

## Virtus Aviva Multi-Strategy Target Return Fund

A: VMSAX (92835M794) | C: VCMSX (92835M786) | I: VMSIX (92835M778) | R6: VMSRX (92835M687)

### PERFORMANCE

The Fund returned -0.31% during the third quarter of 2017. Consistent with its strategy, since inception (July 21, 2015), the Fund exhibited annualized volatility of 3.34%, compared with 11.29% annualized volatility for the MSCI All Country World Index (local currency) for the period.

Performance was relatively flat in the quarter. Broad-based progress in global economic growth led to the improvement of strategies employed by the Fund that benefit from a reflationary environment. In particular, our long European, emerging market, and global equity strategies each added to performance. These were accompanied by positive contributions from long inflation and high yield credit strategies in the U.S. Gains were offset by losses in strategies intended to profit from higher interest rates in the U.S. and U.K., as well as long exposure to European equity volatility.

### PORTFOLIO CHANGES

Throughout the quarter, a number of changes were made to the Fund, including the addition of multiple relative value strategies. The first addition was a sovereign rates strategy that is long the U.K. and short the U.S. as we anticipate interest rates rising faster in the U.S. given economic growth and central bank policy divergence with the U.K. The other two strategies are equity-focused positions. We added a long

emerging versus developed market equity strategy to take advantage of stronger growth and comparatively attractive valuations in emerging markets against their developed economy counterparts. We also took the opportunity to enter into a long European market versus cyclical sector strategy to leverage the headwinds facing automakers in the European Union, while also managing our overall equity risk exposure.

During the quarter, we removed interest rate, currency, and volatility positions where our outlook had changed. We modified our inflation exposure by exiting our strategy benefiting from a flatter yield curve. The change reinforced our reflationary viewpoint and expectations for modestly higher inflation globally. In addition, we also removed a short position on the Korean won against the U.S. dollar as it seemed to be resistant to growing geopolitical tensions in the region. The last notable change was the removal of a currency relative value volatility strategy given that similar exposures were being expressed elsewhere in the Fund.

### OUTLOOK

Looking forward, we expect global economic growth will continue to improve and global trade will continue its upward path, translating into strong performance in certain equity and emerging market debt markets while rates trend higher and inflation expectations strengthen.

## Virtus Aviva Multi-Strategy Target Return Fund

### INVESTMENT ADVISER

Virtus Alternative Investment Advisers, Inc.

### INVESTMENT SUBADVISER

Aviva Investors Americas LLC

### INVESTMENT PROFESSIONALS



**Euan Munro, FIA**  
Industry start date: 1992  
Start date with the Fund: 2015



**Peter Fitzgerald, CFA**  
Industry start date: 1995  
Start date with the Fund: 2015



**Dan James**  
Industry start date: 1995  
Start date with the Fund: 2015



**Ian Pizer, Ph.D., CFA**  
Industry start date: 2002  
Start date with the Fund: 2015



**Brendan Walsh, Ph.D., PRM**  
Industry start date: 2006  
Start date with the Fund: 2015

### TOP TEN STRATEGIES BY RISK

	Contribution to Risk %
Equities - Europe	2.5
Duration - US Steepener	1.6
Inflation - USD 10Y Inf	1.4
Inflation - GBP 5Y5Y Inf	1.1
Inflation - Global Equity	0.9
Currency - Mexico	0.9
Equities - EM Equity	0.8
Currency - Long TRY v USD	0.6
Duration - Short UK Rates	0.6
Equities - Emerging v Developed	0.6

Source: Aviva Investors. Top Ten Strategies by Risk, as measured by Annualized Position Volatility are subject to change. Risk statistics are calculated using daily returns.

### AVERAGE ANNUAL TOTAL RETURNS as of 9/30/17 in percent

I Share	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 7/20/2015
NAV	-0.31	-1.62	1.86	n/a	n/a	n/a	-0.65
Index	0.20	0.49	0.56	n/a	n/a	n/a	0.37

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](http://Virtus.com) for performance data current to the most recent month-end.

Benchmark since inception performance is reported from 7/31/2015.

The fund class gross expense ratio is 2.10%. The net expense ratio is 1.49%, which reflects a contractual expense reimbursement in effect through 4/30/2018. This ratio reflects the direct and indirect expenses paid by the Fund.

The net expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 1.44%.

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](http://www.virtus.com).

Index: The **Federal Funds Rate** is the interest rate paid on overnight loans made between depository institutions. This index is the weighted average of rates on brokered trades and represents the arithmetic mean of all daily rates for a given month. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Aviva Investors Americas LLC (AIA) is the named subadviser to the Virtus Aviva Multi-Strategy Target Return Fund and utilizes the services of Aviva Investors Global Services Limited (AIGSL) and its other affiliates (collectively, Aviva Investors) to manage the Fund. These affiliates are Participating Affiliates as that term is used in relief granted by the SEC. The listed investment professionals are associated with AIGSL.

The portfolio managers utilize derivatives to implement the majority of the fund's investment strategies. Considering each investment strategy's contribution to overall risk may present a clearer picture of how the fund is positioned relative to each investment's market value. Risk is defined as volatility, as calculated by FinAnalytica, and is a one month annualized standard deviation, which measures dispersion of returns. It may not be indicative of future risk, and is not a predictor of returns.

**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 & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **Credit & Interest:** Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **Leverage:** When a fund leverages its portfolio, the value of its shares may be more volatile and all other risks may be compounded. **Counterparties:** There is risk that a party upon whom the fund relies to complete a transaction will default. **Portfolio Turnover:** The fund's principal investments strategies will result in a consistently high portfolio turnover rate. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. **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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