Virtus Duff & Phelps Global Real Estate Securities Fund

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

MARKET REVIEW

Global real estate equities finished 2017 on a positive note, generating a return of 3.60% during the fourth quarter and 10.36% for the full year, as represented by the FTSE EPRA NAREIT Developed Index ("the benchmark"), expressed in U.S. dollars. While global real estate continued to trail global equities, as demonstrated by the 5.51% increase in the MSCI World Index (net) for the quarter and 22.40% for the year, also expressed in U.S. dollars, we reiterate the benefits of real estate as an asset class and its inclusion in portfolios.

Taking a closer look at the performance of the individual countries represented within the benchmark index, the top-performing countries during the quarter on a total return basis, measured in U.S. dollars, included Austria, France, Germany, Norway, and Singapore. Austria's return during the quarter benefited from the announced acquisition of BUWOG AG, an owner and developer of Austrian and German apartments, by Vonovia, the largest public owner/operator of German apartments.

The five bottom-performing countries in the benchmark during the quarter were Israel, Switzerland, the U.S., Belgium, and Spain, though all posted positive total returns. Although Spain was a top performing country on the year, returns during the fourth quarter were negatively impacted by the ongoing political turmoil associated with Catalonia. Further political uncertainty in 2018 may result in heightened market volatility over the course of the year.

PERFORMANCE

The Fund outperformed its benchmark in the fourth quarter, with a return of 5.25% (Class I) versus 3.60%.

Q4 Performance Contributors

> From a country allocation perspective, our overweight exposure to Germany was the most positive driver of performance during the quarter. German real estate companies continued to benefit from the healthy economic environment, ongoing improvements in rents and occupancies, and rising asset values. The Fund's overweight exposure to the U.K. also made a positive contribution. Even though the U.K. was not a top-five performing country in the quarter, the portfolio's diverse mix of U.K. real estate companies performed strongly, benefiting our overweight position.

> At the security level, our overweight exposure to Unite Group, a mid-cap U.K. student housing REIT, was the largest positive contributor. The company's shares performed strongly during the quarter and year as its student accommodation business continued to deliver solid operating results despite Brexit concerns. In addition, our overweight exposure to CubeSmart, a mid-cap U.S. self-storage REIT, also made a meaningful positive contribution. While concerns regarding potential oversupply of self-storage space have plagued the property sector recently, CubeSmart delivered better-than-expected operating results during the quarter, particularly in its dominant New York metro market.

Q4 Performance Detractors

> From a country allocation viewpoint, our underweight exposure to Singapore was the largest detractor from performance during the quarter as the country was among the top-five performing countries for real estate. Our overweight exposure to Spain also detracted as political turmoil in the Catalonia region resulted in more muted market returns during the quarter. It should be noted the detraction from our overweight allocation in Spain was more than offset by security selection in the region, as one of our key positions, Axiare Patrimonio, received an all-cash offer for 18.50 euros, adding to its strong performance on the year.

> At the security level, our lack of exposure to GGP, Inc., a large-cap U.S. regional mall REIT, and our overweight exposure to Swire Properties, a large-cap Hong Kong diversified real estate company, were the largest negative contributors. During November, GGP received a proposal from its largest shareholder, Brookfield Property Partners, to acquire the company for $23 per share. The proposed consideration of half cash, half Brookfield Property Partners units represented a 21% premium to the unaffected GGP share price. The announcement of this deal was one of several that transpired during the quarter that were focused on the global regional mall space.

OUTLOOK

From our perspective, the global real estate space market cycle still has room for further growth as we expect overall space market demand to exceed supply across most property sectors and major cities. With the significant amount of private real estate equity capital that has been raised but unspent, we expect mergers and acquisitions activity to continue in 2018.

In aggregate, we view a backdrop of low, but positive global economic growth and manageable new real estate supply as positive fundamental tailwinds for global real estate securities going forward. Combined with the supportive tailwind to real estate asset pricing, our base case remains for another positive total return year for global real estate securities in 2018.

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

Virtus Duff & Phelps Global Real Estate Securities Fund

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Duff & Phelps Investment Management Co.

INVESTMENT PROFESSIONALS

Geoffrey P. Dybas, CFA
Industry start date: 1989
Start date with the Fund: 2009

Frank J. Haggerty, Jr., CFA
Industry start date: 1996
Start date with the Fund: 2009

TOP TEN HOLDINGS

TOP TEN HOLDINGS	% Fund
Prologis, Inc.	3.66
Digital Realty Trust, Inc.	3.18
Simon Property Group, Inc.	3.07
Vonovia SE	2.78
AvalonBay Communities, Inc.	2.55
UNITE Group plc	2.30
Link Real Estate Investment Trust	2.20
Duke Realty Corp.	2.01
Regency Centers Corp.	2.00
Sun Communities, Inc.	1.94

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 3/2/2009
NAV	5.25	13.02	13.02	6.28	8.37	n/a	18.44
Index*	3.60	10.36	10.36	4.44	6.32	n/a	16.62
Former Index**	3.37	8.21	8.21	4.60	7.13	n/a	17.61

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 1.28%. The net expense ratio is 1.15%, which reflects a contractual expense reimbursement in effect through 4/30/2018.

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.

*Effective September 1, 2017, the fund's primary benchmark is the **FTSE EPRA/NAREIT Developed Index (net)**, 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 Fund will no longer use the FTSE EPRA/NAREIT Developed Rental Index (net) as a benchmark for performance comparisons.

For informational purposes, performance is shown for the fund's former benchmark, the **FTSE EPRA NAREIT Developed Rental Index (net), a free-float market capitalization-weighted index measuring global real estate securities, which meet minimum size, liquidity and investment focus criteria. The index is a sub-set of the FTSE EPRA NAREIT Investment Focus Index Series, which separates the existing constituents into both Rental and Non-Rental Indices. A company is classified as Rental if the rental revenue from properties is greater than or equal to 70% of total revenue. The classification is based on revenue sources as disclosed in the latest published financial statement.

The **MSCI World Index (net)** is a free float-adjusted market capitalization-weighted index that measures developed global market equity performance. The index is calculated on a total return basis with net dividends reinvested. The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The **U.S. Dollar Spot Index** is a broad-based, diversified index representing an investment in the U.S. dollar.

The equity indexes are calculated on a total return basis with net dividends reinvested. The equity indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are 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. **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. **Real Estate:** The fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **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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