

# BRAVING THE NEW WORLD OF BONDS: NEWFLEET ASSET MANAGEMENT



The global bond market has evolved significantly over the years. Fixed income is a necessity for most portfolios, so understanding both opportunity and risk is essential.

## The Risks of “Old Core” Bond Investing

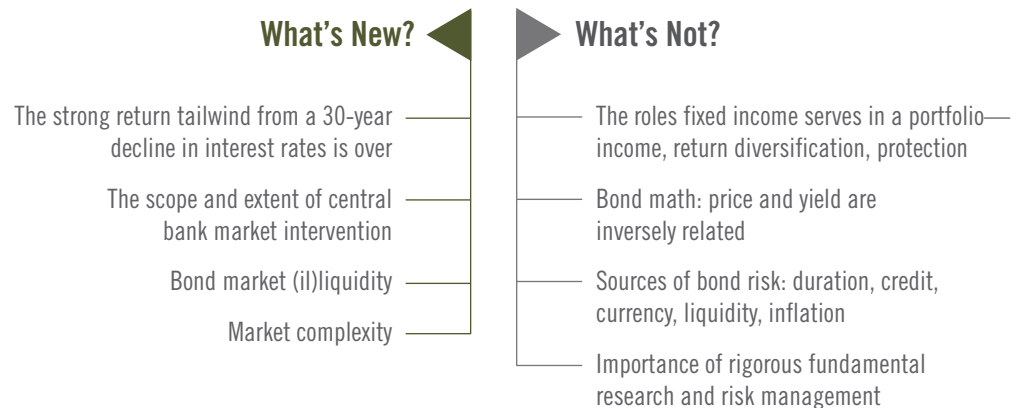
The traditional core bond portfolio, represented by the Bloomberg Barclays U.S. Aggregate Bond Index, has grown less attractive since the financial crisis of 2008.

Interest rate risk has risen...

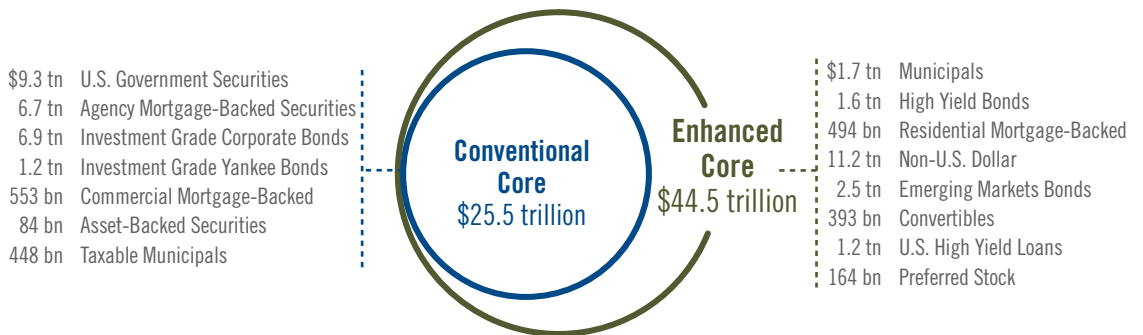
...while yield and total return potential have fallen.



Some elements of the bond market have changed—while other foundations remain steady. Achieving the right outcomes requires a nuanced understanding of today’s playing field.



Newfleet is a pioneer in enhanced multi-sector investing, with a purview nearly 60% larger than the size of the traditional core bond market. That perspective is critical in shifting from “old core” to “new core” bond investing.



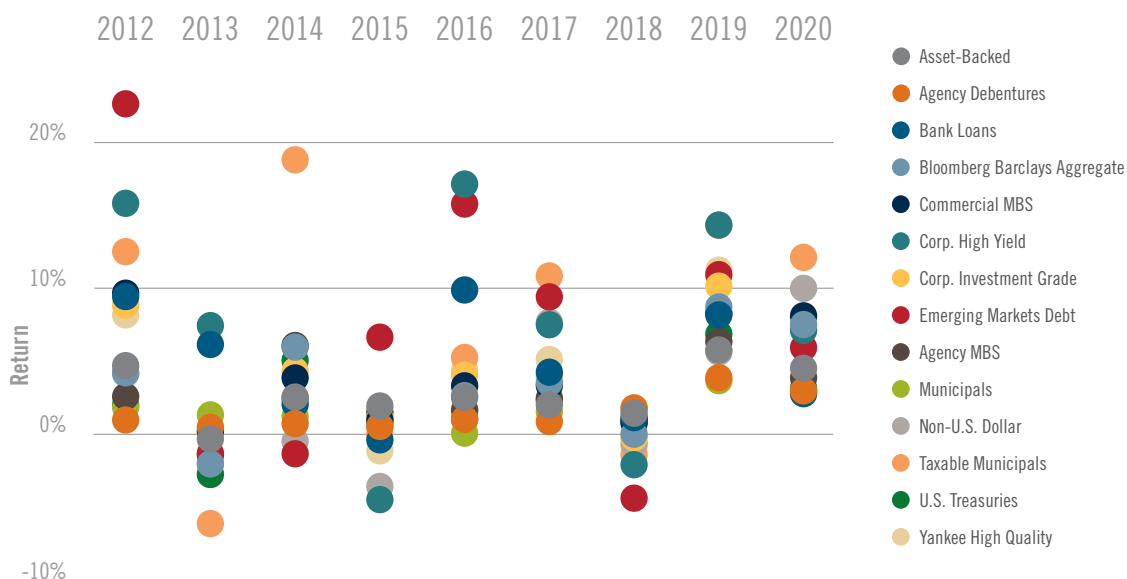
A global, multi-sector perspective creates opportunity.

As of 12/31/2020.  
Source: Barclays, Merrill Lynch, JP Morgan, S&P LCDcomps. Holdings subject to change.

**Past performance is not indicative of future results.** Current duration and yield as of 12/31/2020. Duration represents the interest rate sensitivity of a fixed income fund. For example, if a fund’s duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund’s price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund’s price. Yield shown represents yield-to-worst (YTW), which is the lowest yield generated, given the potential stated calls prior to maturity.

## The Wide Dispersion Across 14 Bond Sectors Creates Opportunity to Add Value<sup>1</sup>

There is no single “bond market.” Newfleet rotates across 14 major bond segments globally in order to benefit from opportunity—and manage risk. These data show that there is wide dispersion in outcomes across segments. Choosing wisely is a must.



## Newfleet Has Navigated Across Multiple Market Cycles

Virtus Newfleet Multi-Sector Short Term Bond Fund Historical NAV<sup>2</sup>

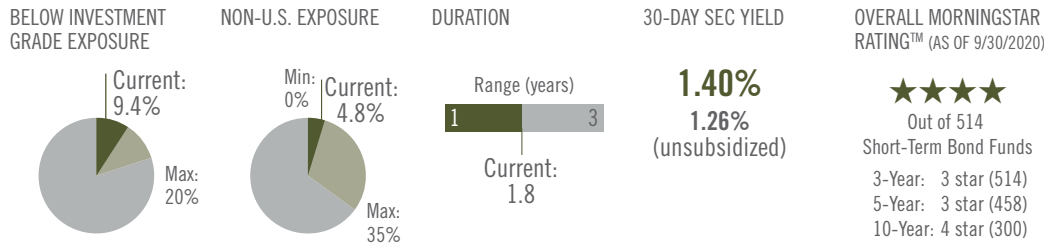
	NAV Range		Price Return	Total Return	Bond Market News	
	High	Low				
1993	4.93	4.81	1.66%	8.93%	High yield resurgence	
1994	4.92	4.51	-7.77	-1.94	Worst bond market in 75 years prior to 2008	A surprise rate hike and events in Mexico and Orange County roil credit markets
1995	4.78	4.45	5.99	13.72	Rates rally	
1996	4.98	4.74	3.97	11.31	Emerging markets rally	
1997	5.17	4.90	0.00	9.46	Asian financial crisis	
1998	5.02	4.45	-5.63	1.31	LTCM liquidity crisis	Bond markets fell sharply related to Russian debt default implosion of hedge fund Long-Term Capital Management
1999	4.71	4.55	-2.56	4.49	NASDAQ reaches all time high/3 rate hikes	
2000	4.58	4.42	-0.88	7.09	Curve inverted/tech sell off/3 rate hikes	
2001	4.63	4.52	0.44	7.98	Negative GDP	
2002	4.64	4.49	1.98	7.40	Record default rates	
2003	4.87	4.63	4.31	9.09	Emerging markets/high yield rally	
2004	4.89	4.67	0.21	4.81	5 rate hikes	
2005	4.84	4.68	-2.89	1.36	8 rate hikes/yield curve flattened	A year of several rate hikes put bond managers to the test
2006	4.77	4.62	0.85	5.52	4 rate hikes/yield curve inverted	
2007	4.77	4.63	-2.11	3.15	Fed cuts rates 3 times	
2008	4.67	3.71	-19.14	-13.96	Credit crunch	The Great Recession triggered a liquidity-led collapse of global capital markets, only to be followed by a rapid market recovery
2009	4.61	3.75	22.07	29.80	Credit market recovery	
2010	4.89	4.60	4.79	10.25	Fed holds rates near zero	
2011	4.91	4.64	-1.66	3.10	EU sovereign debt crisis	
2012	4.96	4.73	4.86	9.39	Fiscal cliff	
2013	4.99	4.80	-2.02	1.52	Accommodative monetary policy	
2014	4.92	4.71	-2.06	1.05	Accommodative monetary policy	
2015	4.81	4.63	-2.73	0.09	Global economic uncertainty	
2016	4.78	4.59	1.94	4.97	Strong total return, but not without pockets of volatility	
2017	4.79	4.73	0.64	3.66	Performance despite a rising rate environment and political gridlock	
2018	4.76	4.57	-3.58	-0.78	Global central banks remove liquidity	Risk assets sell off late fourth quarter
2019	4.74	4.58	3.06	6.15	Central Banks pivot/credit outperforms	
2020 YTD	4.79	4.26	1.48	4.30	Pandemic disrupts global economy, policymakers respond forcefully. Newfleet reacts swiftly and thoughtfully	

<sup>1</sup>As of 12/31/2020. Sources: Barclays Live, Credit Suisse Leveraged Loan Index, and Citi Fixed Income Indices. **Past performance is not indicative of future results.** The table above is presented for informational purposes only and is not meant to represent the performance of any Virtus portfolio. Performance of all cited indexes is calculated on a total-return basis with dividends reinvested. Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment. Please see page 4 for index definitions.

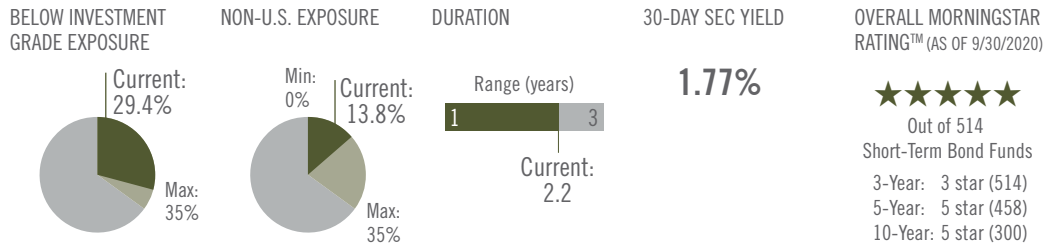
<sup>2</sup>Returns are for Class A shares at NAV. Bond market news sources: Barclays, Bloomberg, Wikipedia, Moody's.

## A Well-Rounded Suite of New Core Offerings

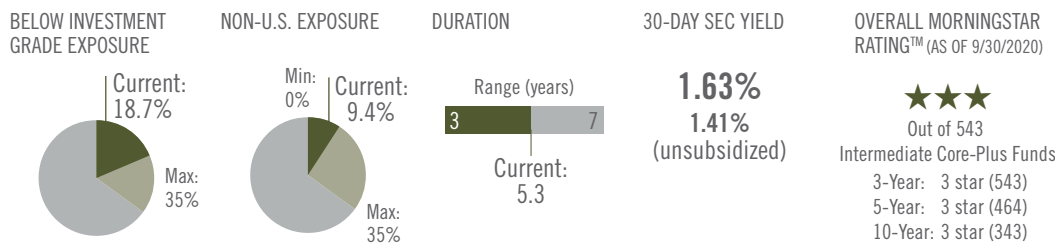
### Virtus Newfleet Low Duration Core Plus Bond Fund<sup>1</sup> (HIMZX)



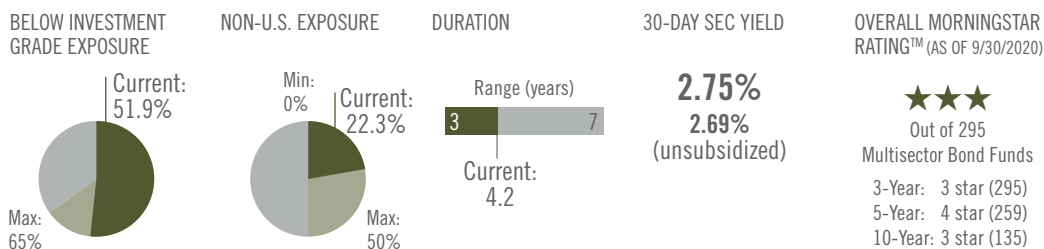
### Virtus Newfleet Multi-Sector Short Term Bond Fund (NARAX)



### Virtus Newfleet Core Plus Bond Fund<sup>2</sup> (SAVAX)



### Virtus Newfleet Multi-Sector Intermediate Bond Fund (NAMFX)



Morningstar ratings are based on risk-adjusted returns. Strong ratings are not indicative of positive fund performance.

**Past performance is not indicative of future results.** Current duration and non-U.S. exposure as of 12/31/2020. **Duration** represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price. **30-day SEC Yield** is a standardized yield calculated according to a formula set by the SEC, and is subject to change. **30-day SEC Yield (unsubsidized)** is the 30 day SEC yield without the effect of applicable expense waivers.

Morningstar Rating™ for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings do not take into account the effects of sales charges and loads.

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Newfleet delivers a robust suite of both diversified and targeted offerings, allowing for customized solutions for investors' various fixed income needs.

Even taking into account the challenges of the modern bond market, **there's no denying that fixed income remains an essential piece of a diversified portfolio.** The question isn't "if" but "how." Newfleet has an answer:

- ▶ A 28-year track record with a stable team of 32 investment professionals and 11 sector specialists
- ▶ A rigorous, time-tested investment process anchored on a global, multi-sector, relative value approach
- ▶ Multiple layers of risk-management, from top-down macro to bottom-up fundamental



To learn more, please contact us at 800-243-4361 or visit [virtus.com](http://virtus.com)

## Average Annual Total Returns Class A (%) as of 12/31/2020

	1 Year			5 Year			10 Year			Life of Fund			Inception Date
	NAV	POP	Index*	NAV	POP	Index	NAV	POP	Index	NAV	POP	Index	
HIMZX	3.79	1.46	4.65	2.82	2.35	2.89	2.67	2.44	2.74	3.87	3.75	4.31	7/21/1999
NARAX	4.30	1.96	4.22	3.63	3.16	3.18	3.30	3.07	2.68	5.20	5.11	4.64	7/6/1992
SAVAX	7.38	3.36	7.51	5.15	4.35	4.44	4.33	3.93	3.84	4.93	4.76	4.96	7/1/1998
NAMFX	5.91	1.94	7.51	6.04	5.23	4.44	4.87	4.47	3.84	6.93	6.80	5.94	12/15/1989

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](http://virtus.com) for performance data current to the most recent month end. Class A shares have a maximum sales charge of 3.75% for Virtus Newfleet Multi-Sector Intermediate Bond Fund and Virtus Newfleet Core Plus Bond Fund and 2.25% for Virtus Newfleet Low Duration Core Plus Bond Fund and Virtus Newfleet Multi-Sector Short Term Bond Fund. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid for NAMFX and within 12 months for HIMZX and NARAX.

HIMZX: The fund class gross expense ratio is 0.92%. The net expense ratio is 0.75%, which reflects a contractual expense reimbursement in effect through 1/31/2021.

NARAX: The fund class gross expense ratio is 0.98%.

SAVAX: The fund class gross expense ratio is 1.11%. The net expense ratio is 0.80%, which reflects a contractual expense reimbursement in effect through 1/31/2021.

NAMFX: The fund class gross expense ratio is 1.10%. The net expense ratio is 0.99%, which reflects a contractual expense reimbursement in effect through 1/31/2021.

Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains.

\*HIMZX—Virtus Newfleet Low Duration Core Plus Linked Benchmark. NARAX—ICE BofA 1-3 Year A-BBB US Corporate Index. Benchmark since inception performance is reported from 6/30/1992. SAVAX—Bloomberg Barclays U.S. Aggregate Bond Index. NAMFX—Bloomberg Barclays U.S. Aggregate Bond Index.

## INDEXES

Bloomberg Barclays U.S. Aggregate represented by the **Bloomberg Barclays U.S. Aggregate Bond Index**, which measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. Agency Debentures represented by the **Bloomberg Barclays U.S. Agency 1-3 Year Index**, which includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank with a term of 1 to 3 years. It is a subcomponent of the Government-Related Index (which also includes non-native currency agency bonds, sovereigns, supranationals, and local authority debt) and the U.S. Government Index (which also includes U.S. Treasury debt). The index includes callable and non-callable agency securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government (such as USAID securities). Corporate Investment Grade represented by the **Bloomberg Barclays U.S. Corporate Intermediate Index**, a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market with a term of 1 to 10 years. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements. Emerging Markets Debt represented by the **Bloomberg Barclays Emerging Markets Bond Index**, which includes fixed- and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P, and Fitch. Commercial MBS represented by the **Bloomberg Barclays CMBS ERISA-Eligible Index**, the ERISA-eligible component of the Bloomberg Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter's exemption, is the only CMBS sector that is included in the U.S. Aggregate Index. Corporate High Yield represented by the **Bloomberg Barclays U.S. Corporate High-Yield Index**, which measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt. U.S. Treasuries represented by the **Bloomberg Barclays U.S. Treasury Index**, which measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. **Bloomberg Barclays U.S. MBS Index**, which covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Introduced in 1986, the GNMA, FHLMC, and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. Balloon securities were added in 1992 and removed on January 1, 2008. 20-year securities were added in July 2000. On April 1, 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index. Hybrid ARMs are eligible until 1 year prior to their floating coupon date. Municipals represented by the **Bloomberg Barclays Municipal 3 Year (2-4 Year Maturity) Index**, a subindex of the U.S. Municipal Index and covers the 2 to 4 year maturity USD-denominated tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Taxable Municipals represented by the **Bloomberg Barclays Taxable Municipal U.S. Aggregate Eligible Index**, a rules-based, market-value weighted index engineered for the long-term taxable bond market. To be included in the index, the bonds must meet the eligibility requirements of the U.S. Aggregate Index. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody's, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives,

are excluded from the benchmark. Asset-Backed represented by the **Bloomberg Barclays ABS 3-5 Year Index**, which has three subsectors: credit and charge cards, autos, and utilities. The index includes pass-through, bullet, and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. The issues must be fixed rate, investment grade, and have an average life of three to five years. Yankee High Quality represented by the **Bloomberg Barclays Intermediate Yankee Index**, which contains bonds issued by foreign countries and corporations. These bonds are denominated in U.S. dollars, pay interest in U.S. dollars, and trade on U.S. exchanges. To be eligible for this index, the bonds must have a final maturity between one and ten years. Bank Loans represented by the **Credit Suisse Leveraged Loan Index**, which tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries. Non-U.S. Dollar represented by the **FTSE World Government Bond Index -Extended (WGBI-Extended)** that measures the performance of fixed-rate, local currency, investment-grade sovereign bonds. The WGBI-Extended includes any market that meets the size and credit criteria of the FTSE World Government Bond Index (WGBI) and is also a market already present in or eligible to be in one of the four regional government bond indexes. These regional indexes are the FTSE Asia Pacific Government Bond Index (APGBI), FTSE Central Eastern Europe, Middle East, and Africa Government Bond Index (CEEMEAABI), FTSE Emerging Markets Government Bond Index (EMGBI) and FTSE Latin American Government Bond Index (LATAMGBI). **ICE BofA 1-3 Year A-BBB US Corporate Index** measures performance of U.S. corporate bond issues rated A1 through BBB3, inclusive (based on an average of Moody's, S&P, and Fitch), with a remaining term to final maturity less than 3 years. The index is calculated on a total return basis. The **Virtus Newfleet Low Duration Core Plus Linked Benchmark** consists of the ICE BofA 1-5 Year Corporate & Government Bond Index which tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market, including US Treasury, US agency, foreign government, supranational and corporate securities, with a remaining term to final maturity less than 5 years, calculated on a total return basis. Performance of the Low Duration Income Linked benchmark prior to 2/1/2017 is that of the Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index. Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.

## IMPORTANT RISK CONSIDERATIONS

**Credit & Interest:** Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the fund to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the non-repayment of underlying collateral, including losses to the fund. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Bank Loans:** Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale and/or trade infrequently on the secondary market. Loans are subject to credit and call risk, may be difficult to value, and have longer settlement times than other investments, which can make loans relatively illiquid at times. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness 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 manager(s) to invest the portfolio's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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](http://virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.

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