VIRTUS FUNDS

Virtus Vontobel Global Opportunities Fund

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

MARKET REVIEW

Global equity markets declined in the third quarter as concerns around the possibility of higher interest rates for longer and an economic downturn weighed on investor sentiment. Geopolitical risks remained elevated, and some companies showed signs of softening earnings.

FUND PERFORMANCE

The Virtus Vontobel Global Opportunities Fund returned -4.87% (Class I) in the quarter, underperforming the MSCI All Country World Index, which returned -3.40%.

CME Group and Alphabet were the largest contributors to returns for the quarter.

> CME Group, the leading derivatives and futures exchange which benefits from increased interest rate volatility, reported better-than-expected earnings. We continue to believe that CME is well placed to benefit from the interest rate environment and will maintain a strong competitive position over the long term.

> Alphabet, the holding company of Google, reported both revenue and earnings ahead of expectations, driven by strong core search and YouTube performance. The company's Google Cloud offering also exceeded expectations.

Flutter Entertainment and Microsoft were the largest detractors from returns in the quarter.

> Flutter Entertainment, a leading global sports betting platform, posted solid revenue growth and showed that its U.S. FanDuel business is on the path to profitability. However, there was weakness in the company's Australian division. We continue to believe that Flutter is well positioned to build on the strength of its U.S. franchise.

> Microsoft has rallied this year on better-than-expected earnings and excitement over the eventual incorporation of ChatGPT functionality into its offerings. As interest rates have moved higher and are expected to remain elevated for longer, the IT sector, along with Microsoft, declined in the quarter.

PORTFOLIO CHANGES

During the quarter, we bought U.S. snacking giant Mondelez International and Thermo Fisher Scientific, one of the largest life science tools companies and the largest supplier of laboratory products in the world.

We sold Dutch consumer staples company Heineken, French industrials company Teleperformance, and French healthcare company Eurofins Scientific to reallocate capital to better opportunities. We also exited Hong Kong's Techtronic Industries in the industrials sector due to deteriorating fundamentals. Also in industrials, we sold U.S.-based Otis Worldwide, the world's largest elevator company. We think that new elevator installations, specifically in China, will remain a headwind, with the company lacking other growth levers in the event of a slowdown.

OUTLOOK

The lack of certainty around the direction of interest rates in the U.S. continues to be a dominant theme for investors and has led to increased volatility. Should inflation remain persistently high, investors may not experience the same level of rate cuts they have grown accustomed to.

It is difficult to predict the timing of a recession, but the data indicates the economy is heading towards a slowdown, and we expect consumer spending, which remained fairly resilient this year, to slow as well.

We believe the euphoria around AI and some complacency around the notion of a lower interest rate environment in the future have fueled higher valuations in some technology companies. We are also concerned about the impact of higher rates on the housing sector and the strength of the consumer, due to higher rates on credit cards and auto loans, for example.

In the IT space, some consulting and services companies are guiding to a slowdown in growth. However, AI has generated excitement and expectations of a burst of growth in hardware companies geared towards building out server capacity, although these tend to be more capital-intensive, cyclical businesses and thus more volatile. We tend to invest in predictable, sustainable, higher-quality businesses with long-term demand growth.

The recent increase in commodity prices is driven by geopolitics rather than global supply and demand. While higher oil prices can give a boost to the energy sector in the short term, they can add headwinds to economic growth and hurt the volumes, pricing, and profitability of energy companies in the longer run. While we typically do not own energy companies because they tend to be lower quality, we are mindful of the impact of energy prices on a broader swathe of businesses.

Given persistent U.S. dollar strength, we expect the foreign earnings of our multinational holdings based in the U.S. to be weak in the near term. However, as long as the underlying fundamental growth remains strong, we think the market is generally fairly good at looking beyond this.

China's recovery from the effects of COVID has been difficult and disappointing compared to many other economies. We have conservative expectations about China's evolution and look for companies with good visibility that are also durable and predictable. Given policy actions in China, we scrutinize our holdings very closely and evaluate them against other businesses globally to ensure that we are invested in the best companies regardless of location or sector.

Related Reading: Q3 Vontobel Market Review & Outlook

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

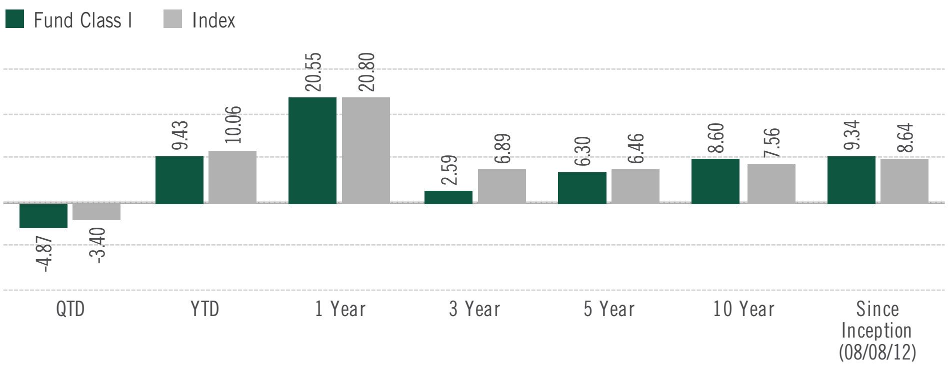
Vontobel Asset Management, Inc.

PORTFOLIO MANAGERS

Matthew Benkendorf
Industry start date: 1998
Start date as Fund Portfolio Manager: 2009

Ramiz Chelat, CFA
Industry start date: 1997
Start date as Fund Portfolio Manager: 2016

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/23



Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 1.14%. The net expense ratio is 1.09%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

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.

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.

TOP TEN HOLDINGS

	% Fund
Microsoft Corp.	5.55
Nestle SA	4.47
The Coca-Cola Co.	4.27
HDFC Bank Ltd.	4.26
RELX PLC	4.23
Amazon.com Inc.	4.23
CME Group Inc.	4.03
UnitedHealth Group Inc.	4.01
Mastercard Inc.	3.46
London Stock Exchange Group PLC	3.29

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

	% Contribution
CME Group Inc.	0.30
Alphabet, Inc. Cl C	0.21
UnitedHealth Group Inc.	0.19
Booking Holdings Inc.	0.14
RELX PLC	0.10

TOP FIVE DETRACTORS

	% Contribution
Flutter Entertainment PLC	-0.58
Microsoft Corp.	-0.41
HDFC Bank Ltd.	-0.36
Heineken NV	-0.34
Taiwan Semiconductor Manufacturing Co. Ltd.	-0.33

% Contribution: Absolute weighted contribution.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

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, medium, or large-sized companies may enhance that risk. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **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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