VIRTUS MUTUAL FUNDS

Virtus Duff & Phelps Global Infrastructure Fund

A: PGUAX (92828R826) | C: PGUCX (92828R818) | I: PGIUX (92828R792) | R6: VGIRX (92828W221)

MARKET REVIEW

Global equity markets appeared ready to continue last year's rally into 2018, with the MSCI World Index jumping almost 7% in the first three weeks of trading in January. However, the threat of steel tariffs, combined with a spike in volatility and U.S. interest rates, induced volatility that erased the gains by mid-February and left global equity markets down 1.3% when the quarter ended. Global listed infrastructure, as measured by the FTSE Developed Core Infrastructure 50/50 Index, fell 4.6%.

Among the infrastructure sectors, communications was the relative winner, down just 0.5% in the quarter. A number of the wireless communication tower companies posted gains while satellite operators had another very weak quarter. The tower companies have continued to benefit from increasing wireless usage and the ongoing 4G/5G rollout.

The transportation infrastructure sector declined 4.6% in the quarter. European airports and U.S. railroads followed the market down after a strong start to the year. The railroads were hit by concerns around trade wars, NAFTA, and service issues. Airport traffic growth came in as anticipated, but the rate of growth is expected to slow from its quick pace last year. Performance for toll road companies was mixed.

Utilities finished the quarter down just 2.5%, recovering some of the more significant losses posted early in the quarter due to rising interest rates and the market's general "risk on" attitude. As markets reversed and interest rates pulled back, the utility "safety trade" returned, and the U.S. sector rallied for the rest of quarter.

Midstream energy stocks started the year with a favorable fundamental backdrop, as oil prices climbed and U.S. oil and gas production remained robust. However, the sector began to pull back in February driven by the overall market volatility as well as fears about the restructuring of master limited partnerships (MLPs). Then, on March 15, the Federal Energy Regulatory Commission (FERC) issued an unexpected negative tax ruling on MLPs. While this ruling materially impacted only certain MLPs, it shook the faith of investors and the sector ended the quarter down 13.5%.

PERFORMANCE

For the quarter, the Fund's (Class I) return of -4.94% underperformed the -4.64% return of the FTSE Developed Core Infrastructure 50/50 Index (Index).

Sector allocation had a negative impact on performance while security selection had a positive impact. From a sector perspective, the Fund's overweight in energy and underweight in utilities detracted the most, related to the impact of market events on those sectors, as discussed in the Market Review section.

From a security selection standpoint, underperformance of Macquarie Infrastructure Corp., a company in the Index that we do not own, helped relative performance once again, as it underperformed on a dividend cut and reduced guidance. Cheniere Energy also contributed, driven by liquefied natural gas pricing trends and strong demand. The largest detractor from relative performance was Aéroports de Paris (ADP). The Fund did not own ADP as we view its traffic trends as weaker than its peers. However, the French government is considering selling all or part of its stake, which the market viewed favorably in the quarter. Canadian utility Emera also detracted from performance due to management guidance regarding the benefits of tax reform, but we continue to own the company based on our positive fundamental view.

OUTLOOK

While the outlook for global markets has become less clear, we still believe in the global growth story and its benefits for infrastructure. We believe infrastructure performance will regain its footing, and we are specifically overweight communications, transportation, and energy in roughly similar amounts, offset by a commensurate underweight in utilities.

Communications, led by the tower companies, continued to be our largest overweight. The sector's fundamentals look very strong, and our conviction in the Fund's holdings is high.

We moderately increased our relative exposure in airports and rails after a pullback from their strong 2017 performance. The growing global economy and the effects from the tax cuts should drive railroad prices higher and also benefit both the airports and toll roads.

While midstream energy stocks have continued to struggle, we maintain a positive outlook, given strong fundamentals and cheap valuations. The FERC ruling will likely slow the influx of new money into the space, but it may also speed up the pace of restructurings, consolidation, and private equity involvement, all of which would be long-run tailwinds.

We believe it will be challenging for utilities stocks to outperform in a period of synchronized global growth and rising bond yields. We maintain a significant underweight to the sector and hold a select group of U.S. names, while we view Canadian utilities as potentially oversold and Japanese utilities as unattractive due to nuclear overhang and the lack of fundamental growth.

Effective May 8, 2017, the Fund's name was changed from Virtus Global Infrastructure Fund.

Virtus Duff & Phelps Global Infrastructure Fund

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Duff & Phelps Investment Management Co.

PORTFOLIO MANAGER

Connie Luecke, CFA
Industry start date: 1983
Start date with the Fund: 2004

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% FUND
Transurban Group Ltd.	5.88
NextEra Energy, Inc.	5.68
American Tower Corp.	5.29
Atlantia S.p.A	5.19
Aena SME SA	4.77
Crown Castle International Corp.	4.30
Sempra Energy	3.40
American Electric Power Co., Inc.	2.94
TransCanada Corp.	2.79
Dominion Energy Inc.	2.66

Holdings are subject to change.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/18

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 6/6/2008
Fund Class I	-4.94	-4.94	3.95	4.38	6.21	n/a	5.11
Index	-4.64	-4.64	4.61	3.59	6.12	n/a	3.73

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.

The fund class gross expense ratio is 1.01%.

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. Class I shares have no sales charges or distribution or service fees, therefore their returns do not reflect these expenses. Fees and expenses vary, and other share classes are subject to sales charges and fees. Class I shares are offered primarily to eligible institutional investors who purchase the minimum amounts required as described in the prospectus and may not be available to all investors. For fund performance on other share classes, please visit www.virtus.com.

Index: The **Global Infrastructure Linked Benchmark** consists of the FTSE Developed Core Infrastructure 50/50 Index (net), a free float-adjusted market capitalization weighted index that gives participants an industry-defined interpretation of developed market infrastructure companies and adjusts the exposure to certain infrastructure subsectors. The constituent weights are 50% Utilities, 30% Transportation (including capping 7.5% for railroads/railways), and a 20% mix of other sectors including pipelines, satellites, and telecommunication towers. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do no reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Global Infrastructure Linked Benchmark between 9/1/2008 and 9/30/2016 represents a 100% allocation to the MSCI World Infrastructure Sector Capped Index. Prior to 9/1/2008 the allocation consisted of 65% MSCI USA/Utilities Index, 20% MSCI World Telecom Services Index, and 15% MSCI World ex USA/Utilities Index.

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. **Foreign Investing:** Investing internationally involves additional risks such as currency, political, accounting, economic, and market 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. **Income:** Income received from the fund may vary widely over the short- and long-term. **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.

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