VIRTUS MUTUAL FUNDS

Virtus Vontobel Global Opportunities Fund

A: NWWOX (92828R446) | C: WWOCX (92828R420) | I: WWOIX (92828W775) | R6: VRGOX (92828W213)

MARKET REVIEW

Global market volatility continued throughout the third quarter, stemming from a host of geopolitical and macroeconomic risks associated with different corners of the world. Investor concerns over a possible slowdown in global growth, escalating trade tensions, country-specific political turmoil, rising oil prices, and a sell-off in emerging market (EM) currencies weighed on the markets at times. Developed market equities proved to be more resilient than emerging markets, with the U.S. leading the pack by a wide margin. And with more than a 50% weight in the MSCI All Country World (ACWI) Index, U.S. stocks drove the majority of the benchmark's returns. Every sector, with the exception of real estate, was positive for the quarter.

PERFORMANCE

During the quarter, the Fund (Class I) returned 3.15%, slightly lower performance than its benchmark, the ACWI, which returned 4.28%.

On a relative basis, the Fund's underperformance was mainly concentrated in the financials and industrials holdings.

A range of companies contributed to absolute returns over the quarter, led by healthcare, information technology, consumer discretionary, and consumer staples holdings. At the other end of the spectrum, weakness in our financials and materials holdings detracted from absolute returns. From a country perspective, U.S. holdings were the top contributors to performance by a wide margin, while Indian holdings were the largest detractors.

PORTFOLIO POSITIONING

We purchased Fresenius, a diversified healthcare group offering products and services for dialysis, hospitals, and outpatient treatment.

We exited our position in consumer staples company Philip Morris International and financials company AIB Group (Allied Irish Banks) in order to reallocate capital to better opportunities. We also sold U.S.-based industrial company Nielsen Holdings due to fundamental deterioration in its market measurement business.

OUTLOOK

Global GDP growth still has momentum. However, we are cautious about its staying power in a number of countries, particularly as U.S. interest rates continue to climb, European rates appear poised to rise, and the trade war between the U.S. and China, with its geopolitical undertones, escalates. The U.S. is riding out the longest bull market in recent history, and there are some late-cycle challenges ahead. With the economy working close to full capacity, the Federal Reserve is in the process of hiking rates to contain inflationary pressures.

Across the Atlantic, the economic fortunes of EU countries continue to diverge, and contentiousness has arisen between member states. The European Central Bank is preparing to raise rates, while Italy has little in reserve for contingencies. The country and the European Commission look poised for a standoff on 2019 deficit targets. The risk of further disruption persists with Brexit, with speculation over the final outcome ranging from a hard Brexit to no Brexit at all. While China's economy is still generating 6%-plus GDP growth, the authorities are concerned about a U.S.-Chinese trade war and have taken measures to loosen their previous plans of debt reduction.

Against this backdrop of rising risks, we believe that it is increasingly important to protect against economic turbulence. Quality growth companies, especially those that are less sensitive to GDP growth, should protect investors in a downturn, as has been the case historically. We continue to believe that the resilience of consumer staples companies during volatile economic periods should provide a defense during times of market sell-offs. Information technology remains an important exposure, at 21% of the portfolio. In our view, technology companies not only have long-term growth opportunities, but also high entry barriers, given their network effects, such as those enjoyed by the payment processing companies Visa and Mastercard, both of which we hold. Energy is a meaningful part of the benchmark index where we currently have no exposure. Due to the lack of stability and predictability in energy-related earnings, there is a high hurdle for us to invest in this area of the economy.

The recent pressure on EM stocks gave us an opportunity to add to some holdings, such as AmorePacific, Korea's largest personal-care company. Another stock we added to is LG Household & Healthcare, a leader in household goods, including oral care, skin care, and laundry products. We have also used market weakness to add to some global companies such as Tencent, the Chinese technology giant.

We have sought to invest patiently and consistently in quality growth companies for more than 20 years, and we do not plan to alter our approach. Our goal is to maintain a portfolio of companies with robust underlying earnings that can participate in market upside, but also offer strong downside protection during times of economic difficulty.

Virtus Vontobel Global Opportunities Fund

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Vontobel Asset Management

PORTFOLIO MANAGERS

Matthew Benkendorf
Industry start date: 1998
Start date with Fund: 2009

Ramiz Chelat
Industry start date: 1997
Start date with Fund: 2016

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
HDFC Bank Ltd.	3.74
UnitedHealth Group Inc.	3.71
Mastercard Inc. Class A	3.69
Visa Inc. Class A	3.66
Alimentation Couche-Tard Inc. Class B	3.44
Unilever NV Cert. of shs	3.44
Amazon.com, Inc.	3.38
Alphabet Inc. Class C	3.27
Reckitt Benckiser Group PLC	3.24
Berkshire Hathaway Inc. Class B	3.00

Holdings are subject to change.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 9/30/18

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 8/8/2012
Fund Class I	3.15	4.61	11.07	14.12	10.94	n/a	11.88
Index	4.28	3.83	9.77	13.40	8.67	n/a	10.45

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 1.19% 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 1.18%.

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 **MSCI All Country World Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets. The index is calculated on a total return basis with net 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. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, 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. **Geographic Concentration:** A fund that focuses its investments in a particular geographic location will be highly sensitive to financial, economic, political, and other developments affecting the fiscal stability of that location. **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.