VIRTUS FUNDS

Virtus Vontobel Emerging Markets Opportunities Fund

A: HEMZX (92828W387) | C: PICEX (92828W379) | I: HIEMX (92828W361) | R6: VREMX (92828W353)

MARKET REVIEW

Emerging markets (EM) equities deteriorated in the third quarter, dragged down by China's underperformance due to continued pursuit of its zero-COVID policy, as well as growing global recession fears and U.S. dollar strength.

FUND PERFORMANCE

The Virtus Vontobel Emerging Markets Opportunities Fund returned -9.31% (Class I) in the quarter, outperforming the MSCI Emerging Markets Index, which returned -11.57%.

Eicher Motors and Hindustan Unilever were the largest contributors to performance in the quarter.

> Eicher Motors is a dominant player in 250+cc motorcycles with its iconic Royal Enfield brand. Strong brand equity enables the company to pass on inflationary cost pressures and successfully implement price increases. Eicher reported fiscal Q123 earnings ahead of expectations as domestic growth continues to normalize to pre-COVID levels, with revenue growth of 72% year on year from volume growth of 52% and an 18% increase in average selling price.

> Hindustan Unilever focuses on household and personal care products that run from affordable to premium. The company has pricing power stemming from strong brands. It reported fiscal Q123 results above market expectations with earnings growth of 11%. Also, revenue grew roughly 20% year on year on the back of mid-single-digit volume growth and a 12% price increase. The company has continued to gain market share across 75% of its portfolio.

JD.com and Taiwan Semiconductor Manufacturing Company (TSMC) were the largest detractors from performance.

> Shares in JD.com, the Chinese e-commerce company, declined roughly in line with the MSCI China Index. Fundamentally, the company remains strong, and we believe it benefits from Chinese regulation intended to level the playing field. Q222 earnings exceeded consensus expectations with revenue up 5% year on year and net margins higher at 2.4%. Core retail operating profit grew 37%, helped by a shift to higher margin third-party ads and expense control. Meanwhile, losses from new businesses declined and management expects further improvement in the second half. The results were particularly encouraging given Shanghai lockdowns and China's zero-COVID policy.

> TSMC is one of the world's largest pure-play semiconductor foundries with unparalleled expertise and scale advantage in highly sophisticated chips. Shares declined over concerns related to the semiconductor downcycle and moderating end demand, coupled with a rotation out of growth names that also weighed on the space. Q222 results were strong and high-performance computing strength more than offset slower consumer areas such as PCs, tablets, and smartphones. We expect cycles to generally be shorter and shallower than in the past due to diversified demand and a more consolidated industry. We have pared back our position since late last year, harvesting some of our 2021 performance, as a reflection of this more challenging period in the space.

PORTFOLIO CHANGES

We purchased three consumer staples holdings: Heineken, a Dutch-listed, global brewer; Kweichow Moutai, a Chinese distiller; and Yili Industrial Group, China's largest dairy producer. In consumer discretionary, we initiated a position in Brazilian retailer Lojas Renner. In financials, we purchased First Abu Dhabi Bank. We exited Chinese consumer staples companies Wuliangye Yibin and Toly Bread to reallocate capital to better opportunities. We sold Hong Kong-listed Budweiser Brewing as it continues to be exposed to China's COVID lockdowns. In IT, we sold Taiwan's WIN Semiconductors as its business is tied mostly to chips for smartphones, which is in a prolonged downcycle.

OUTLOOK

While forecasts for global growth have been reduced, EM economies are still expected to outgrow developed economies, and EM equities are trading at a higher discount to the S&P 500® than the historical average.

In our view, India and Indonesia offer the strongest growth outlook. Both economies are recovering from deep COVID impacts and were prudent with fiscal stimulus over the last two years. India's structural reforms (implementation of a goods and services tax, enhanced bankruptcy law, and cleanup of weaker financial institutions) were important but also a growth headwind the last five years. With the benefit of reforms and a stronger banking system, we see accelerated credit and consumption growth, with Indian GDP growth forecast at 6-7% in the coming 12 months.

We are more cautious on China and remain underweight as growth slows, dragged down by weakness in the real estate sector and sporadic COVID lockdowns. Our focus is on consumer staples businesses with strong pricing power, e-commerce companies that may benefit from regulation, and leading industrial businesses leveraged to the surge in global electric vehicle battery demand and industrial automation. We avoid cyclical and lower-quality areas in China such as financials, energy, materials, and real estate, which together comprise 8% of the MSCI EM Index's total exposure.

Brazil's central bank has been aggressive in raising interest rates to combat inflation, which is running in the low teens. We believe concerns about the presidential election are overdone as we don't expect a radical policy change with respect to the economy, regardless of which of the two candidates wins.

Throughout the year, we have continued to optimize the portfolio for future growth and durability. In our view, defensive growth, which can help mitigate downside risk, combined with secular growth, which allows for upside participation, is the formula to navigate challenging markets and seek to beat the benchmark with lower volatility.

Related Reading: Q3 Vontobel Market Review & Outlook

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Vontobel Asset Management, Inc.

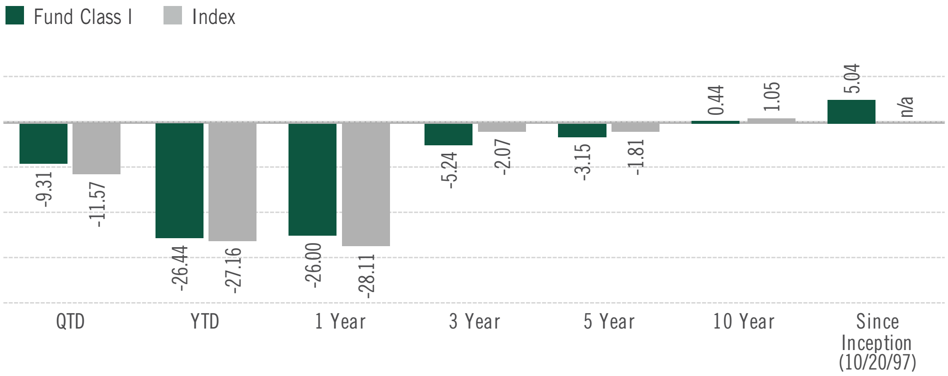
PORTFOLIO MANAGERS

Matthew Benkendorf
Industry start date: 1998
Start date as Fund Portfolio Manager: 2016

Jin Zhang, CFA
Industry start date: 1995
Start date as Fund Portfolio Manager: 2016

Ramiz Chelat, CFA
Industry start date: 1997
Start date as Fund Portfolio Manager: 2021

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/22



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 1.23%.

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 Emerging Markets Index (net)** is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global 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 it is not available for direct investment.

TOP TEN HOLDINGS	% Fund
Wal-Mart de Mexico SAB de CV	4.79
Taiwan Semiconductor Manufacturing Co. Ltd.	4.32
JD.com Inc.	3.63
President Chain Store Corp.	3.16
Housing Development Finance Corp. Ltd.	3.14
Reliance Industries Ltd.	3.11
Bank Rakyat Indonesia Persero Tbk PT	3.00
Eicher Motors Ltd.	3.00
Raia Drogasil SA	2.95
Heineken NV	2.49

Holdings are subject to change.

TOP FIVE CONTRIBUTORS	% Contribution
Eicher Motors Ltd.	0.53
Hindustan Unilever Ltd.	0.36
Raia Drogasil SA	0.29
Cipla Ltd./India	0.26
MercadoLibre Inc.	0.23

TOP FIVE DETRACTORS	% Contribution
JD.com Inc.	-0.91
Taiwan Semiconductor Manufacturing Co. Ltd.	-0.78
Hong Kong Exchanges & Clearing Ltd.	-0.68
Wuxi Lead Intelligent Equipment Co Ltd.	-0.60
NAVER Corp.	-0.60

% 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 or medium-sized companies may enhance that risk. **Geographic Concentration:** A portfolio that focuses its investments in a particular geographic location will be sensitive to financial, economic, political, and other events negatively affecting that location. **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. Price changes may be short- or long-term. Local, regional, or global events such as war (e.g., Russia's invasion of Ukraine), acts of terrorism, the spread of infectious illness (e.g., COVID-19 pandemic) or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio's manager(s) to invest the portfolio's 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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