Virtus Duff & Phelps Global Infrastructure Fund

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

MARKET REVIEW

Global equity markets continued to rally in the fourth quarter of 2017, driven by accelerating economic growth and the passage of comprehensive tax reform in the United States. Global listed infrastructure, as measured by the FTSE Developed Core Infrastructure 50/50 Index, finished up 2.00% for the quarter and 18.18% for the year. Not surprisingly, performance was buoyed by many of the higher beta sectors while being held back by utilities and midstream energy companies.

Within infrastructure, the transportation sector led the way with numerous rails, airports, and toll roads posting double-digit returns. U.S. rails rallied as they are one of the biggest beneficiaries of tax reform. European airports and toll road operators also excelled in the quarter as the market gravitated towards a stronger-for-longer scenario. Other big winners in the quarter were the tower companies which reacted positively to the news that T-Mobile and Sprint would not merge.

The story for energy infrastructure remained largely the same. Despite continued strength in oil prices, midstream energy companies struggled as significant tax-loss selling and unfounded worries about tax reform weighed on the companies in October and November. A nice rebound in December may bode well for 2018.

Last quarter, we questioned whether poor utility performance in September caused by rising rates was a harbinger of things to come. Utilities responded with solid performance in October and November, but finally succumbed in December. The final month of the year saw U.S. utilities (as measured by the S&P 500 Utilities Index) fall over 6% and European utilities (as measured by the Bloomberg European utility index) fall over 4%. Utilities had to contend with more than just rising interest rates. In the U.S., tax reform was viewed negatively for utilities since they have to pass on the benefits of their lower tax rates to customers. In addition, the fires in California and regulatory reviews in the U.K. significantly impacted the utilities in both regions.

PERFORMANCE

During the quarter, the Fund's return of 1.72% (Class I) underperformed the benchmark's 2.00% return.

Sector allocation had a slightly negative impact on portfolio performance while security selection had a modest positive impact. Stock selection was beneficial in the communications sector, primarily driven by our decision to avoid European satellite companies, and in the energy sector, as Cheniere Energy (an out-of-benchmark holding) performed quite strongly. Stock selection in transportation was the largest negative performance driver, with two of the bottom five relative performers in this sector. Utility selection was a detractor as well.

At the security level, Cheniere Energy, a developer of U.S. LNG plants, was the largest contributor to performance. Macquarie Infrastructure Corp., a benchmark name we do not own, helped relative performance once again as it underperformed. The largest detractor was Pacific Gas & Electric, primarily due to the fires in California and the company's decision to suspend its dividend given uncertainty about its ultimate liability. Relative performance was also hurt by Black Hills Corp., a mid-cap utility based in South Dakota, after the company lowered guidance for 2018 just weeks after hosting an analyst day.

OUTLOOK

The outlook for global markets continues to look very strong. Similar to last quarter, we are faced with a conundrum — to what extent do we keep riding stocks that are more economically-driven, particularly U.S. rails and European airports? For now, we are neutral on U.S. rails but would look to overweight this sector on any pullback in stock prices as we think tax reform has created some room on valuation. We are equal-weight airports as we think they will continue to benefit from strong traffic.

We are more bullish on toll roads and towers. Toll road valuations remain within their 10-year historical range, and they should continue to benefit from new infrastructure projects. We expect demand for wireless communication towers to remain strong due to increasing wireless data usage, as well as the ongoing rollout of 4G and 5G networks.

We are also sticking with our overweight in midstream energy as macro factors look very strong, and we think sentiment is turning. We are also maintaining our significant underweight in utilities. While we believe this has become the consensus view, the issues that arose in December are likely to continue. First and foremost, utilities are vulnerable to rising rates. Second, the issues around the fires in California and the new Southern Co. and SCANA nuclear plants have raised fears with investors about idiosyncratic risk. The story for European utilities is also difficult, given current regulatory overhang in the U.K. and Spain, and the Italian elections coming in March.

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.

INVESTMENT PROFESSIONAL

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

TOP TEN HOLDINGS

	% Fund
Transurban Group Ltd.	6.15
Atlantia S.p.A	5.33
NextEra Energy, Inc.	4.95
American Tower Corp.	4.34
Crown Castle International Corp.	3.60
TransCanada Corp.	3.54
Aena SME SA	3.36
Dominion Energy Inc.	3.16
Sempra Energy	2.98
American Electric Power Company, Inc.	2.87

Holdings are subject to change.

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 6/6/2008
NAV	1.72	18.11	18.11	5.87	8.73	n/a	5.80
Index	2.00	18.18	18.18	4.79	8.68	n/a	4.34

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 1.07%.

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 **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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