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 second quarter of 2023, global financial markets greeted softening inflation, indicated by May's CPI report and an artificial intelligence boom highlighted by NVIDIA's strong earnings, with open arms. The MSCI World Index produced a total return of 7.0%, bringing the year-to-date total to 15.4%. This good fortune was mostly centered on large-cap tech stocks, which returned 14.8% and accounted for most of the Index return, leaving other sectors and smaller and medium-sized companies lagging by a good margin. In June, the U.S. Federal Reserve (Fed) delivered its first pause in 15 months, but did telegraph potential future rate hikes. With inflation showing strong signs of moderating, market participants welcomed the move as a clearer sign of future Fed rate activity. In the U.K. and the Eurozone broadly, inflation was not as contained, but the region showed less pressure from geopolitical events nearby, helping moderate performance. Still, central bankers have voiced the need for future rate hikes across Europe.

Publicly listed real estate companies, as measured by the FTSE EPRA NAREIT Developed Index, produced a positive return of 0.5%. Despite strong earnings announced during the quarter from solid rental growth and moderated expenses, the sector lagged the broader market, in part due to continued concerns over commercial real estate lending globally.

For the quarter, positive listed global real estate performance was led by Austria, Germany, and Switzerland in U.S. dollar terms, with Finland, Sweden, and Hong Kong lagging. Property subsector performance was mixed. Data centers was the top-performing subsector, given that it benefits directly from increased attention on artificial intelligence computing needs. Following data centers was residential, where we saw rental growth climb as home ownership costs continued to increase globally. Conversely, industrial-office mixed and diversified real estate lagged on concerns over cyclicality.

To recap our view on listed real estate, we anticipate good value in the years ahead due to strong fundamentals and stable positive earnings growth. Recent underperformance has increased value across the sector, as it currently trades at a significant discount to net asset value.

PORTFOLIO REVIEW

The Virtus Duff & Phelps Global Real Estate Securities Fund outperformed the benchmark during the quarter, with allocation and selection both contributing to outperformance.

Attribution by country was led by our underweight to and selection within Hong Kong and was followed by selection within Sweden and selection in France. Conversely, selection within the U.S. was the largest detractor, followed by allocation to China and negative allocation and selection in Belgium.

From a country allocation perspective, our underweights to Hong Kong and Singapore were our top contributors to relative performance, while our overweights to China and Sweden were the largest detractors.

On the basis of total attribution by property sector, data center real estate was the largest positive contributor, driven by allocation and security selection, followed by an underweight allocation to the diversified sector. Conversely, residential was the largest detractor, driven by security selection, and despite positive attribution from an overweight allocation, followed by the overweight allocation to and security selection within the specialty sector.

At the security selection level, our largest positive attribution contributors came from our overweight to NextDC, an Australian data center operator, and American Homes 4 Rent. Our largest detractors were our positions in Sun Communities, an investor in U.S. manufactured homes, and SBA Communications, an owner and operator of U.S. cell towers. NextDC performed well along with the data center sector, experiencing strong growth prospects. American Homes 4 Rent saw continued rent growth, with stabilized housing prices increasing its property profile values. Our allocation to Sun Communities detracted due to concerns over rising costs and higher vacancies in RV parks, but rent growth continued to move higher. Additionally, with respect to our overweight allocation to SBA Communications (SBAC), cell tower REITs broadly remained under pressure on concerns of earnings growth. However, SBAC's earnings came in above expectations for the first quarter and were guided higher for the year. We continue to see value in the subsector as a defensive holding with stable earnings.

INVESTMENT OUTLOOK

Our outlook remains positive for listed real estate, marked by overall solid fundamentals and attractive valuations. The potential for a hard landing and further stress in the global banking system remain key risks to stability across the equity markets. We expect this will challenge central banks and keep volatility elevated through the year. In our view, listed real estate has shown an ability to outperform when central banks are pursuing a more reasonable path of increasing interest rates, in terms of both magnitude and frequency. Moreover, the abundance of private capital on the sidelines and the discounted pricing available via listed real estate, which we see as more attractive than private real estate, are tailwinds.

Stock selection remains key in the current market, as active managers can capitalize on the disconnect between property fundamentals and stock prices. We believe the Duff & Phelps Global Real Estate strategy is well suited to capitalize on these opportunities due to our focus on established owner-operators of enduring commercial real estate.

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

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

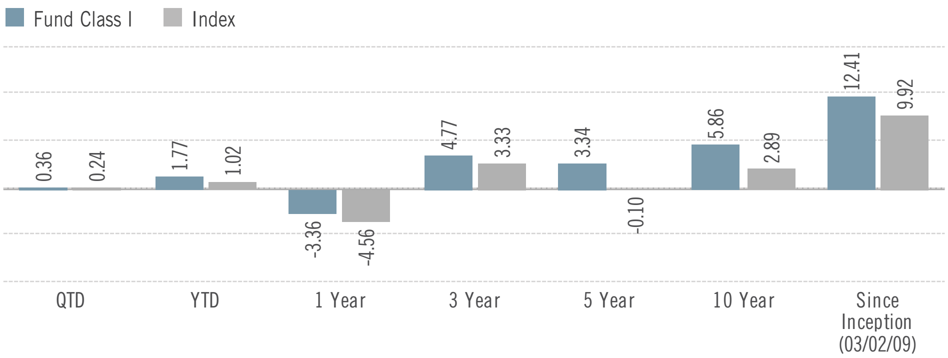
Duff & Phelps Investment Management Co.

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 06/30/23



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 1.15%.

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

TOP TEN HOLDINGS	% Fund
Prologis Inc.	8.81
Equinix Inc.	5.00
Sun Communities Inc.	3.58
Welltower Inc.	3.52
Mitsubishi Estate Co. Ltd.	3.40
VICI Properties Inc.	3.16
Digital Realty Trust In.	3.15
Ventas Inc.	3.01
Public Storage	2.91
Realty Income Corp.	2.78

Holdings are subject to change.

TOP FIVE CONTRIBUTORS

TOP FIVE CONTRIBUTORS	% Contribution
Welltower Inc.	0.50
Equinix Inc.	0.49
Digital Realty Trust Inc.	0.43
American Homes 4 Rent	0.31
AvalonBay Communities Inc.	0.27

TOP FIVE DETRACTORS

TOP FIVE DETRACTORS	% Contribution
Sun Communities Inc.	-0.26
Rexford Industrial Realty Inc.	-0.22
Link REIT	-0.20
Castellum AB	-0.19
SBA Communications Corp.	-0.16

% 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, 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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