VIRTUS MUTUAL FUNDS

Virtus Vontobel Global Opportunities Fund

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

MARKET REVIEW

Macroeconomic conditions and earnings growth across the world's major economies were surprisingly strong and consistent throughout 2017. Equity markets soared, with the MSCI All Country World Index (ACWI) benchmark rising 23.97% in U.S. dollar terms, accompanied by historically low volatility. Performance was supported by a healthy economic outlook and low interest rates. Performance was unusually consistent, as the MSCI ACWI rose for 14 consecutive months to year-end. In the fourth quarter, returns were positive across all major markets — with performance driven by heavyweights U.S. and Japan, which accounted for approximately 4.01% of the MSCI ACWI's fourth quarter 5.73% return. The two largest sectors, information technology (IT) and financials, were the biggest contributors to benchmark returns in both the fourth quarter and full year. The IT sector rose a dramatic 41.64% over the year, as reported earnings continued to surprise due to structural shifts in a number of industries across the globe. In a number of cases, IT giants have disrupted old-economy industries.

PERFORMANCE

For the fourth quarter and full-year 2017, the Fund returned 6.18% and 29.47% (Class I), respectively, outperforming the MSCI ACWI's returns of 5.73% and 23.97%.

> The Fund's U.S. holdings account for approximately 50% of the portfolio, the largest country weight, and, as a whole, were the biggest contributor to fourth quarter returns, followed by our holdings in Ireland.

> From a sector perspective, the consumer discretionary holdings performed well on both an absolute and relative basis. Our healthcare holdings, namely our stake in UnitedHealth Group, outperformed the Index. Our consumer staples holdings slightly underperformed the Index. Larger holdings Unilever and Anheuser-Busch InBev were weak during the quarter. However, Unilever performed well over the full year and was among the top contributors to portfolio returns. Our industrials holdings, driven by negative performance from Nielsen Holdings, detracted from relative returns.

PORTFOLIO POSITIONING

We did not add any new positions to the portfolio over the quarter. However, we increased our positions in consumer discretionary holdings Walt Disney, Spanish fashion retailer Inditex, and U.S. discount retailer T.J. Maxx, U.S. healthcare company Medtronic, and U.S. industrials Nielsen Holdings.

We exited our position in online payment company PayPal Holdings based on valuations, and reallocated capital to better opportunities. We decreased our positions in IT holdings Mastercard, Facebook, Tencent, and Alphabet, and in Coca-Cola within U.S. consumer staples.

OUTLOOK

Much is being made about the Trump administration's tax bill and the impact that it will have on corporate profits and growth. We don't believe that the tax cuts will have a material profit impact on the majority of our investments. But, coupled with the continued regulatory rollback under President Trump, the cuts will at least have a positive impact on business sentiment. With that in mind, we view the tax legislation as a positive.

While valuations for U.S. stocks are broadly elevated with the S&P 500® Index trading at around 18.5x one-year forward earnings (a premium to its 10-year average), we observe valuation dispersion within sectors. We are finding high quality names that are impacted by shorter-term issues, making them cheap relative to their growth and relative to history — particularly in areas such as consumer discretionary.

In Europe, we note that elections in 2017 resulted in a move towards more centrist governments. That should provide for a more stable eurozone and more predictable economic and business policy. The political risk is lower than it was at the start of last year and the extreme eurozone break-up scenario has dissipated for now. We are mindful of the still-heavy monetary accommodation that is being provided to the markets by the European Central Bank and will watch carefully how markets react once that accommodation is finally withdrawn. Brexit negotiations are underway, however, there is still considerable uncertainty around the final outcome. It could take years to resolve.

With central banks pulling back from their ultra-loose monetary stance, global capital markets will continue to go through significant changes. Many markets could get a jolt as macro conditions transition, and the heavy usage of ETFs by investors could cause a broader impact over the tightening period.

We believe that the large emerging markets in which we invest have solid fundamentals and should remain destinations of capital inflows over the long term. Importantly, we do not see any emerging market becoming a domino that sets off contagion as we have seen in past decades. Nonetheless, we stay away from countries where weak fundamentals could lead to debt issues down the road or weigh heavily on their currency performance.

Related Reading: Q4 Market Review & Outlook, "Can We Really Have Our Cake and Eat It Too?" authored by Vontobel's Quality Growth investment team, provides more details on market performance and expectations for the year ahead.

Effective May 8, 2017, the Fund's name was changed from Virtus Global Opportunities Fund.

Virtus Vontobel Global Opportunities Fund

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Vontobel Asset Management

INVESTMENT PROFESSIONALS

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

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

TOP TEN HOLDINGS

	% Fund
Visa Inc.	4.07
Alphabet Inc.	4.05
HDFC Bank Ltd.	4.01
Mastercard Inc.	3.99
British American Tobacco plc	3.89
Alimentation Couche-Tard Inc.	3.02
Philip Morris International Inc.	3.02
NIKE, Inc.	2.95
Berkshire Hathaway Inc.	2.86
UnitedHealth Group Inc.	2.84

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 8/8/2012
NAV	6.18	29.47	29.47	12.38	11.96	n/a	12.69
Index	5.73	23.97	23.97	9.30	10.80	n/a	11.21

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 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 **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.

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