VIRTUS MUTUAL FUNDS

Virtus Duff & Phelps Global Infrastructure Fund

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

MARKET REVIEW

Global listed infrastructure stocks (FTSE Developed Core Infrastructure 50/50 Index, net) returned 3.86% in the second quarter, outpacing the broader global market (MSCI World Index, net), which returned 1.73%. All four global listed infrastructure sectors (utilities, transportation, energy, and communications) posted gains. Asia/Pacific and North America infrastructure stocks were strong while Continental Europe was a notable laggard.

In transportation, Europe was hit by slowing growth, trade wars, and political upheaval in Italy and Spain. Many European airport and toll road stocks finished down, offset by good performance from Australian airport and toll road stocks. U.S. rails also had a strong quarter.

European utility stocks were also hurt, especially Italian utilities. Anxiety about Europe and slowing global growth helped U.S. utilities, seeming to put the brakes on the 10-year Treasury yield, which closed the quarter at 2.86% after hitting a high of 3.11% in May. U.S. utilities (Philadelphia Utility Index) rose 6.33% in the quarter.

Energy infrastructure stocks rallied. Investors gained confidence that the March 2018 Federal Energy Regulatory Commission's ruling, which hurt the sector initially, would impact a small number of master limited partnerships (MLPs). Meanwhile, fundamentals remained supportive. Oil, while volatile, jumped 14% in the quarter as global markets look to be increasingly short of supply driven in part by sanctions on Iran. Midstream companies also posted strong first quarter earnings.

In communications, much of the news was around two big mergers: AT&T/Time Warner, which closed in late June, and the proposed Sprint/T-Mobile tie-up announced in April, raising fears of slower cell tower growth. Even if this deal goes through, we think the long-term impact on tower stocks will be minimal.

PERFORMANCE

During the quarter, the Fund (Class I) returned 3.40%, slightly trailing the benchmark's 3.86% return. Sector allocation had a positive impact on performance, driven primarily by an overweight position in energy, which bounced back strongly in the quarter. The utilities underweight contributed slightly to sector allocation, offset by modest negative effects from overweight positions in communications and transportation.

Security selection had a negative impact, with communications the largest detractor, as European satellite companies we do not own staged a recovery. Transportation selection also detracted primarily due to a large overweight position in AENA, the Spanish airport operator adversely impacted by the change in government. Energy was a positive contributor, helped by not owning the worst-performing benchmark stock in the sector, SNAM, an Italian natural gas distributor. Utility selection had a negligible effect on performance.

At the security level, CSX Corp., a U.S. railroad, helped relative performance due to the supportive macroeconomic background and improving operating margins. U.S. rails, particularly in the East, are currently our favored transportation investment. Not owning SNAM, as noted, also contributed to relative performance.

ENEL, an Italian utility, was the largest stock detractor, declining on Italy's election uncertainty and weak Latin American markets and currencies, given its regional investments. SES, a European satellite company not in the portfolio, also hurt performance. The satellite industry has been under pressure, though it has showed signs of revenue stabilization and got a boost from a regulatory proposal that would allow a portion of their U.S. spectrum for 5G usage. We remain on the sidelines given our unfavorable view of long-term trends.

OUTLOOK

A lot of noise is overhanging infrastructure sectors and global markets: trade wars, Europe's growth slowdown, rising oil, the strengthening U.S. dollar, and upcoming U.S. mid-term elections. We stand by our view that we are in a period of global growth, assuming Europe's slowdown will prove temporary and trade wars will not escalate. We continue to maintain overweight exposure in energy, transportation, and communications offset by a large underweight position in utilities.

Energy infrastructure fundamentals appear constructive. Oil prices may pause as OPEC increases production in the second half of 2018 and Iran tries to sell as much oil as it can ahead of sanctions. The U.S. should continue to play a central role in the global market. We expect midstream companies to put up strong earnings with upbeat outlooks. Additional restructurings are likely but sentiment should continue to improve.

We remain comfortable with the overweight in tower companies and think the stocks could be due for a rally. 4G and 5G network buildouts are moving forward at a healthy pace. Within transportation, we remain constructive on U.S. rails. We remain overweight in toll roads as valuations are below historical multiples.

We maintain a significant underweight in utilities. We believe the rally in U.S. utilities and 10-year Treasuries may increase the likelihood of a near-term pullback. While we are positive on our U.S. and Canadian utility holdings, valuations are close to historical highs. If global growth continues apace, however, it will be hard for utility stocks to outperform.

There is a lot to digest with respect to global markets and economic trends. Solid economic growth worldwide should continue to be beneficial, however, we will closely monitor global developments, incorporating changes to portfolio positioning as warranted.

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
NextEra Energy, Inc.	5.84
Transurban Group Ltd.	5.63
Atlantia S.p.A	5.09
American Tower Corp.	5.00
Aena SME SA	4.09
Crown Castle International Corp.	4.03
Sempra Energy	3.57
American Electric Power Company, Inc.	2.98
TransCanada Corp.	2.78
Dominion Energy Inc.	2.70

Holdings are subject to change.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 6/30/18

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 6/6/2008
Fund Class I	3.40	-1.70	2.20	5.96	7.30	5.49	5.33
Index	3.86	-0.96	3.38	5.03	7.13	4.22	4.03

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.

Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

Distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.