VIRTUS FUNDS

Virtus Duff & Phelps Global Real Estate Securities Fund

A: VGSAX (92828R412) | C: VGSCX (92828R396) | I: VGISX (92828R388) | R6: VRGEX (92828W239)

MARKET REVIEW

During the initial quarter of 2024, the financial markets grappled with a confluence of factors, with the trajectory of interest rates serving as a focal point. This period marked a departure from the preceding quarter, where we saw interest rates move lower after hitting an intra-year peak. While 2023 overall witnessed a steady ascent in rates, the onset of 2024 introduced a mixed pattern, triggering both optimism and apprehension among investors.

Concerns surrounding inflation and softer growth across European countries weighed on market dynamics. Stubborn inflationary pressures derailed initial projections, contributing to the higher interest rates observed during the quarter. In the U.S., economic data suggested a later, softer rate cut trajectory as compared to market expectations at the start of the year. The stickiness of inflation underscores the challenges faced by policymakers in calibrating monetary policy and for investors' expectations, which will likely weigh on the direction of interest rates over the year.

Against this backdrop, the performance of capital-intensive sectors and bond prices was pressured lower. However, despite these challenges, the technology sector continued its trend, spearheading the rally in broader market indices. Publicly listed real estate performance reversed course to start the year, underperforming broader financial markets, following sector leadership in the fourth quarter of 2023.

Within real estate, the lodging and data center property sectors emerged as top performers, leveraging evolving consumer trends and the growing demand for digital infrastructure. In contrast, the specialty and self-storage property sectors underperformed, with various constituents facing interest rate volatility or uneven clarity on supply/demand fundamentals.

PORTFOLIO REVIEW

The Virtus Duff & Phelps Global Real Estate Securities Fund slightly underperformed the benchmark during the quarter, with positive contribution from security selection offsetting the negative impact from country allocation.

Total attribution by country was led by Japan, Australia, and Singapore, with positive contribution from security selection within each country and our underweight to Singapore also helping. Conversely, security selection within the U.S., the U.K., and Belgium, along with our overweight allocation to the U.K. and Belgium, caused these countries to be the largest detractors.

From a country allocation perspective, underweight allocations to Singapore, Hong Kong, and Switzerland were our top contributors. Whereas an overweight to India, an underweight to Japan, and an overweight to Belgium were the largest detractors.

At the security selection level, our largest positive attribution contributors came from our positions in Mitsubishi Estate, a Japanese diversified company, Swire Properties, a Hong Kong diversified company, and Digital Realty Trust, a U.S.-based data center REIT.

Our largest detractors came from holdings in Ventas, a U.S. healthcare REIT, American Tower, a U.S.-based global cell tower REIT, and Sumitomo Realty, a Japanese diversified company.

When looking at attribution by property sector, selection within and an overweight allocation to data centers were the top contributors, followed by selection within the diversified and specialty sectors. Telecommunication REITs underperformed over the quarter, and our overweight to the sector was the largest detractor. This was followed by negative impacts from residential and healthcare security selection.

INVESTMENT OUTLOOK

The Duff & Phelps Global Real Estate Securities Team expects global economic growth to slow in response to higher interest rates and quantitative tightening. Unlike last year, in 2024, we expect the Federal Reserve to lower rates to curtail economic landing risk surrounding the November presidential election, which in our view will benefit listed real estate.

Naturally, just as we expect global economies to slow, we expect global listed real estate cash flow to remain positive yet decelerate across many property sectors, as companies absorb higher financial and operating costs. Quality and resiliency in the form of well-positioned balance sheets and sustainable growth in cash flow and dividends will likely be preferred by investors as we continue to face an uncertain economic environment.

Fundamentally, secular growth drivers should continue to benefit data centers and logistics. Within the U.S. healthcare property sector, senior housing operating properties and skilled nursing facilities may continue to see an improvement in occupancy, and pricing power should increase further in senior housing. Self-storage has been impacted by the moderation in housing turnover caused by higher interest rates and, in certain markets, a higher level of new supply, which is negatively impacting pricing for new customers. The residential apartments subsector in the U.S. is also in the process of digesting a significant amount of new supply over the next 12 to 18 months. The office property sector will likely remain one of the more challenging and controversial sectors on a global basis.

Given the capital that has been raised by private equity sponsors on a global basis, the new year may see a pick-up in public-to-private M&A activity, particularly if debt availability and pricing improve and global listed real estate continues to trade at discounted valuations.

In our view, listed global real estate has shown an ability to outperform following the end of a rising interest rate cycle and could be a beneficiary of lower rates. With an abundance of private capital on the sidelines and discounted pricing available via listed real estate, we see listed real estate as more attractive than private real estate.

As always, thank you for your continued support of our team and investment strategy.

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Duff & Phelps Investment Management Co.

PORTFOLIO MANAGERS

Geoffrey P. Dybas, CFA
Industry start date: 1989
Start date as Fund Portfolio Manager: 2009

Frank J. Haggerty, Jr., CFA
Industry start date: 1996
Start date as Fund Portfolio Manager: 2009

AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (03/02/09)
Fund Class I	-1.36	-1.36	7.21	-0.24	3.11	5.70	12.25
Index	-1.30	-1.30	7.41	-1.13	-0.21	3.05	9.91

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 1.17%. The net expense ratio is 1.15%, which reflects a contractual expense reimbursement in effect through 1/31/2025.

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 **FTSE EPRA Nareit Developed Index (net)** is a free-float market capitalization-weighted index measuring publicly traded equity REITs and listed property companies from developed markets, which meet minimum size and liquidity requirements.

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
Prologis Inc.	7.92
Welltower Inc.	5.14
Equinix Inc.	3.62
AvalonBay Communities Inc.	3.58
Public Storage	3.54
Digital Realty Trust Inc.	3.31
Realty Income Corp.	2.84
Mitsubishi Estate Co. Ltd.	2.58
Simon Property Group Inc.	2.56
American Homes 4 Rent	2.55

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

	% Contribution
Mitsubishi Estate Co. Ltd.	0.62
Mitsui Fudosan Co. Ltd.	0.42
Digital Realty Trust Inc.	0.33
Simon Property Group Inc.	0.25
Scentre Group	0.21

TOP FIVE DETRACTORS

	% Contribution
Link REIT	-0.43
Ventas Inc.	-0.34
Rexford Industrial Realty Inc.	-0.20
Americold Realty Trust Inc.	-0.19
The UNITE Group PLC	-0.18

% 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. **Real Estate:** The portfolio may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Industry/Sector Concentration:** A portfolio 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 portfolio. **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.

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

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