence in the strong and weak components. The Fund has not employed any overt defensive measures in some time, given the market’s low volatility and strong upward trend. That said, the market is not universally strong, with nearly a third of low-ranked sub-industries (which are not currently held in the portfolio) exhibiting some degree of distress. As always, the Fund remains ready to remove any sub-industries that show weak momentum metrics, and will make allocations to cash if significant market weakness is detected.

Virtus Rampart Equity Trend Fund

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Rampart Investment Management Company, LLC

TECHNICAL ANALYSIS

Dorsey, Wright & Associates, LLC

INVESTMENT PROFESSIONALS



Warun Kumar
Industry start date: 1993
Start date with the Fund: 2015



Michael Davis
Industry start date: 1999
Start date with the Fund: 2016



Brendan R. Finneran, CMT
Industry start date: 2003
Start date with the Fund: 2016



Robert F. Hofeman, Jr.
Industry start date: 2002
Start date with the Fund: 2016

AVERAGE ANNUAL TOTAL RETURNS as of 12/31/17 in percent

I Share	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 7/1/2010
NAV	8.17	20.86	20.86	3.16	7.73	n/a	9.44
Index	6.64	21.83	21.83	11.41	15.79	n/a	16.02

Performance data quoted represents past results. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Please visit virtus.com for performance data current to the most recent month-end.

Effective May 11, 2015, this fund changed its strategy and its name to Virtus Equity Trend Fund. Performance prior to this date reflects previous fund management. The portfolio was fully transitioned to the new manager's strategy on May 19, 2015. Effective August 25, 2017, Rampart Investment Management Company, LLC is the fund's investment subadviser. Effective September 26, 2017, the fund changed its name to Virtus Rampart Equity Trend Fund.

The fund class gross expense ratio is 1.36% and reflects the direct and indirect expenses paid by the Fund.

The gross expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 1.24%.

Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Class I shares have no sales charge and therefore their returns do not reflect the deduction of a sales charge, which if applied, **would reduce the performance quoted**. Fees and expenses vary among share classes and other share classes do carry sales charges. Class I shares are offered primarily to eligible institutional investors who purchase the minimum amounts required and may not be available to all investors. For Fund Performance on other share classes, please visit www.virtus.com.

Index: The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

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 or medium-sized companies may enhance that risk. **Industry/Sector Concentration:** A fund 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 fund. **Allocation:** The fund's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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