



## ANNUAL REPORT

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### Virtus Strategic Allocation Fund

March 31, 2017

TRUST NAME: VIRTUS EQUITY TRUST

*Prospectus supplement applicable to this Fund appears at the back of this annual report.*

**Not FDIC Insured  
No Bank Guarantee  
May Lose Value**



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("Strategic Allocation Fund")

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### *PROXY VOTING PROCEDURES AND VOTING RECORD (FORM N-PX)*

The subadviser votes proxies relating to portfolio securities in accordance with procedures that have been approved by the Board of Trustees of the Trust ("Trustees," or the "Board"). You may obtain a description of these procedures, along with information regarding how the Fund voted proxies during the most recent 12-month period ended June 30, free of charge, by calling toll-free 1-800-243-1574. This information is also available through the Securities and Exchange Commission's (the "SEC") website at <http://www.sec.gov>.

### *FORM N-Q INFORMATION*

The Trust files a complete schedule of portfolio holdings for the Fund with the SEC for the first and third quarters of each fiscal year on Form N-Q. Form N-Q is available on the SEC's website at <http://www.sec.gov>. Form N-Q may be reviewed and copied at the SEC's Public Reference Room. Information on the operation of the SEC's Public Reference Room can be obtained by calling toll-free 1-800-SEC-0330.

This report is not authorized for distribution to prospective investors in the Strategic Allocation Fund unless preceded or accompanied by an effective prospectus which includes information concerning the sales charge, the Fund's record and other pertinent information.

## MESSAGE TO SHAREHOLDERS

To My Fellow Shareholders of Virtus Mutual Funds:



I am pleased to present this report that reviews the performance of your fund for the 12 months ended March 31, 2017.

Global markets both started and ended the fiscal year on a strong note. At the front end of the period, stabilizing oil prices and the Federal Reserve's ("the Fed") softened stance on rate hikes sparked an equity rally that lasted into the summer of 2016. The U.K.'s "Brexit" decision in June, followed by the U.S. presidential election in November, triggered short-lived market selloffs, but calm was restored by better-than-expected corporate earnings and an improving global economic picture. As the fiscal year drew to a close, equity markets continued to benefit from the post-election "Trump bump." The Fed raised interest rates twice in the last few months – once in December, and again in March – a clear signal that

it believes the U.S. economy is on a growth path. At the same time, other major central banks remained committed to monetary stimulus, adding reassurance to global markets. U.S. growth, as evidenced by strong jobs, housing, and consumer spending data, gives investors reason for optimism. Corporate earnings got off to a strong start for the first quarter of 2017. The pro-growth policies of the new administration, if implemented, could have a continued positive impact on earnings and the markets.

For the 12 months, performance of U.S. large- and small-cap stocks surged, as measured by the 17.17% and 26.22% returns of the S&P 500® Index and Russell 2000® Index, respectively. Within international equities, emerging markets outpaced their developed peers, as the MSCI Emerging Markets Index (net) increased 17.22%, compared with the MSCI EAFE® Index (net), which returned 11.67%.

Demand for U.S. Treasuries remained strong, driven by foreign investors seeking safe havens and yield in light of the negative interest rate environment in many international economies. On March 31, 2017, the benchmark 10-year U.S. Treasury yielded 2.40%, compared with 1.78% one year earlier. The broader U.S. fixed income market, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, which tracks Treasuries and other investment-grade debt securities, had a relatively flat return of 0.44% for the year, while non-investment grade bonds had a healthy return of 16.39%, as measured by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Market uncertainty is an ever-present reminder of the importance of portfolio diversification, including exposure to traditional and alternative asset classes. While diversification cannot guarantee a profit or prevent a loss, owning a variety of asset classes may cushion your portfolio against inevitable market fluctuations. Your financial advisor can help you ensure that your portfolio is adequately diversified across asset classes and investment strategies.

On behalf of our investment affiliates, thank you for entrusting Virtus with your assets. Should you have questions about your account or require assistance, please visit our website at [Virtus.com](http://Virtus.com), or call our customer service team at 1-800-243-1574. We appreciate your business and remain committed to your long-term financial success.

Sincerely,



George R. Aylward  
President, Virtus Mutual Funds

May 2017

*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 above.*

**VIRTUS STRATEGIC ALLOCATION FUND**  
**DISCLOSURE OF FUND EXPENSES (Unaudited)**  
**FOR THE SIX-MONTH PERIOD OF OCTOBER 1, 2016 TO MARCH 31, 2017**

We believe it is important for you to understand the impact of costs on your investment. All mutual funds have operating expenses. As a shareholder of the Strategic Allocation Fund (the "Fund"), you may incur two types of costs: (1) transaction costs, including sales charges on purchases of Class A shares and contingent deferred sales charges on Class C shares; and (2) ongoing costs, including investment advisory fees, distribution and service fees, and other expenses. For further information regarding applicable sales charges, see Note 1 in the Notes to Financial Statements. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire six-month period. The following Expense Table illustrates the Fund's costs in two ways.

**Actual Expenses**

The first section of the accompanying table provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first section under the heading "Expenses Paid During Period" to estimate the expenses you paid on your account during the period.

**Hypothetical Example for Comparison Purposes**

The second section of the accompanying table provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not your Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in your Fund and other funds. To do so, compare these 5% hypothetical examples with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the accompanying table are meant to highlight your ongoing costs only and do not reflect any transactional costs, such as sales charges or contingent deferred sales charges. Therefore, the second section of the accompanying table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher. The calculations assume no shares were bought or sold during the period. Your actual costs may have been higher or lower, depending on the amount of your investment and timing of any purchases or redemptions.

**VIRTUS STRATEGIC ALLOCATION FUND  
DISCLOSURE OF FUND EXPENSES (Unaudited) (Continued)  
FOR THE SIX-MONTH PERIOD OF OCTOBER 1, 2016 TO MARCH 31, 2017**

**Expense Table**

	Beginning Account Value October 1, 2016	Ending Account Value March 31, 2017	Annualized Expense Ratio	Expenses Paid During Period*
<b>Actual</b>				
Class A	\$1,000.00	\$1,026.00	1.16%	\$5.86
Class C	1,000.00	1,021.80	1.91	9.63
<b>Hypothetical (5% return before expenses)</b>				
Class A	1,000.00	1,019.15	1.16	5.84
Class C	1,000.00	1,015.41	1.91	9.60

\* Expenses are equal to the Fund's annualized expense ratio, which is net of waived fees and reimbursed expenses, if applicable, multiplied by the average account value over the period, multiplied by the number of days (182) expenses were accrued in the most recent fiscal half-year, then divided by 365 to reflect the one-half year period.

The Fund may invest in other funds, and the annualized expense ratios noted above do not reflect fees and expenses associated with the underlying funds. If such fees and expenses had been included, the expenses would have been higher.

You can find more information about the Fund's expenses in the Financial Statements section that follows. For additional information on operating expenses and other shareholder costs, refer to the Fund's prospectus.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**KEY INVESTMENT TERMS (Unaudited)**  
**MARCH 31, 2017**

***American Depositary Receipt (ADR)***

Represents shares of foreign companies traded in U.S. dollars on U.S. exchanges that are held by a U.S. bank or a trust. Foreign companies use ADRs in order to make it easier for Americans to buy their shares.

***Bank of Japan (BOJ)***

One of the world's major central banks, the Bank of Japan is responsible for issuing the country's currency, managing monetary policy, and maintaining financial system stability.

***Bloomberg Barclays U.S. Aggregate Bond Index***

The Bloomberg Barclays U.S. Aggregate Bond Index measures the U.S. investment-grade fixed-rate bond market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

***Bloomberg Barclays U.S. Corporate High Yield Bond Index***

The Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

***Brexit***

A combination of the words "Britain" and "exit" which refers to Britain's withdrawal from the European Union.

***European Central Bank (ECB)***

The European Central Bank (ECB) is responsible for conducting monetary policy for the euro area. The ECB was established as the core of the Euro-system and the European System of Central Banks (ESCB). The ESCB comprises the ECB and the National Central Banks (NCBs) of all 17 EU Member States whether they have adopted the Euro or not.

***Federal Reserve (the "Fed")***

The Central Bank of the United States, responsible for controlling the money supply, interest rates and credit with the goal of keeping the U.S. economy and currency stable. Governed by a seven-member board, the system includes 12 regional Federal Reserve Banks, 25 branches and all national and state banks that are part of the system.

***MSCI EAFE® Index (net)***

The MSCI EAFE® (Europe, Australasia, Far East) Index (net) is a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada. 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.

***MSCI Emerging Markets Index (net)***

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 is not available for direct investment.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**KEY INVESTMENT TERMS (Unaudited) (Continued)**  
**MARCH 31, 2017**

***Organization of the Petroleum Exporting Countries (OPEC)***

The Organization of the Petroleum Exporting Countries is an intergovernmental organization that currently has 12 member countries. The organization's objective is to coordinate and unify petroleum policies among member countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry.

***Quantitative Easing (QE)***

An unconventional monetary policy in which a central bank purchases government securities or other securities from the market in order to lower interest rates and increase the money supply. Quantitative easing increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity. Quantitative easing is considered when short-term interest rates are at or approaching zero, and does not involve the printing of new banknotes.

***Real Estate Investment Trust (REIT)***

A publicly traded company that owns, develops and operates income-producing real estate such as apartments, office buildings, hotels, shopping centers and other commercial properties.

***Russell 2000® Index***

The Russell 2000® Index is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

***S&P 500® Index***

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 index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

***Sponsored ADR***

An ADR which is issued with the cooperation of the company whose stock will underlie the ADR. Sponsored ADRs generally carry the same rights normally given to stockholders, such as voting rights. ADRs must be sponsored to be able to trade on a major U.S. exchange such as the New York Stock Exchange ("NYSE").

***Strategic Allocation Fund Linked Benchmark***

The Strategic Allocation Fund Linked Benchmark consists of 45% Russell 1000® Growth Index (a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies, calculated on a total return basis with dividends reinvested), 15% MSCI EAFE® Index (a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada, calculated on a total return basis with net dividends reinvested) and 40% Bloomberg Barclays U.S. Aggregate Bond Index (an index that measures the U.S. investment grade fixed rate bond market, calculated on a total return basis). The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Strategic Allocation Fund Linked Benchmark prior to 9/7/2016 represents an allocation consisting of 60% S&P 500® Index and 40% Bloomberg Barclays U.S. Aggregate Bond Index.

# VIRTUS STRATEGIC ALLOCATION FUND

**Ticker Symbols:**  
A Share: PHBLX  
C Share: PSBCX

## Fund Summary March 31, 2017 (Unaudited) Portfolio Management Commentaries by Duff & Phelps Investment Management Co. (International Equity Portfolio), Kayne Anderson Rudnick Investment Management, LLC (Domestic Equity Portfolio), and Newfleet Asset Management, LLC (Fixed Income Portfolio)

■ **Strategic Allocation Fund (the “Fund”)** is diversified and has investment objectives of reasonable income, long-term capital growth and conservation of capital. *There is no guarantee the Fund will achieve its objectives.*

■ For the fiscal year ended March 31, 2017, the Fund’s Class A shares at NAV returned 7.13%, and Class C shares returned 6.33%. For the same period, the S&P 500® Index, a broad-based equity index, returned 17.17%; the Bloomberg Barclays U.S. Aggregate Bond Index, a broad-based fixed income index, returned 0.44%; and the Strategic Allocation Fund Linked Benchmark, which is the Fund’s style-specific index appropriate for comparison, returned 9.64%.

***All performance figures assume reinvestment of distributions and exclude the effect of sales charges. 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 above. 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](http://Virtus.com) for performance data current to the most recent month-end.***

*Effective September 7, 2016, Kayne Anderson Rudnick Investment Management, LLC (“KAR”) became subadviser to the domestic equity portfolio of the Fund and Duff & Phelps Investment Management Co. (“DPIM”) became subadviser to the international equity portfolio. The following commentary includes the views of the KAR and DPIM for the periods they managed their respective portfolios. There was no change*

*to the subadviser of the fixed income portfolio of the Fund, which continues to be managed by Newfleet Asset Management, LLC (“Newfleet”).*

### **How did the markets perform during the Fund’s fiscal year ended March 31, 2017?**

#### **U.S. Equities**

Despite a terrible start to 2016, equities enjoyed very solid returns for the one-year period ended March 31, 2017, with the S&P 500® Index up 17.17% and small stocks registering an even more impressive gain, advancing 26.22%, as measured by the Russell 2000® Index.

Investor risk appetites changed dramatically over the course of the year. The first half of the year was marked by disappointing economic growth, falling bond yields, and defensive fixed-income and equity positioning on the part of investors. After many commodities, particularly crude oil, finally found a bottom after two years of dramatic declines, investors adopted a much more aggressive risk appetite as the economy started to stabilize over the summer and improve into the fall. In November, President-elect Trump’s agenda of pro-business tax reforms and fewer regulatory burdens, further accentuated the outlook that economic growth would accelerate further.

Then, in the first quarter of 2017, the equity markets switched course again with a style rotation, as growth benchmarks outperformed value indexes, and large stocks outperformed small stocks – the opposite of what occurred in 2016. The asset classes and equity sectors that benefited the most from Donald Trump’s surprise election since cooled off and lagged materially through the first quarter of 2017.

For information regarding the indexes and certain investment terms, see the Key Investment Terms on page 4.



## VIRTUS STRATEGIC ALLOCATION FUND (Continued)

### International Equities

The international equity markets performed strongly during the year, with the MSCI EAFE® Index gaining 11.67% (net dividends). At the beginning of the Fund's fiscal year, the consensus opinion regarding a potential economic slowdown in China and the potential damaging effects of zero interest rate policies in Japan and the European Union ("EU") was turning more optimistic. Despite uncertainty generated by the unexpected "yes" Brexit vote in June, when the United Kingdom voted to leave the EU, the green shoots of a global economic expansion were visible in a steady drumbeat of positive reports including: purchasing manager surveys which measure the economic health of the manufacturing sector; consumer sentiment indicators which track individuals' attitudes about the economy and their financial situations; employment data which measures the health of the job market; upward earnings revisions that show healthy, growing companies; and steepening yield curves, which is when the difference between a country's shorter maturity treasury bonds and its longer maturity treasury bonds widens, and is considered a positive economic signal.

As the Fund's fiscal year drew to a close, the global economy continued to deliver solid performance and forced investors to take reflation seriously. Reform agendas in Japan and Brazil had begun bearing fruit, and the European Central Bank ("ECB") reiterated a lower-for-longer stance on interest rates to further drive the reflation rally. That said, election uncertainty remained in France, and the growing threat from North Korea continued to be a concern.

### Fixed Income

Most fixed income spread sectors outperformed U.S. Treasuries over the fiscal year. The rally that was sparked in the first quarter of 2016 by the U.S. Federal Reserve's (the "Fed") dovish stance toward interest rates continued through the end of March 2017.

Volatility returned to the markets briefly in late June, with fallout from the United Kingdom's decision – dubbed "Brexit" – to leave the EU. Bond yields in the U.S., Japan, and across Europe fell to historic lows in early July as investors fled to the safety of bonds on global growth concerns fueled by the U.K.'s decision. Markets recovered rather quickly, however, from the initial shock of the Brexit vote. Easing by major central banks and a weaker U.S. dollar helped to improve global risk sentiment and stabilize markets.

September brought heightened concerns over the ability and willingness of global central banks to fight chronic low inflation and weak growth as the decision by the ECB to leave interest rates and its stimulus program unchanged was a precipitating factor in a widespread market sell-off, reinforced by fears that the Bank of Japan ("BOJ") had run out of quantitative easing tools. Hawkish signals from the Fed added to the volatility. The BOJ subsequently decided not to change rates but to shift its focus to stabilizing rates for longer maturity government bonds. This bolstered market sentiment, as did the Fed's eventual decision to stand pat at its September meeting.

The unexpected election of Donald Trump as the 45<sup>th</sup> U.S. president sparked another bout of volatility in early November. President-elect Trump's campaign, which focused on immigration, trade, tax cuts, and infrastructure spending, was largely perceived by the market as supportive of faster growth. Inflation expectations increased, causing the yield on the 10-year U.S. Treasury to rise 0.52% by the end of November. Also in late November, oil prices benefited from OPEC's decision to cut oil production for the first time in eight years.

Post-election expectations of faster economic growth and rising inflation continued into the first quarter of 2017 as optimistic investors watched and waited for clarity on President Trump's fiscal policies. As the quarter progressed, support for the "Trump trade"

## VIRTUS STRATEGIC ALLOCATION FUND (Continued)

weakened as the new administration experienced bumps in the road with its aggressive agenda and visible opposition.

In a largely anticipated move, the Fed raised its target rate 0.25% on two separate occasions during the last 12 months to a target range of 0.75% to 1.00%. Over the fiscal year, yields of U.S. Treasuries increased across maturities, particularly for shorter term Treasury bonds.

### **What factors affected the Fund's performance during the fiscal year?**

#### **U.S. Equities**

The U.S. equity portfolio of the Fund underperformed the large-cap U.S. equity market, as measured by the Russell 1000® Growth Index, for the period during the fiscal year that it was under the management of the new subadviser (September 7, 2016 through March 31, 2017).

Performance in the U.S. equity portfolio was helped by strong stock selection in the financials sector and an underweight in the real estate sector. Negative stock selection in the information technology and consumer discretionary sectors was the biggest detractor from performance.

Holdings that contributed the most to performance during the period were Netflix and Facebook.

■ Netflix embarked on two bold growth initiatives in recent years with the build-out of international infrastructure and a massive investment in original content. So far both look like home runs. The company added 3.2 million international subscribers in the most recent quarter (nearly nine times the amount added in the U.S.) and original content helped reduce customer churn. The company's unmatched scale gives it the data and the financial firepower to deliver better content which drove another better-than-expected revenue and earnings performance.

■ Facebook continued to grow advertising revenue and take share in the online digital marketing space. The company delivers an unprecedented global reach of 20% of the earth's population to advertisers in a very measureable way. Monetization of this audience has barely scratched the surface of its long-term potential. Future growth levers include untapped monetization of Messenger, WhatsApp, and video advertising along with Virtual Reality. Facebook sold off strongly following the U.S. election as it was a widely held, defensive long position as well as a perceived relative loser post the election, but the stock bounced strongly in the first quarter of 2017 buoyed by another stellar earnings report.

Holdings that contributed the least to performance were Monster Beverage and TripAdvisor.

■ Monster Beverage's landmark 2015 agreement with Coca-Cola paved the way to higher margins and better global distribution through Coca-Cola channels. Since then, gross margins have expanded, and international revenue has risen to 25% of the total. Shares were relatively flat for the last two years as Monster digested uneven growth that resulted from the Coca-Cola distribution changes. However, in the most recent quarter, international sales outpaced expectations, highlighting the vast global opportunity. Additionally, the company is ramping up its innovation engine, launching both a Mountain Dew competitor, Mutant, and Hydro, an enhanced energy water.

■ TripAdvisor's user engagement has decelerated and shifted to lower monetizing mobile at the same time that the company needs those cash flows to market its transition to a booking platform. After mounting concerns for the better part of a year, we sold the Fund's position in TripAdvisor.

For information regarding the indexes and certain investment terms, see the Key Investment Terms starting on page 4.

## VIRTUS STRATEGIC ALLOCATION FUND (Continued)

### International Equities

The Fund's international equity portfolio posted positive performance in the fiscal year, but underperformed the international equity market, as measured by the MSCI EAFE® Index.

The international equity portfolio generated positive returns from its investments in seven out of the 11 major equity market sectors. Performance relative to the MSCI EAFE® benchmark, however, was hampered by both asset allocation and security selection. The overweight allocation to information technology, as well as underweight allocations to consumer staples and health care, were not sufficient to offset losses due to an underweight in financials, an overweight to telecommunications, and the performance drag of cash held for defensive purposes. Security selection also detracted from performance, as strong selections in consumer staples and industrials were not enough to offset weak stock selection in financials, materials, health care, and utilities.

On a country basis, weak security selection in the United Kingdom and Japan more than offset strong security selection in Australia and the Netherlands. From an allocation standpoint, having no holdings in the struggling Danish market was not enough to offset the detrimental effect of being overweight Israel and South Korea.

### Fixed Income

The underperformance of U.S. Treasuries and agency mortgage-backed securities ("MBS") relative to most fixed income spread sectors was the key driver of the fixed income portfolio's outperformance for the fiscal year.

Among fixed income sectors, the Fund's allocations to corporate high yield and residential MBS were the largest contributors to performance during the fiscal year. Issue selection within the corporate high quality sector also had a meaningful impact on performance during the period.

*The preceding information is the opinion of portfolio management only through the end of the period of the report as stated on the cover. Any such opinions are subject to change at any time based upon market conditions and should not be relied upon as investment advice.*

**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.*

**Credit & Interest:** *Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities 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 internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk.*

**Allocation:** *The Fund's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets.*

**High Yield-High Risk Fixed Income Securities:** *There is a greater level of credit risk and price volatility involved with high-yield securities than investment grade securities.*

**Prospectus:** *For additional information on risks, please see the Fund's prospectus.*

For information regarding the indexes and certain investment terms, see the Key Investment Terms starting on page 4.

## VIRTUS STRATEGIC ALLOCATION FUND (Continued)

### Asset Allocations

The following table presents the portfolio holdings within certain sectors as a percentage of total investments attributable to each sector at March 31, 2017.

Common Stocks	62%
Information Technology	19%
Consumer Discretionary	15
Healthcare	6
All Other Sectors in Common Stocks	22
Corporate Bonds and Notes	19
Financials	6
Consumer Discretionary	2
Real Estate	2
All Other Sectors in Corporate Bonds and Notes	9
Mortgage-Backed Securities	8
U.S. Government Securities	3
Asset-Backed Securities	2
Loan Agreements	2
Other	4
Total	<u>100%</u>

For information regarding the indexes and certain investment terms, see the Key Investment Terms starting on page 4.

## VIRTUS STRATEGIC ALLOCATION FUND (Continued)

### Average Annual Total Returns<sup>1</sup> for periods ended 3/31/17

	1 Year	5 Years	10 Years
<b>Class A shares at NAV<sup>2</sup></b>	<b>7.13%</b>	<b>4.87%</b>	<b>4.20%</b>
<b>Class A shares at POP<sup>3,4</sup></b>	<b>0.97</b>	<b>3.64</b>	<b>3.58</b>
<b>Class C shares at NAV<sup>2</sup> and with CDSC<sup>4</sup></b>	<b>6.33</b>	<b>4.07</b>	<b>3.41</b>
<b>S&amp;P 500<sup>®</sup> Index</b>	<b>17.17</b>	<b>13.30</b>	<b>7.51</b>
<b>Bloomberg Barclays U.S. Aggregate Bond Index</b>	<b>0.44</b>	<b>2.34</b>	<b>4.27</b>
<b>Strategic Allocation Fund Linked Benchmark</b>	<b>9.64</b>	<b>8.82</b>	<b>6.46</b>

### Fund Expense Ratios<sup>5</sup>: A Shares: 1.14%; C Shares: 1.89%.

All returns represent past performance which is no guarantee of future results. Current performance may be higher or lower than the performance shown. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The above table and graph below do not reflect the deduction of taxes that a shareholder would pay on fund distributions or the redemption of fund shares. Please visit [Virtus.com](http://Virtus.com) for performance data current to the most recent month-end.

<sup>1</sup> Total returns are historical and include changes in share price and the reinvestment of both dividends and capital gain distributions.

<sup>2</sup> "NAV" (Net Asset Value) total returns do not include the effect of any sales charge.

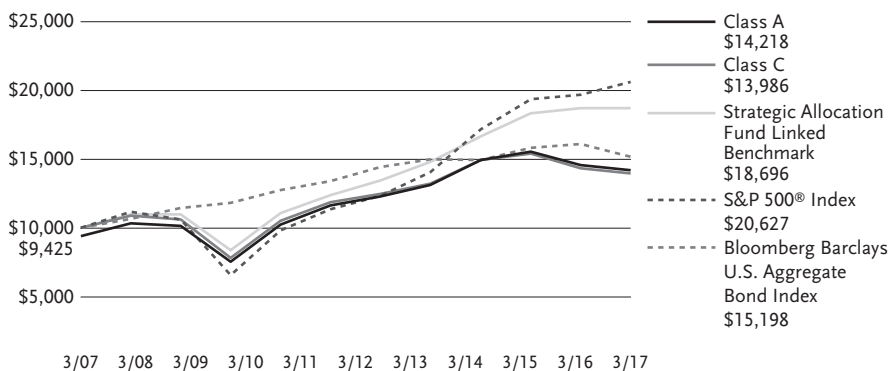
<sup>3</sup> "POP" (Public Offering Price) total returns include the effect of the maximum front-end 5.75% sales charge.

<sup>4</sup> "CDSC" (contingent deferred sales charge) is applied to redemptions of Class C shares that do not have a sales charge applied at the time of purchase. CDSC charges for certain redemptions of Class A shares made within 18 months of purchases in which a finder's fee was paid and all redemptions of Class C shares within the first year are 1% and 0% thereafter.

<sup>5</sup> The expense ratios of the Fund are set forth according to the prospectus for the Fund effective April 10, 2017, as supplemented and revised, and may differ from the expense ratios disclosed in the Financial Highlights tables in this report. See the Financial Highlights for more current expense ratios. Expense ratios include fees and expenses associated with the underlying funds.

### Growth of \$10,000 for periods ended 3/31

This chart assumes an initial investment of \$10,000 made on March 31, 2007, for Class A, and Class C shares including any applicable sales charges or fees. The performance of Class C shares will be greater or less than that shown based on differences in inception dates, fees, and sales charges. Performance assumes reinvestment of dividends and capital gain distributions.



For information regarding the indexes and certain investment terms, see Key Investment Terms on page 4.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS**  
**MARCH 31, 2017**

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE	
<b>U.S. GOVERNMENT SECURITIES—2.5%</b>				<b>FOREIGN GOVERNMENT SECURITIES (continued)</b>		
U.S. Treasury Bond				Republic of Panama		
2.500%, 2/15/46	\$ 12,820	\$ 11,485		3.875%, 3/17/28	\$ 495    \$ 503	
<b>TOTAL U.S. GOVERNMENT SECURITIES</b>				Republic of Turkey		
<b>(Identified Cost \$12,371)</b>				4.875%, 10/9/26	950    917	
		<b>11,485</b>		Sultanate of Oman 144A		
<b>MUNICIPAL BONDS—0.9%</b>				4.750%, 6/15/26 <sup>(4)</sup>	250    252	
<b>California—0.4%</b>				<b>TOTAL FOREIGN GOVERNMENT SECURITIES</b>		
State of California, Build America Bonds Taxable				<b>(Identified Cost \$5,999)</b>		
7.600%, 11/1/40	1,275	1,901		<b>6,021</b>		
<b>Georgia—0.1%</b>				<b>MORTGAGE-BACKED SECURITIES—8.2%</b>		
Rockdale County Water & Sewerage Authority Revenue Taxable				<b>Agency—2.8%</b>		
3.060%, 7/1/24	600	609		<b>FHLMC</b>		
<b>New York—0.4%</b>				5.000%, 7/1/35	200	220
New York City Transitional Finance Authority Tax Secured Revenue				5.000%, 12/1/35	570	634
5.000%, 5/1/40	1,635	1,855		6.000%, 6/1/37	270	312
<b>TOTAL MUNICIPAL BONDS</b>				3.500%, 11/1/44	523	536
<b>(Identified Cost \$4,574)</b>				4.000%, 2/1/45	537	564
<b>FOREIGN GOVERNMENT SECURITIES—1.3%</b>				3.500%, 3/1/45	457	469
Argentine Republic				3.000%, 5/1/45	420	417
144A 7.500%, 4/22/26 <sup>(4)</sup>	505	537		3.500%, 4/1/46	745	763
144A 6.875%, 1/26/27 <sup>(4)</sup>	475	481		<b>FNMA</b>		
144A 7.625%, 4/22/46 <sup>(4)</sup>	195	199		4.000%, 7/1/19	4	4
Dominican Republic				6.000%, 12/1/32	45	51
144A 6.600%, 1/28/24 <sup>(4)</sup>	335	365		6.000%, 11/1/34	371	422
Federative Republic of Brazil				5.500%, 4/1/36	6	6
6.000%, 4/7/26	410	447		5.500%, 9/1/36	185	207
Kingdom of Bahrain				6.500%, 5/1/37	312	359
144A 7.000%, 10/12/28 <sup>(4)</sup>	485	507		6.000%, 9/1/37	14	16
Kingdom of Jordan				5.000%, 3/1/38	218	243
144A 5.750%, 1/31/27 <sup>(4)</sup>	505	496		5.500%, 4/1/38	165	192
Republic of Colombia				5.500%, 6/1/38	220	248
3.875%, 4/25/27	460	458		6.000%, 8/1/38	92	106
Republic of Costa Rica				5.000%, 9/1/39	237	263
144A 4.375%, 4/30/25 <sup>(4)</sup>	265	250		5.500%, 9/1/39	1,197	1,336
144A 7.000%, 4/4/44 <sup>(4)</sup>	335	339		4.500%, 9/1/40	493	535
Republic of Indonesia				3.500%, 8/1/42	727	748
144A 3.700%, 1/8/22 <sup>(4)</sup>	265	270		3.500%, 12/1/42	723	743
				3.000%, 5/1/43	375	374
				3.500%, 8/1/45	899	920
				3.500%, 8/1/45	407	417
				3.500%, 12/1/45	160	164
				3.500%, 1/1/46	805	824
				4.000%, 1/1/46	699	733
						<b>12,826</b>

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>MORTGAGE-BACKED SECURITIES (continued)</b>			<b>Non-Agency (continued)</b>		
<b>Non-Agency—5.4%</b>			Credit Suisse Commercial		
American Homes 4 Rent			Mortgage-Backed Trust		
Trust			06-08, 3A1	\$ 205	\$ 193
14-SFR2, C			6.000%, 10/25/21		
144A 4.705%, 10/17/36 <sup>(4)</sup>	\$ 615	\$ 642	CSMLT Trust 15-1, B4	189	174
15-SFR1, A			144A 3.892%, 5/25/45 <sup>(3)(4)</sup>		
144A 3.467%, 4/17/52 <sup>(4)</sup>	898	910	Freddie Mac Structured		
Ameriquest Mortgage			Agency Credit Risk Debt		
Securities, Inc. 03-AR3,			Notes 16-DNA2, M2	560	570
M4			3.182%, 10/25/28 <sup>(3)</sup>		
4.800%, 6/25/33 <sup>(3)</sup>	410	407	Galton Funding Mortgage		
AMSR Trust 16-SFR1, C			Trust 17-1, A21	353	357
144A 3.193%, 11/17/33 <sup>(3)(4)</sup>	243	244	144A 3.500%, 7/25/56 <sup>(4)</sup>		
Aventura Mall Trust			Goldman Sachs Mortgage		
13-AVM, C			Securities Trust 07-GG10,		
144A 3.743%, 12/5/32 <sup>(3)(4)</sup>	580	597	A1A		
Banc of America Funding			5.949%, 8/10/45 <sup>(3)</sup>	218	219
Trust			GSAA Home Equity Trust		
04-B, 2A1			05-12, AF3W		
3.439%, 11/20/34 <sup>(3)</sup>	167	165	4.999%, 9/25/35 <sup>(3)</sup>	137	139
05-1, 1A1			GSR Mortgage Loan Trust		
5.500%, 2/25/35	255	255	06-1F, 2A4		
Banc of America Mortgage			6.000%, 2/25/36	429	371
Trust 05-3, 1A15			Jefferies Resecuritization		
5.500%, 4/25/35	148	150	Trust 14-R1, 1A1		
Bank of America (Merrill			144A 4.000%, 12/27/37 <sup>(4)</sup>	116	116
Lynch – Countrywide)			JPMorgan Chase (Bear		
Home Loan Mortgage			Stearns) Commercial		
Pass-Through-Trust			Mortgage Securities Trust		
04-6, 1A2			07- PW17, A4		
3.051%, 5/25/34 <sup>(3)</sup>	457	453	5.694%, 6/11/50 <sup>(3)</sup>	1,212	1,221
Barclays (Lehman			JPMorgan Chase (WaMu)		
Brothers) – UBS			Mortgage Pass-Through		
Commercial Mortgage			Certificates 03-S11, 3A5	382	398
Trust 07-C7, A3			5.950%, 11/25/33		
5.866%, 9/15/45 <sup>(3)</sup>	1,304	1,324	JPMorgan Chase Mortgage		
Bayview Opportunity			Trust		
Master Fund IVa Trust			04-A4, 2A1	394	398
04-A Trust, 16-SPL1, B1			3.197%, 9/25/34 <sup>(3)</sup>		
144A 4.250%, 4/28/55 <sup>(4)</sup>	390	401	14-1, 1A1 144A		
04-A Trust, 17-SPL1, B1			4.000%, 1/25/44 <sup>(3)(4)</sup>	278	287
144A 4.250%, 10/28/64 <sup>(3)(4)</sup>	277	285	16-1, M2 144A		
Bayview Opportunity			3.750%, 4/25/45 <sup>(3)(4)</sup>	400	399
Master Fund IVb Trust			15-4, 1A4 144A		
04-B Trust, 16-SPL2, B1			3.500%, 6/25/45 <sup>(3)(4)</sup>	281	283
144A 4.250%, 6/28/53 <sup>(3)(4)</sup>	145	149	16-2, M2 144A		
Colony Starwood Homes			3.750%, 12/25/45 <sup>(3)(4)</sup>	417	417
Trust 16-2A, C			16-1, A3 144A		
144A 3.093%, 12/17/33 <sup>(3)(4)</sup>	485	487	3.500%, 5/25/46 <sup>(4)</sup>	1,117	1,127

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>MORTGAGE-BACKED SECURITIES (continued)</b>			<b>Non-Agency (continued)</b>		
<b>Non-Agency (continued)</b>			Residential Asset		
16-5, A1 144A			Securitization Trust		
2.602%, 12/25/46 <sup>(3)(4)</sup>	\$ 800	\$ 797	05-A1, A3		
MASTR Alternative Loan			5.500%, 4/25/35	\$ 402	\$ 403
Trust 05-5, 2A3			Sequoia Mortgage Trust		
5.500%, 7/25/25	230	229	13-8, B1		
MASTR Specialized Loan			3.535%, 6/25/43 <sup>(3)</sup>	178	178
Trust 05-3, A2 144A			14-2, A1		
5.704%, 11/25/35 <sup>(3)(4)</sup>	302	304	144A 4.000%, 7/25/44 <sup>(3)(4)</sup>	209	212
Morgan Stanley – Bank of			Towd Point Mortgage Trust		
America (Merrill Lynch)			15-1, A2		
Trust			144A 3.250%, 10/25/53 <sup>(3)(4)</sup>	385	375
13-C13, AS			16-1, A1B,		
4.266%, 11/15/46	275	291	144A 2.750%, 2/25/55 <sup>(3)(4)</sup>	140	140
15-C22, AS			15-5, A2		
3.561%, 4/15/48	685	685	144A 3.500%, 5/25/55 <sup>(3)(4)</sup>	480	484
Morgan Stanley Capital			15-2, 1M1		
Barclays Bank Trust			144A 3.250%, 11/25/60 <sup>(3)(4)</sup>	1,245	1,235
16-MART, A			Vericrest Opportunity Loan		
144A 2.200%, 9/13/31 <sup>(4)</sup>	350	344	Transfer LI LLC		
Morgan Stanley Capital I			16-NP11, A1		
Trust			144A 3.500%, 10/25/46 <sup>(3)(4)</sup>	238	240
07-T27, A4			Vericrest Opportunity Loan		
5.791%, 6/11/42 <sup>(3)</sup>	569	570	Transfer XXII LLC		
08-T29, A4			15-NPL4, A1		
6.301%, 1/11/43 <sup>(3)</sup>	1,351	1,384	144A 3.500%, 2/25/55 <sup>(3)(4)</sup>	233	235
07-IQ14, AM			Vericrest Opportunity Loan		
5.778%, 4/15/49 <sup>(3)</sup>	441	440	Transfer XXXVII LLC		
Motel 6 Trust 15-MTL6, D			15-NP11, A1		
144A 4.532%, 2/5/30 <sup>(4)</sup>	470	473	144A 3.625%, 7/25/45 <sup>(3)(4)</sup>	254	255
New Residential Mortgage			Wells Fargo Commercial		
Loan Trust			Mortgage Trust		
14-1A, A			15-LC20, B		
144A 3.750%, 1/25/54 <sup>(3)(4)</sup>	441	451	3.719%, 4/15/50	460	456
15-2A, A1					25,363
144A 3.750%, 8/25/55 <sup>(3)(4)</sup>	445	455			
16-1A, A1					
144A 3.750%, 3/25/56 <sup>(3)(4)</sup>	224	226	<b>TOTAL MORTGAGE-BACKED SECURITIES</b>		
16-4A, B1A			<b>(Identified Cost \$37,669)</b>		<b>38,189</b>
144A 4.500%, 11/25/56 <sup>(4)</sup>	444	458			
NovaStar Mortgage			<b>ASSET-BACKED SECURITIES—2.0%</b>		
Funding Trust			AmeriCredit Automobile		
Series 04-4, M5			Receivables Trust 14-1, D		
2.707%, 3/25/35 <sup>(3)</sup>	545	533	2.540%, 6/8/20	705	710
One Market Plaza Trust			Avis Budget Rental Car		
17-1MKT, A			Funding LLC (AESOP)		
144A 3.614%, 2/10/32 <sup>(4)</sup>	360	372	16-1A, A		
			144A 2.990%, 6/20/22 <sup>(4)</sup>	500	506

See Notes to Financial Statements



**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
<b>ASSET-BACKED SECURITIES (continued)</b>			<b>ASSET-BACKED SECURITIES (continued)</b>		
CarMax Auto Owner Trust 15-2, C 2.390%, 3/15/21	\$ 715	\$ 717	U-Haul S Fleet LLC 10-BT1A, 1 144A 4.899%, 10/25/23 <sup>(4)</sup>	\$ 651	\$ 654
Centre Point Funding LLC 12-2A, 1 144A 2.610%, 8/20/21 <sup>(4)</sup>	425	419	<b>TOTAL ASSET-BACKED SECURITIES</b> <b>(Identified Cost \$9,216)</b>		<b>9,216</b>
Drive Auto Receivables Trust 15-DA, C 144A 3.380%, 11/15/21 <sup>(4)</sup>	760	768	<b>CORPORATE BONDS AND NOTES—18.8%</b>		
Drug Royalty II LP 2 14-1, A2 144A 3.484%, 7/15/23 <sup>(4)</sup>	395	391	<b>Consumer Discretionary—2.1%</b>		
DT Auto Owner Trust 16-4A, C 144A 2.740%, 10/17/22 <sup>(4)</sup>	585	587	American Greetings Corp. 144A 7.875%, 2/15/25 <sup>(4)</sup>	5	5
Exeter Automobile Receivables Trust 13-1A, C 144A 3.520%, 2/15/19 <sup>(4)</sup>	331	332	Beazer Homes USA, Inc. 144A 6.750%, 3/15/25 <sup>(4)</sup>	425	428
Fairway Outdoor Funding LLC 12-1A, A2 144A 4.212%, 10/15/42 <sup>(4)</sup>	315	315	Caesars Entertainment Operating Co., Inc. 9.000%, 2/15/20 <sup>(6)</sup>	207	241
Mariner Finance Issuance Trust 17-AA, A 144A 3.620%, 2/20/29 <sup>(4)</sup>	450	452	Caesars Growth Properties Holdings LLC 9.375%, 5/1/22	190	205
MVW Owner Trust 16-1A, A 144A 2.250%, 12/20/33 <sup>(4)</sup>	534	527	CalAtlantic Group, Inc. 5.250%, 6/1/26	305	305
Navistar Financial Dealer Note Master Owner Trust II 16-1, B 144A 2.732%, 9/27/21 <sup>(3)(4)</sup>	780	782	Cequel Communications Holdings I LLC 144A 5.125%, 12/15/21 <sup>(4)</sup>	145	148
Sierra Timeshare Receivables Funding LLC 12-3A, A 144A 1.870%, 8/20/29 <sup>(4)</sup>	152	152	144A 5.125%, 12/15/21 <sup>(4)</sup>	345	351
Silverleaf Finance XV LLC 12-D, A 144A 3.000%, 3/17/25 <sup>(4)</sup>	50	50	Clear Channel Worldwide Holdings, Inc. Series B 7.625%, 3/15/20	410	415
SoFi Professional Loan Program LLC 15-A, A2 144A 2.420%, 3/25/30 <sup>(4)</sup>	248	248	Cooper-Standard Automotive, Inc. 144A 5.625%, 11/15/26 <sup>(4)</sup>	385	386
Taco Bell Funding LLC 16-1A, A21 144A 3.832%, 5/25/46 <sup>(4)</sup>	602	610	Diamond Resorts International, Inc. 144A 7.750%, 9/1/23 <sup>(4)</sup>	35	37
TGIF Funding LLC 17-1A, A2 144A 6.202%, 4/30/47 <sup>(4)</sup>	450	442	Eagle II Acquisition Co., LLC 144A 6.000%, 4/1/25 <sup>(4)</sup>	55	57
Trip Rail Master Funding LLC 14-1A, A1 144A 2.863%, 4/15/44 <sup>(4)</sup>	566	554	Gateway Casinos & Entertainment Ltd. 144A 8.250%, 3/1/24 <sup>(4)</sup>	155	157
			Hilton Worldwide Finance LLC 144A 4.875%, 4/1/27 <sup>(4)</sup>	100	101
			Horton (D.R.), Inc. 4.750%, 2/15/23	550	585
			Landry's, Inc. 144A 6.750%, 10/15/24 <sup>(4)</sup>	120	125
			M/I Homes, Inc. 6.750%, 1/15/21	265	279

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>CORPORATE BONDS AND NOTES (continued)</b>			<b>Consumer Staples (continued)</b>		
<b>Consumer Discretionary (continued)</b>			<b>Consumer Staples (continued)</b>		
MDC Holdings, Inc. 5.500%, 1/15/24	\$ 540	\$ 559	Safeway, Inc. 7.250%, 2/1/31	\$ 335	\$ 326
MPG Holdco I, Inc. 7.375%, 10/15/22	435	473	Smithfield Foods, Inc. 144A 4.250%, 2/1/27 <sup>(4)</sup>	123	124
NCL Corp., Ltd. 144A 4.750%, 12/15/21 <sup>(4)</sup>	275	280	Tops Holding LLC 144A 8.000%, 6/15/22 <sup>(4)</sup>	475	392
New York University 4.142%, 7/1/48	235	222	Whole Foods Market, Inc. 5.200%, 12/3/25	420	446
Pinnacle Entertainment, Inc. 144A 5.625%, 5/1/24 <sup>(4)</sup>	145	147		<u>3,301</u>	
Priceline Group, Inc. (The) 3.650%, 3/15/25	605	609	<b>Energy—1.7%</b>		
QVC, Inc. 4.375%, 3/15/23	600	602	Alta Mesa Holdings LP 144A 7.875%, 12/15/24 <sup>(4)</sup>	185	193
Scientific Games International, Inc. 6.625%, 5/15/21	295	278	Antero Resources Corp. 5.625%, 6/1/23	255	262
SFR (Numericable) Group S.A. 144A 7.375%, 5/1/26 <sup>(4)</sup>	465	481	Blue Racer Midstream LLC 144A 6.125%, 11/15/22 <sup>(4)</sup>	130	132
Signet UK Finance plc 4.700%, 6/15/24	630	610	Cheniere Corpus Christi Holdings LLC 144A 5.875%, 3/31/25 <sup>(4)</sup>	280	293
Taylor Morrison Communities, Inc. 144A 5.625%, 3/1/24 <sup>(4)</sup>	95	99	Crestwood Midstream Partners LP 144A 5.750%, 4/1/25 <sup>(4)</sup>	310	317
TI Group Automotive Systems LLC 144A 8.750%, 7/15/23 <sup>(4)</sup>	215	229	Enbridge Energy Partners LP 4.375%, 10/15/20	90	95
Toll Brothers Finance Corp. 5.625%, 1/15/24	25	26	Energy Transfer Partners LP 4.200%, 4/15/27	185	183
TRI Pointe Group, Inc. 5.875%, 6/15/24	465	481	6.500%, 2/1/42	355	383
Wyndham Worldwide Corp. 5.100%, 10/1/25	560	596	EP Energy LLC 144A 8.000%, 11/29/24 <sup>(4)</sup>	45	48
4.500%, 4/1/27	120	121	FTS International, Inc. 6.250%, 5/1/22	185	163
		<u>9,638</u>	Helmerich & Payne International Drilling Co. 4.650%, 3/15/25	340	353
<b>Consumer Staples—0.7%</b>			Holly Energy Partners LP 144A 6.000%, 8/1/24 <sup>(4)</sup>	35	37
Anheuser-Busch InBev Finance, Inc. 3.650%, 2/1/26	525	531	HollyFrontier Corp. 5.875%, 4/1/26	475	504
CVS Health Corp. 2.875%, 6/1/26	645	615	Kinder Morgan Energy Partners LP 7.500%, 11/15/40	595	718
Flowers Foods, Inc. 4.375%, 4/1/22	600	636			
Post Holdings, Inc. 144A 5.750%, 3/1/27 <sup>(4)</sup>	230	231			

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>CORPORATE BONDS AND NOTES (continued)</b>					
<b>Energy (continued)</b>					
Matador Resources Co. 144A 6.875%, 4/15/23 <sup>(4)</sup>	\$ 300	\$ 315			
MPLX LP 4.875%, 12/1/24	785	826			
NGL Energy Partners LP 5.125%, 7/15/19	460	464			
Noble Holding International Ltd. 7.750%, 1/15/24	230	222			
Pertamina Persero PT 144A 4.875%, 5/3/22 <sup>(4)</sup>	225	239			
Petrobras Global Finance BV 8.750%, 5/23/26	225	261			
	75	80			
Petroleos Mexicanos 6.875%, 8/4/26	430	477			
QEP Resources, Inc. 5.250%, 5/1/23	140	138			
Sabine Oil & Gas Corp. 7.250%, 6/15/19 <sup>(5)(11)(15)</sup>	510	1			
Sabine Pass Liquefaction LLC 6.250%, 3/15/22	425	471			
Summit Midstream Holdings LLC 5.750%, 4/15/25	65	65			
Sunoco LP 6.375%, 4/1/23	430	439			
Transocean, Inc. 144A 9.000%, 7/15/23 <sup>(4)</sup>	240	257			
		<u>7,936</u>			
<b>Financials—5.9%</b>					
Allstate Corp. (The) 5.750%, 8/15/53 <sup>(3)(8)</sup>	455	488			
Ally Financial, Inc. 5.750%, 11/20/25	295	303			
Apollo Management Holdings LP 144A 4.000%, 5/30/24 <sup>(4)</sup>	590	592			
Ares Capital Corp. 4.875%, 11/30/18	80	83			
	221	225			
			<b>Financials (continued)</b>		
			Ares Finance Co., LLC 144A 4.000%, 10/8/24 <sup>(4)</sup>	\$ 595	\$ 557
			Banco de Credito del Peru 144A 6.125%, 4/24/27 <sup>(3)(4)</sup>	440	481
			Banco de Credito e Inversiones 144A 4.000%, 2/11/23 <sup>(4)</sup>	600	615
			Banco Inbursa S.A. Institucion de Banca Multiple 144A 4.125%, 6/6/24 <sup>(4)</sup>	490	490
			Banco Internacional del Peru SAA Interbank 144A 6.625%, 3/19/29 <sup>(3)(4)</sup>	465	510
			Banco Nacional de Comercio Exterior SNC 144A 4.375%, 10/14/25 <sup>(4)</sup>	340	345
			Banco Santander Chile 144A 3.875%, 9/20/22 <sup>(4)</sup>	430	445
			Bancolombia S.A. 5.125%, 9/11/22	580	606
			Bank of America Corp. 5.625%, 7/1/20	715	784
				475	484
			Brookfield Finance LLC 4.000%, 4/1/24	386	388
			Capital One Financial Corp. 4.200%, 10/29/25	540	542
				495	479
			Citigroup, Inc. 4.050%, 7/30/22	600	625
			Compass Bank 3.875%, 4/10/25	705	692
			Development Bank of Kazakhstan JSC 144A 4.125%, 12/10/22 <sup>(4)</sup>	640	633
			Discover Financial Services 3.950%, 11/6/24	570	571
			Drawbridge Special Opportunities Fund LP 144A 5.000%, 8/1/21 <sup>(4)</sup>	485	477
			Ford Motor Credit Co., LLC 5.750%, 2/1/21	535	589

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>CORPORATE BONDS AND NOTES (continued)</b>					
<b>Financials (continued)</b>					
FS Investment Corp.			OM Asset Management plc		
4.250%, 1/15/20	\$ 525	\$ 529	4.800%, 7/27/26	\$ 500	\$ 498
4.750%, 5/15/22	115	118	Powszechna Kasa		
General Motors Financial Co., Inc.			Oszczednosci Bank		
4.200%, 3/1/21	235	245	Polski S.A.		
3.450%, 4/10/22	85	85	144A 4.630%, 9/26/22 <sup>(4)(13)</sup>	375	395
Goldman Sachs Group, Inc. (The)			Prudential Financial, Inc.		
Series D,			5.625%, 6/15/43 <sup>(3)(8)</sup>	585	627
6.000%, 6/15/20	595	658	S&P Global, Inc.		
5.750%, 1/24/22	875	985	4.000%, 6/15/25	570	586
Hutchison Whampoa International Ltd.			Santander Holdings USA, Inc.		
Series 12			144A 3.700%, 3/28/22 <sup>(4)</sup>	445	446
144A 6.000% <sup>(3)(4)(7)(8)</sup>	680	682	Societe Generale S.A.		
Icahn Enterprises LP			144A 4.750%,		
5.875%, 2/1/22	175	178	11/24/25 <sup>(4)</sup>	535	538
144A 6.250%, 2/1/22 <sup>(4)</sup>	90	92	Starwood Property Trust, Inc.		
ING Groep N.V.			144A 5.000%, 12/15/21 <sup>(4)</sup>	55	57
6.000% <sup>(3)(7)(8)</sup>	445	444	Teachers Insurance & Annuity Association of America		
iStar, Inc.			144A 4.375%, 9/15/54 <sup>(3)(4)</sup>	510	504
6.000%, 4/1/22	90	92	Tervita Escrow Corp.		
Jefferies Group LLC			144A 7.625%, 12/1/21 <sup>(4)</sup>	35	36
5.125%, 1/20/23	260	279	Trinity Acquisition plc		
4.850%, 1/15/27	255	260	3.500%, 9/15/21	40	41
Kazakhstan Temir Zholy Finance BV			4.400%, 3/15/26	195	200
144A 6.950%, 7/10/42 <sup>(4)</sup>	480	506	UBS AG		
Leucadia National Corp.			7.625%, 8/17/22	500	578
5.500%, 10/18/23	460	490	Vnesheconombank Via		
Liberty Mutual Group, Inc.			VEB Finance plc		
144A 4.250%, 6/15/23 <sup>(4)</sup>	590	620	144A 6.025%, 7/5/22 <sup>(4)</sup>	440	473
Lincoln National Corp.			Wells Fargo & Co.		
4.200%, 3/15/22	915	966	3.069%, 1/24/23	240	241
Macquarie Group Ltd.					27,510
144A 6.250%, 1/14/21 <sup>(4)</sup>	490	544	<b>Health Care—1.5%</b>		
Manulife Financial Corp.			Abbott Laboratories		
4.150%, 3/4/26	490	516	3.400%, 11/30/23	105	106
Morgan Stanley			3.750%, 11/30/26	370	370
5.500%, 7/28/21	300	333	AbbVie, Inc.		
4.350%, 9/8/26	585	595	2.850%, 5/14/23	300	294
6.375%, 7/24/42	610	783	3.600%, 5/14/25	200	200
Navient Corp.			3.200%, 5/14/26	300	288
6.500%, 6/15/22	183	185	Cardinal Health, Inc.		
7.250%, 9/25/23	100	101	3.200%, 3/15/23	300	303
			3.750%, 9/15/25	485	500

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>CORPORATE BONDS AND NOTES (continued)</b>					
<b>Health Care (continued)</b>					
Community Health Systems, Inc.			144A 6.500%, 3/15/22 <sup>(4)</sup>	\$ 25	\$ 26
5.125%, 8/1/21	\$ 100	\$ 99	144A 5.500%, 3/1/23 <sup>(4)</sup>	155	120
6.250%, 3/31/23	90	92	144A 7.000%, 3/15/24 <sup>(4)</sup>	45	46
Envision Healthcare Corp.					<u>7,096</u>
144A 6.250%, 12/1/24 <sup>(4)</sup>	85	90	<b>Industrials—1.0%</b>		
Forest Laboratories LLC			Carpenter Technology Corp.		
144A 4.875%, 2/15/21 <sup>(4)</sup>	485	522	4.450%, 3/1/23	560	569
Presenius U.S. Finance II, Inc.			Continental Airlines Pass-Through-Trust		
144A 4.500%, 1/15/23 <sup>(4)</sup>	100	104	99-2, C2 AMBC		
HCA, Inc.			6.236%, 3/15/20	235	243
5.375%, 2/1/25	265	276	00-1, A1		
5.250%, 6/15/26	190	199	8.048%, 11/1/20	556	608
Hill-Rom Holdings, Inc.			Doric Nimrod Air Alpha Pass-Through-Trust		
144A 5.000%, 2/15/25 <sup>(4)</sup>	211	211	13-1, A		
IASIS Healthcare LLC			144A 5.250%, 5/30/25 <sup>(4)</sup>	415	432
8.375%, 5/15/19	240	231	GATX Corp.		
MEDNAX, Inc.			3.250%, 9/15/26	80	76
144A 5.250%, 12/1/23 <sup>(4)</sup>	255	260	Harland Clarke Holdings Corp.		
Mylan N.V.			144A 8.375%, 8/15/22 <sup>(4)</sup>	85	87
3.000%, 12/15/18	150	152	Masco Corp.		
3.150%, 6/15/21	135	136	5.950%, 3/15/22	330	371
Ortho-Clinical Diagnostics, Inc.			4.450%, 4/1/25	190	198
144A 6.625%, 5/15/22 <sup>(4)</sup>	365	341	Owens Corning		
Owens & Minor, Inc.			3.400%, 8/15/26	500	484
3.875%, 9/15/21	110	112	Park Aerospace Holdings Ltd.		
Shire Acquisitions Investments			144A 5.500%, 2/15/24 <sup>(4)</sup>	220	229
2.400%, 9/23/21	195	191	Penske Truck Leasing Co., LP		
Surgery Center Holdings, Inc.			144A 3.375%, 2/1/22 <sup>(4)</sup>	225	228
144A 8.875%, 4/15/21 <sup>(4)</sup>	295	313	Prime Security Services Borrower LLC		
Surgical Care Affiliates, Inc.			144A 9.250%, 5/15/23 <sup>(4)</sup>	200	220
144A 6.000%, 4/1/23 <sup>(4)</sup>	478	515	TransDigm, Inc.		
Team Health Holdings, Inc.			6.000%, 7/15/22	345	350
144A 6.375%, 2/1/25 <sup>(4)</sup>	230	226	6.500%, 5/15/25	140	142
Tenet Healthcare Corp.			Wheels Up Finance I LLC		
4.631%, 6/15/20 <sup>(3)</sup>	115	116	7.555%, 6/30/24 <sup>(3)(11)</sup>	559	556
4.500%, 4/1/21	330	332			<u>4,793</u>
Teva Pharmaceutical Finance III BV			<b>Information Technology—0.8%</b>		
3.150%, 10/1/26	295	272	Broadcom Corp.		
Valeant Pharmaceuticals International, Inc.			144A 3.000%, 1/15/22 <sup>(4)</sup>	195	194
144A 7.500%, 7/15/21 <sup>(4)</sup>	60	53	144A 3.625%, 1/15/24 <sup>(4)</sup>	370	373

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
<b>CORPORATE BONDS AND NOTES (continued)</b>			<b>Materials (continued)</b>		
<b>Information Technology (continued)</b>			OCP S.A.		
CDW LLC			144A 5.625%, 4/25/24 <sup>(4)</sup>	\$ 485	\$ 516
5.000%, 9/1/25	\$ 70	\$ 71	Rusal Capital DAC		
CommScope Technologies LLC			144A 5.125%, 2/2/22 <sup>(4)</sup>	455	458
144A 5.000%, 3/15/27 <sup>(4)</sup>	75	75	Severstal Qao Via Steel Capital S.A.		
Diamond 1 Finance Corp.			144A 3.850%, 8/27/21 <sup>(4)(13)</sup>	540	541
144A 5.450%, 6/15/23 <sup>(4)</sup>	105	113	Silgan Holdings, Inc.		
144A 6.020%, 6/15/26 <sup>(4)</sup>	100	109	144A 4.750%, 3/15/25 <sup>(4)</sup>	85	86
144A 8.100%, 7/15/36 <sup>(4)</sup>	210	264	Standard Industries, Inc.		
Dun & Bradstreet Corp. (The)			144A 6.000%, 10/15/25 <sup>(4)</sup>	365	377
4.625%, 12/1/22	625	647	Vulcan Materials Co.		
DXC Technology Co.			3.900%, 4/1/27	445	449
144A 4.250%, 4/15/24 <sup>(4)</sup>	120	122			<u>7,024</u>
Flex Ltd.			<b>Real Estate—2.0%</b>		
4.750%, 6/15/25	595	625	Alexandria Real Estate Equities, Inc.		
Hewlett Packard Enterprise Co.			3.950%, 1/15/27	295	295
4.900%, 10/15/25	335	348	Brixmor Operating Partnership LP		
Radiate Holdco LLC			3.875%, 8/15/22	160	164
144A 6.625%, 2/15/25 <sup>(4)</sup>	235	233	CoreCivic, Inc.		
Verisk Analytics, Inc.			5.000%, 10/15/22	465	482
4.000%, 6/15/25	585	594	Corporate Office Properties LP		
		<u>3,768</u>	3.600%, 5/15/23	610	593
<b>Materials—1.5%</b>			CyrusOne LP		
Alpek SAB de C.V.			144A 5.375%, 3/15/27 <sup>(4)</sup>	100	101
144A 5.375%, 8/8/23 <sup>(4)</sup>	810	848	DDR Corp.		
Eldorado Gold Corp.			7.875%, 9/1/20	475	549
144A			3.500%, 1/15/21	385	389
6.125%, 12/15/20 <sup>(4)</sup>	210	216	Digital Realty Trust LP		
Equate Petrochemical BV			5.250%, 3/15/21	540	586
144A 4.250%, 11/3/26 <sup>(4)</sup>	485	485	Education Realty Operating Partnership LP		
Freeport-McMoRan, Inc.			4.600%, 12/1/24	595	599
3.875%, 3/15/23	190	176	EPR Properties		
Glencore Funding LLC			4.750%, 12/15/26	615	619
144A 4.000%, 3/27/27 <sup>(4)</sup>	445	439	Healthcare Realty Trust, Inc.		
INEOS Group Holdings S.A.			3.875%, 5/1/25	375	371
144A 5.625%, 8/1/24 <sup>(4)</sup>	495	498	Hospitality Properties Trust		
Inversiones CMPC S.A.			4.950%, 2/15/27	550	565
144A 4.375%, 5/15/23 <sup>(4)</sup>	850	870	Kilroy Realty LP		
NewMarket Corp.			4.375%, 10/1/25	550	574
4.100%, 12/15/22	649	661	Kimco Realty Corp.		
Novelis Corp.			3.400%, 11/1/22	535	540
144A 6.250%, 8/15/24 <sup>(4)</sup>	25	26			
144A 5.875%, 9/30/26 <sup>(4)</sup>	370	378			

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>CORPORATE BONDS AND NOTES (continued)</b>			<b>Utilities—0.8%</b>		
<b>Real Estate (continued)</b>			Dominion Resources, Inc.		
LifeStorage LP			2.962%, 7/1/19 <sup>(3)</sup>	\$ 50	\$ 51
3.500%, 7/1/26	\$ 295	\$ 282	Duke Energy Corp.		
MPT Operating Partnership LP			2.650%, 9/1/26	515	478
6.375%, 3/1/24	55	59	Dynegy, Inc.		
5.500%, 5/1/24	275	280	7.375%, 11/1/22	405	403
National Retail Properties, Inc.			Eskom Holdings SOC Ltd.		
4.000%, 11/15/25	170	173	144A 7.125%, 2/11/25 <sup>(4)</sup>	440	445
Retail Opportunity Investments Partnership LP			FirstEnergy Transmission LLC		
4.000%, 12/15/24	485	465	144A 4.350%, 1/15/25 <sup>(4)</sup>	630	656
Select Income REIT			Southern Power Co.		
4.500%, 2/1/25	590	593	4.150%, 12/1/25	665	687
Uniti Group, Inc.			State Grid Overseas Investment 2014 Ltd.		
144A 7.125%, 12/15/24 <sup>(4)</sup>	370	377	144A 4.125%, 5/7/24 <sup>(4)</sup>	610	645
Welltower, Inc.			TerraForm Power Operating LLC		
4.000%, 6/1/25	625	633	144A 6.375%, 2/1/23 <sup>(3)(4)</sup>	455	475
		9,289			3,840
			<b>TOTAL CORPORATE BONDS AND NOTES (Identified Cost \$86,800)</b>		<b>88,123</b>
<b>Telecommunication Services—0.8%</b>			<b>LOAN AGREEMENTS<sup>(8)</sup>—1.6%</b>		
Altice Financing S.A.			<b>Consumer Discretionary—0.4%</b>		
144A 6.625%, 2/15/23 <sup>(4)</sup>	200	209	Boyd Gaming Corp.		
AT&T, Inc.			Refinancing Tranche B,		
3.875%, 8/15/21	1,185	1,233	3.50%, 9/15/23		
Frontier Communications Corp.				85	86
10.500%, 9/15/22	370	376	Caesars Entertainment Resort Properties LLC		
Qwest Corp.			Tranche B,		
7.250%, 9/15/25	360	394	7.000%, 10/11/20		
Sprint Spectrum Co., LLC			392		
144A 3.360%, 9/20/21 <sup>(4)</sup>	200	200	395		
T-Mobile USA, Inc.			Caesars Growth Properties Holdings LLC Tranche B,		
6.375%, 3/1/25	265	286	First Lien,		
Telefonica Emisiones SAU			6.250%, 5/8/21		
4.570%, 4/27/23	510	545	180		
Verizon Communications, Inc.			181		
4.125%, 3/16/27	450	458	Floor & Decor Outlets of America, Inc.		
Zayo Group LLC			5.250%, 9/30/23		
6.375%, 5/15/25	190	206	192		
144A 5.750%, 1/15/27 <sup>(4)</sup>	20	21	193		
		3,928	2021 Extended,		
			8.509%, 3/17/21		
			193		
			195		
			UFC Holdings LLC		
			First Lien		
			4.250%, 8/18/23		
				226	227

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
<b>LOAN AGREEMENTS<sup>(3)</sup> (continued)</b>			<b>Health Care (continued)</b>		
<b>Consumer Discretionary (continued)</b>			Inventiv Group Holdings, Inc.		
U.S. Farathane LLC			4.804%, 11/9/23	\$ 146	\$ 146
Tranche B-3,			MMM Holdings, Inc.		
5.147%, 12/23/21	\$ 318	\$ 322	10.250%, 6/30/19	91	90
		<u>1,599</u>	MPH Acquisition Holdings LLC		
			4.897%, 6/7/23	110	112
<b>Consumer Staples—0.1%</b>			MSO of Puerto Rico, Inc.		
Albertson's LLC			10.250%, 6/30/19	66	66
Tranche B-4			NVA Holdings, Inc.		
3.982%, 8/25/21	352	353	Second Lien,		
JBS USA Lux S.A.			8.147%, 8/14/22	214	216
3.289%, 10/30/22	125	126	Quorum Health Corp.		
TKC Holdings, Inc.			6.789%, 4/29/22	223	219
First Lien,					<u>1,550</u>
4.750%, 2/1/23	105	106	<b>Industrials—0.3%</b>		
		<u>585</u>	84 Lumber Co.		
			6.750%, 10/25/23	293	297
<b>Energy—0.1%</b>			Advanced Disposal Services, Inc.		
Jonah Energy LLC Second Lien,			3.698%, 11/10/23	41	42
7.500%, 5/12/21	285	274	Navistar, Inc. Tranche B,		
			5.000%, 8/7/20	294	297
<b>Financials—0.0%</b>			Sedgwick Claims Management Services, Inc. Second Lien,		
Avolon TLB Borrower 1 (US) LLC Tranche B-2,			6.804%, 2/28/22	355	356
0.000%, 3/21/22 <sup>(14)</sup>	10	10	Zodiac Pool Solutions LLC		
UPC Financing Partnership			First Lien,		
3.662%, 4/15/25	150	151	5.647%, 12/20/23	254	256
		<u>161</u>			<u>1,248</u>
<b>Health Care—0.3%</b>			<b>Information Technology—0.1%</b>		
CHG Healthcare Services, Inc. First Lien,			Donnelley Financial Solutions, Inc.		
4.750%, 6/7/23	250	254	Tranche B,		
Community Health Systems, Inc. 2021 Tranche H,			5.000%, 9/29/23	88	89
4.027%, 1/27/21	280	277	First Data Corp. Tranche 2022-C,		
Grifols Worldwide Operations Ltd. Tranche B,			3.984%, 7/8/22	337	340
3.194%, 1/31/25	75	75	Rackspace Hosting, Inc. Tranche B, First Lien,		
HLF Financing S.a.r.l. Senior Lien,			4.535%, 11/3/23	86	87
6.482%, 2/15/23	95	95			

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>	<u>SHARES</u>	<u>VALUE</u>
<b>LOAN AGREEMENTS<sup>(3)</sup> (continued)</b>				
<b>Information Technology (continued)</b>				
SS&C Technologies Holdings, Inc. 2017 Refinancing Tranche B-2 3.232%, 7/8/22	\$ 10	\$ 10		
2017 Refinancing Tranche B-1 3.232%, 7/8/22	121	<u>122</u>		
		<u>648</u>		
<b>Materials—0.1%</b>				
Anchor Glass Container Corp. First Lien, 4.250%, 12/7/23	43	43		
CPI Card, Inc. First Lien, 5.834%, 8/17/22	395	369		
Ineos U.S. Finance LLC Tranche 2022 3.732%, 3/31/22	15	<u>15</u>		
		<u>427</u>		
<b>Real Estate—0.0%</b>				
Capital Automotive LP Tranche B-2, First Lien 4.000%, 3/21/24	50	<u>51</u>		
<b>Telecommunication Services—0.0%</b>				
Neustar, Inc. Tranche B2, 0.000%, 3/1/24 <sup>(14)</sup>	140	<u>142</u>		
<b>Utilities—0.2%</b>				
Helix Gen Funding LLC Tranche 0.000%, 3/9/24 <sup>(14)</sup>	10	10		
NRG Energy, Inc. 3.232%, 6/30/23	606	609		
Vistra Operations Company LLC 3.732%, 8/4/23	169	170		
Tranche C, 3.732%, 8/4/23	38	<u>38</u>		
		<u>827</u>		
<b>TOTAL LOAN AGREEMENTS (Identified Cost \$7,446)</b>		<b><u>7,512</u></b>		
<b>PREFERRED STOCKS—1.4%</b>				
<b>Energy—0.1%</b>				
PTT Exploration & Production PCL 144A, 4.875% <sup>(3)(4)</sup>			610 <sup>(9)</sup>	<u>\$ 624</u>
<b>Financials—1.0%</b>				
Bank of New York Mellon Corp. (The) Series E, 4.950% <sup>(3)</sup>			450 <sup>(9)</sup>	464
Citigroup, Inc. Series T, 6.250% <sup>(3)</sup>			605 <sup>(9)</sup>	653
JPMorgan Chase & Co. Series Z, 5.300% <sup>(3)</sup>			110 <sup>(9)</sup>	114
KeyCorp Series D, 5.000% <sup>(3)</sup>			490 <sup>(9)</sup>	486
M&T Bank Corp. Series F, 5.125% <sup>(3)</sup>			490 <sup>(9)</sup>	488
PNC Financial Services Group, Inc. (The) Series R, 4.850% <sup>(3)</sup>			490 <sup>(9)</sup>	487
PNC Financial Services Group, Inc. (The) Series S, 5.000% <sup>(3)</sup>			490 <sup>(9)</sup>	488
Wells Fargo & Co. Series K, 7.980% <sup>(3)</sup>			730 <sup>(9)</sup>	760
Zions Bancorp 6.950% <sup>(2)</sup>			23,200	<u>677</u>
				<u>4,617</u>
<b>Industrials—0.3%</b>				
General Electric Co. Series D, 5.000% <sup>(3)</sup>			1,273 <sup>(9)</sup>	1,342
<b>TOTAL PREFERRED STOCKS (Identified Cost \$6,195)</b>				<b><u>6,583</u></b>
<b>COMMON STOCKS—61.3%</b>				
<b>Consumer Discretionary—14.8%</b>				
Amazon.com, Inc. <sup>(2)</sup>			10,680	9,468
Bayerische Motoren Werke AG Sponsored ADR <sup>(2)</sup>			66,440	2,023
Ctrip.com International Ltd. ADR <sup>(2)</sup>			69,050	3,394
Fuji Heavy Industries Ltd. ADR			107,710	1,979
Home Depot, Inc. (The)			31,480	4,622
IMAX Corp. <sup>(2)</sup>			70,385	2,393
Kroton Educacional S.A. ADR			328,095	1,386
Las Vegas Sands Corp.			116,180	6,630

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
<b>COMMON STOCKS (continued)</b>			<b>Financials (Continued)</b>		
<b>Consumer Discretionary (continued)</b>			Societe Generale S.A.		
Netflix, Inc. <sup>(2)</sup>	37,580	\$ 5,555	Sponsored ADR		
NIKE, Inc. Class B	105,210	5,863	227,525	\$	2,296
Priceline Group, Inc. (The) <sup>(2)</sup>	4,440	7,903	<hr/>		
Ross Stores, Inc.	83,980	5,532	<b>Health Care—6.2%</b>		
Sony Corp. Sponsored ADR	67,610	2,281	Allergan plc		
Starbucks Corp.	135,110	7,889	8,965		2,142
Walt Disney Co. (The)	19,230	2,181	BioMarin Pharmaceutical, Inc. <sup>(2)</sup>		
		<hr/>	42,220	3,706	
		69,099	Bristol-Myers Squibb Co.		
			41,010	2,230	
<b>Consumer Staples—5.2%</b>			Celgene Corp. <sup>(2)</sup>		
British American Tobacco plc Sponsored ADR	29,930	1,985	61,710	7,678	
Companhia Brasileira de Distribuicao Grupo Pao de Acucar Sponsored ADR	108,310	2,080	43,150	3,691	
Costco Wholesale Corp.	26,820	4,497	HealthEquity, Inc. <sup>(2)</sup>		
Marine Harvest ASA Sponsored ADR <sup>(2)</sup>	118,485	1,815	30,120	1,279	
Monster Beverage Corp. <sup>(2)</sup>	161,750	7,468	Icon plc		
Philip Morris International, Inc.	57,440	6,485	26,568	2,118	
		<hr/>	Shire plc ADR		
		24,330	11,780	2,052	
			Zoetis, Inc.		
			77,480	4,135	
			<hr/>		
			29,031		
			<hr/>		
<b>Energy—3.8%</b>			<b>Industrials—4.7%</b>		
Cabot Oil & Gas Corp.	81,940	1,959	Airbus SE ADR		
Core Laboratories N.V.	28,300	3,269	126,550	2,411	
Petroleo Brasileiro S.A. Sponsored ADR <sup>(2)</sup>	215,486	2,088	Ashtead Group plc ADR		
Pioneer Natural Resources Co.	17,540	3,267	32,355	2,715	
Schlumberger Ltd.	40,910	3,195	Hitachi Ltd. ADR		
Statoil ASA Sponsored ADR	112,250	1,928	31,000	1,684	
TechnipFMC plc	59,232	1,925	Nidec Corp. Sponsored ADR		
		<hr/>	98,670	2,360	
		17,631	RELX plc Sponsored ADR		
			101,140	2,003	
<b>Financials—5.4%</b>			Rockwell Automation, Inc.		
Bank of America Corp.	266,230	6,280	13,760	2,143	
Barclays plc Sponsored ADR	193,480	2,175	Roper Technologies, Inc.		
BNP Paribas S.A. ADR	65,090	2,166	20,230	4,177	
Charles Schwab Corp. (The)	79,620	3,249	Union Pacific Corp.		
DBS Group Holdings Ltd. Sponsored ADR	48,925	2,724	24,630	2,609	
ING Groep N.V. Sponsored ADR	138,525	2,090	Westinghouse Air Brake Technologies Corporation		
Mizuho Financial Group, Inc. ADR	559,080	2,063	26,132	2,038	
ORIX Corp. Sponsored ADR	26,140	1,943	<hr/>		
			22,140		
			<hr/>		
			<b>Information Technology—18.6%</b>		
			Accenture plc Class A		
			30,250	3,626	
			Activision Blizzard, Inc.		
			72,100	3,595	
			Alibaba Group Holding Ltd. Sponsored ADR <sup>(2)</sup>		
			92,130	9,934	
			Alphabet, Inc. Class A <sup>(2)</sup>		
			7,040	5,969	
			Amphenol Corp. Class A		
			91,790	6,533	
			Broadcom Ltd.		
			10,060	2,203	
			Check Point Software Technologies Ltd.		
			19,600	2,012	
			CoStar Group, Inc. <sup>(2)</sup>		
			17,360	3,597	
			Facebook, Inc. Class A <sup>(2)</sup>		
			158,970	22,582	
			Gartner, Inc. <sup>(2)</sup>		
			13,590	1,468	
			NVIDIA Corp.		
			24,000	2,614	
			Paycom Software, Inc. <sup>(2)</sup>		
			58,730	3,378	
			SAP SE Sponsored ADR		
			25,925	2,545	
			Visa, Inc. Class A		
			92,530	8,223	
			Workday, Inc. Class A <sup>(2)</sup>		
			52,430	4,366	
			Yandex N.V. Class A <sup>(2)</sup>		
			193,390	4,241	
			<hr/>		
			86,886		
			<hr/>		

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

	<u>SHARES</u>	<u>VALUE</u>
<b>COMMON STOCKS (continued)</b>		
<b>Materials—1.6%</b>		
Ecolab, Inc.	31,460	\$ 3,944
Fortescue Metals Group Ltd. Sponsored ADR	169,650	1,620
Toray Industries, Inc. ADR	118,489	2,103
		<u>7,667</u>
<b>Real Estate—0.5%</b>		
Lendlease Group Sponsored ADR	200,805	2,434
<b>Telecommunication Services—0.5%</b>		
Nippon Telegraph & Telephone Corp. ADR	49,495	2,120
<b>TOTAL COMMON STOCKS (Identified Cost \$258,609)</b>		<b>286,324</b>
<b>AFFILIATED MUTUAL FUND—0.8%</b>		
Virtus Credit Opportunities Fund Class R6 <sup>(10)</sup>	357,054	3,567
<b>TOTAL AFFILIATED MUTUAL FUND (Identified Cost \$3,569)</b>		<b>3,567</b>
<b>TOTAL LONG TERM INVESTMENTS—98.8%</b> <b>(Identified Cost \$432,448)</b>		<b>461,385<sup>(12)</sup></b>
<b>TOTAL INVESTMENTS—98.8%</b> <b>(Identified Cost \$432,448)</b>		<b>461,385<sup>(11)</sup></b>
Other assets and liabilities, net—1.2%		5,640
<b>NET ASSETS—100.0%</b>		<b>\$467,025</b>

- <sup>(4)</sup> Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2017, these securities amounted to a value of \$56,060 or 12.0% of net assets.
- <sup>(5)</sup> Security in default, no interest payments are being received during the bankruptcy proceedings.
- <sup>(6)</sup> Security in default, a portion of the interest payments are being received during the bankruptcy proceedings.
- <sup>(7)</sup> No contractual maturity date.
- <sup>(8)</sup> Interest payments may be deferred.
- <sup>(9)</sup> Value shown as par value.
- <sup>(10)</sup> Shares of this fund are publicly offered and its prospectus and annual report are publicly available.
- <sup>(11)</sup> Illiquid security.
- <sup>(12)</sup> All or a portion of the Fund's assets have been segregated for delayed delivery security.
- <sup>(13)</sup> This Note was issued for the sole purpose of funding a loan agreement between the issuer and the borrower. As the credit risk for this security lies solely with the borrower, the name represented here is that of the borrower.
- <sup>(14)</sup> This loan will settle after March 31, 2017, at which time the interest rate, based on the London Interbank Offered Rate ("LIBOR") and the agreed upon spread on trade date, will be reflected.
- <sup>(15)</sup> Security valued at fair value as determined in good faith by or under the direction of the Trustees. This security is disclosed as a Level 3 security in the disclosure table located after the Schedule of Investments.

**Abbreviations:**

ADR	American Depositary Receipt
FHLMC	Federal Home Loan Mortgage Corporation ("Freddie Mac")
FNMA	Federal National Mortgage Association ("Fannie Mae")
REIT	Real Estate Investment Trust

**FOOTNOTE LEGEND:**

- <sup>(1)</sup> Federal Income Tax Information: For tax information at March 31, 2017, see Note 7 Federal Income Tax Information in the Notes to Financial Statements.
- <sup>(2)</sup> Non-income producing.
- <sup>(3)</sup> Variable or step coupon security; interest rate shown reflects the rate in effect at March 31, 2017.

**Country Weightings (Unaudited)†**

United States	75%
Japan	4
China	3
United Kingdom	3
France	2
Brazil	1
Singapore	1
Other	11
<b>Total</b>	<b>100%</b>
† % of total investments as of March 31, 2017.	

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's investments as of March 31, 2017 (See Security Valuation Note 2A in the Notes to Financial Statements):

	Total Value at March 31, 2017	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Debt Securities:				
Asset-Backed Securities	\$ 9,216	\$ —	\$ 9,216	\$ —
Corporate Bonds and Notes	88,123	—	87,566	557
Foreign Government Securities	6,021	—	6,021	—
Loan Agreements	7,512	—	7,215	297
Mortgage-Backed Securities	38,189	—	38,189	—
Municipal Bonds	4,365	—	4,365	—
U.S. Government Securities	11,485	—	11,485	—
Equity Securities:				
Affiliated Mutual Fund	3,567	3,567	—	—
Common Stocks	286,324	286,324	—	—
Preferred Stocks	6,583	677	5,906	—
<b>Total Investments</b>	<b>\$461,385</b>	<b>\$290,568</b>	<b>\$169,963</b>	<b>\$854</b>

There were no transfers between Level 1 and Level 2 related to securities held as of March 31, 2017.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Continued)**  
**MARCH 31, 2017**

(\$ reported in thousands)

The following is a reconciliation of assets of the Fund for Level 3 investments for which significant unobservable inputs were used to determine fair value.

<b>Investments in Securities</b>	<u>Total Value</u>	<u>Corporate Bonds and Notes</u>	<u>Loan Agreements</u>
<b>Balance as of March 31, 2016</b>	\$ 694	\$ —	\$ 694
Accrued discount/(premium)	1	1	— <sup>(c)</sup>
Realized gain (loss)	1	— <sup>(c)</sup>	1
Change in unrealized appreciation/(depreciation) <sup>(d)</sup>	133	2	131
Purchases	870	579	291
Sales <sup>(b)</sup>	(572)	(26)	(546)
Transfers into Level 3 <sup>(a)(e)</sup>	1	1	—
Transfers from Level 3 <sup>(a)(f)</sup>	(274)	—	(274)
<b>Balance as of March 31, 2017</b>	<u><u>854</u></u>	<u><u>557</u></u>	<u><u>\$ 297</u></u>

<sup>(a)</sup> "Transfers into and/or from" represent the ending value as of March 31, 2017, for any investment security where a change in the pricing level occurred from the beginning to the end of the period.

<sup>(b)</sup> Includes paydowns on securities.

<sup>(c)</sup> Amount is less than \$500.

<sup>(d)</sup> Included in the related net change in unrealized appreciation (depreciation) on investments in the Statement of Operations. The change in unrealized appreciation (depreciation) on investments still held as of March 31, 2017 was \$(311).

<sup>(e)</sup> The transfers into Level 3 is due to a security default.

<sup>(f)</sup> The transfers from Level 3 are due to an increase in trading activities at period end.

The Fund's investments that are categorized as Level 3 were valued utilizing third party pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information inputs could result in a significantly lower or higher value of such Level 3 investments.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**MARCH 31, 2017**

(Reported in thousands except shares and per share amounts)

<b>Assets</b>	
Investment in unaffiliated securities at value <sup>(1)</sup> .....	\$ 457,818
Investment in affiliated fund at value <sup>(2)</sup> .....	3,567
Cash .....	4,757
Receivables	
Investment securities sold .....	1,398
Fund shares sold .....	33
Dividends and interest .....	1,938
Tax reclaims .....	21
Prepaid expenses .....	32
Prepaid trustee retainer .....	12
Other assets .....	17
Total assets .....	<u>469,593</u>
<b>Liabilities</b>	
Payables	
Fund shares repurchased .....	841
Investment securities purchased .....	1,127
Investment advisory fees .....	217
Distribution and service fees .....	120
Administration fees .....	49
Transfer agent fees and expenses .....	135
Trustees' fees and expenses .....	1
Professional fees .....	32
Trustee deferred compensation plan .....	17
Other accrued expenses .....	29
Total liabilities .....	<u>2,568</u>
<b>Net Assets</b> .....	<u><u>\$ 467,025</u></u>
<b>Net Assets Consist of:</b>	
Capital paid in on shares of beneficial interest .....	\$ 440,970
Accumulated undistributed net investment income (loss) .....	(129)
Accumulated undistributed net realized gain (loss) .....	(2,753)
Net unrealized appreciation (depreciation) on investments .....	28,937
<b>Net Assets</b> .....	<u><u>\$ 467,025</u></u>
<b>Class A</b>	
Net asset value (net assets/shares outstanding) per share .....	\$ 13.17
Maximum offering price per share NAV/(1-5.75%) .....	\$ 13.97
Shares of beneficial interest outstanding, no par value, unlimited authorization .....	33,013,926
Net Assets .....	\$ 434,712
<b>Class C</b>	
Net asset value (net assets/shares outstanding) and offering price per share .....	\$ 13.04
Shares of beneficial interest outstanding, no par value, unlimited authorization .....	2,478,029
Net Assets .....	\$ 32,313
<sup>(1)</sup> Investment in unaffiliated securities at cost .....	\$ 428,879
<sup>(2)</sup> Investment in affiliated fund at cost .....	\$ 3,569

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2017**

(\$ reported in thousands)

**Investment Income**

Dividends	\$ 4,900
Dividends from affiliated fund	150
Interest	7,707
Security lending, net of fees	28
Foreign taxes withheld	(120)
Total investment income	<u>12,665</u>

**Expenses**

Investment advisory fees	2,666
Service fees, Class A	1,121
Distribution and service fees, Class B	4
Distribution and service fees, Class C	357
Administration fees	636
Transfer agent fees and expenses	688
Registration fees	55
Printing fees and expenses	130
Custodian fees	97
Professional fees	57
Trustees' fees and expenses	55
Miscellaneous expenses	47
Total expenses	<u>5,913</u>
Less expenses reimbursed and/or waived by investment adviser	(19)
Earnings credit from custodian	(2)
Low balance account fees	(13)
Custody fees reimbursed (Note 10)	(436)
Net expenses	<u>5,443</u>

**Net investment income (loss)** 7,222

**Net Realized and Unrealized Gain (Loss)**

Net realized gain (loss) on unaffiliated investments	34,480
Net change in unrealized appreciation (depreciation) on unaffiliated investments	(9,294)
Net change in unrealized appreciation (depreciation) on affiliated fund	153

**Net realized and unrealized gain (loss)** 25,339

**Net increase (decrease) in net assets resulting from operations** \$32,561

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**

(Reported in thousands)

	Year Ended March 31, 2017	Year Ended March 31, 2016
<b>INCREASE/(DECREASE) IN NET ASSETS</b>		
<b>From Operations</b>		
Net investment income (loss) .....	\$ 7,222	\$ 10,818
Net realized gain (loss) .....	34,480	264
Net change in unrealized appreciation (depreciation) .....	(9,141)	(47,912)
<b>Increase (decrease) in net assets resulting from operations .....</b>	<b>32,561</b>	<b>(36,830)</b>
<b>From Distributions to Shareholders</b>		
Net investment income, Class A .....	(6,925)	(8,862)
Net investment income, Class B .....	(3)	(7)
Net investment income, Class C .....	(322)	(456)
Net realized short-term gains, Class A .....	(4,563)	—
Net realized short-term gains, Class B .....	(4)	—
Net realized short-term gains, Class C .....	(360)	—
Net realized long-term gains, Class A .....	(29,407)	(15,612)
Net realized long-term gains, Class B .....	(23)	(22)
Net realized long-term gains, Class C .....	(2,326)	(1,441)
<b>Decrease in net assets from distributions to shareholders .....</b>	<b>(43,933)</b>	<b>(26,400)</b>
<b>From Share Transactions</b>		
<b>Sale of shares</b>		
Class A (485 and 888 shares, respectively) .....	6,467	12,687
Class B (— <sup>(1)</sup> and — <sup>(1)</sup> shares, respectively) .....	— <sup>(2)</sup>	2
Class C (66 and 419 shares, respectively) .....	874	6,083
<b>Reinvestment of distributions</b>		
Class A (3,012 and 1,572 shares, respectively) .....	38,224	22,775
Class B (2 and 2 shares, respectively) .....	30	29
Class C (212 and 117 shares, respectively) .....	2,658	1,694
<b>Conversion of shares<sup>(3)</sup></b>		
To Class A (21 and — shares, respectively) .....	279	—
From Class B (21 and — shares, respectively) .....	(279)	—
<b>Shares repurchased</b>		
Class A (4,545 and 4,115 shares, respectively) .....	(61,067)	(58,177)
Class B (21 and 18 shares, respectively) .....	(284)	(258)
Class C (694 and 770 shares, respectively) .....	(9,236)	(10,671)
<b>Increase (decrease) in net assets from share transactions .....</b>	<b>(22,334)</b>	<b>(25,836)</b>
<b>Net increase (decrease) in net assets .....</b>	<b>(33,706)</b>	<b>(89,066)</b>
<b>Net Assets</b>		
Beginning of period .....	500,731	589,797
<b>End of period .....</b>	<b>\$467,025</b>	<b>\$500,731</b>
Accumulated undistributed net investment income (loss) at end of period .....	\$ (129)	\$ (287)

<sup>(1)</sup> Amount is less than 500 shares.

<sup>(2)</sup> Amount is less than \$500.

<sup>(3)</sup> See Note 1 in Notes to Financial Statements for more information.

See Notes to Financial Statements



**VIRTUS STRATEGIC ALLOCATION FUND  
FINANCIAL HIGHLIGHTS**

**SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING  
THROUGHOUT EACH PERIOD**

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) <sup>(1)</sup>	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains	Total Distributions	Payments from Affiliates	Change in Net Asset Value	Net Asset Value, End of Period	Total Return <sup>(2)</sup>	Net Assets, End of Period (in thousands)	Ratio of Net Expenses to Average Net Assets <sup>(3)</sup>	Ratio of Gross Expenses to Average Net Assets (before waivers and reimbursements) <sup>(3)</sup>	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
<b>Class A</b>																
4/1/16 to																
3/31/17	\$13.55	0.21	0.69	0.90	(0.21)	(1.07)	(1.28)	—	(0.38)	\$13.17	7.13% <sup>(4)</sup>	\$434,712	1.16% <sup>(5)(6)</sup>	1.16%	1.46% <sup>(6)</sup>	100%
4/1/15 to																
3/31/16	15.18	0.29	(1.22)	(0.93)	(0.25)	(0.45)	(0.70)	— <sup>(4)</sup>	(1.63)	13.55	(6.37)	461,276	1.12	1.13	2.05	75
4/1/14 to																
3/31/15	15.54	0.29	0.33	0.62	(0.30)	(0.68)	(0.98)	—	(0.36)	15.18	4.08	541,818	1.10	1.10	1.89	62
4/1/13 to																
3/31/14	15.35	0.30	1.65	1.95	(0.29)	(1.47)	(1.76)	—	0.19	15.54	13.79	570,784	1.10	1.10	1.97	57
4/1/12 to																
3/31/13	14.58	0.20	0.78	0.98	(0.21)	—	(0.21)	—	0.77	15.35	6.77	559,955	1.10	1.10	1.39	121
<b>Class C</b>																
4/1/16 to																
3/31/17	\$13.44	0.11	0.68	0.79	(0.12)	(1.07)	(1.19)	—	(0.40)	\$13.04	6.33% <sup>(4)</sup>	\$ 32,313	1.91% <sup>(5)(6)</sup>	1.91%	0.71% <sup>(6)</sup>	100%
4/1/15 to																
3/31/16	15.06	0.18	(1.21)	(1.03)	(0.14)	(0.45)	(0.59)	— <sup>(4)</sup>	(1.62)	13.44	(7.06)	38,913	1.87	1.88	1.31	75
4/1/14 to																
3/31/15	15.43	0.17	0.33	0.50	(0.19)	(0.68)	(0.87)	—	(0.37)	15.06	3.29	47,131	1.85	1.85	1.12	62
4/1/13 to																
3/31/14	15.26	0.18	1.63	1.81	(0.17)	(1.47)	(1.64)	—	0.17	15.43	12.89	41,713	1.85	1.85	1.22	57
4/1/12 to																
3/31/13	14.50	0.09	0.77	0.86	(0.10)	—	(0.10)	—	0.76	15.26	5.95	40,937	1.85	1.85	0.64	121

<sup>(1)</sup> Computed using average shares outstanding.

<sup>(2)</sup> Sales charges, where applicable, are not reflected in total return calculation.

<sup>(3)</sup> The Fund will also indirectly bear its prorated share of expenses of any underlying funds in which it invests. Such expenses are not included in the calculation of this ratio.

<sup>(4)</sup> Amount is less than \$0.005 per share.

<sup>(5)</sup> Net expense ratios includes extraordinary proxy expenses.

<sup>(6)</sup> Custody fees reimbursed were excluded from the Ratio of Net Expenses to Average Net Assets and Ratio of Net Investment Income (Loss) to Average Net Assets. If included the impact would have been to lower the Ratio of Net Expenses to Average Net Assets and increase the Ratio of Net Investment Income (Loss) to Average Net Assets by 0.09% (Class A) and 0.09% (Class C).

Custody fees reimbursed were included in Total Return. If excluded the impact would have been to lower the Total Return by 0.09% (Class A) and 0.09% (Class C).

See Note 10 in Notes to Financial Statements for a further explanation on the custody fees reimbursed.

See Notes to Financial Statements

# VIRTUS STRATEGIC ALLOCATION FUND

## NOTES TO FINANCIAL STATEMENTS

### MARCH 31, 2017

#### Note 1. Organization

Virtus Equity Trust (the "Trust") is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company.

As of the date of this report, 11 diversified funds of the Trust are offered for sale, of which the Virtus Strategic Allocation Fund (the "Fund") is reported in this annual report. The Fund's investment objectives are outlined on the Fund's summary page. *There is no guarantee that the Fund will achieve its objectives.*

The Fund offers Class A shares and Class C shares. Effective March 6, 2017, all Class B shares were converted to Class A shares. Prior to March 6, 2017, Class B shares could be purchased by existing shareholders through qualifying transactions.

Class A shares are sold with a front-end sales charge of up to 5.75% with some exceptions. Generally, Class A shares are not subject to any charges by the Fund when redeemed; however, a 1% contingent deferred sales charge ("CDSC") may be imposed on certain redemptions made within a certain period following purchases on which a finder's fee has been paid. The period for which the CDSC applies for the Fund is 18 months. The CDSC period begins on the last day of the month preceding the month in which the purchase was made.

Prior to March 6, 2017, Class B shares were sold with a CDSC, which declined from 5% to zero depending on the period of time the shares were held. Class C shares are generally sold with a 1% CDSC, applicable if redeemed within one year of purchase.

Virtus Mutual Funds may impose an annual fee on accounts having balances of less than \$2,500. The small account fee may be waived in certain circumstances, as disclosed in the prospectus and/or statement of additional information. The fees collected will be used to offset certain expenses of the Fund. These fees are reflected as "Low balance account fees" in the Fund's Statement of Operations for the period, as applicable.

Each Class of shares has identical voting, dividend, liquidation and other rights and the same terms and conditions, except that each Class bears different distribution and/or service (12b-1) fees under a Rule 12b-1 and/or shareholder service plan ("12b-1 Plan") approved by the Board and has exclusive voting rights with respect to such plan. Income and other expenses as well as realized and unrealized gains and losses of the Fund are borne pro rata by the holders of each Class of shares.

#### Note 2. Significant Accounting Policies

The following is a summary of significant accounting policies consistently followed by the Trust in the preparation of its financial statements. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates, and those differences could be significant.

##### A. Security Valuation

Security valuation procedures for the Fund, which include nightly price variance, as well as back-testing items such as bi-weekly unchanged price, monthly secondary source and transaction analysis, have been approved by the Board. All internally fair valued

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

securities are approved by a valuation committee appointed by the Board (the "Valuation Committee"). The Valuation Committee is comprised of certain members of management as identified to the Board and convenes independently from portfolio management. All internally fair valued securities are updated daily and reviewed in detail by the Valuation Committee monthly unless changes occur within the period. The Valuation Committee reviews the validity of the model inputs and any changes to the model. Fair valuations are reviewed quarterly by the Board.

The Fund utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The Fund's policy is to recognize transfers between levels at the end of the reporting period.

- Level 1 – quoted prices in active markets for identical securities (security types generally include listed equities).
- Level 2 – prices determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).
- Level 3 – prices determined using significant unobservable inputs (including the Valuation Committee's own assumptions in determining the fair value of investments).

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded or, if no closing price is available, at the last bid price and are categorized as Level 1 in the hierarchy. Restricted equity securities and private placements that are not widely traded, are illiquid, or are internally fair valued by the Valuation Committee, are generally categorized as Level 3 in the hierarchy.

Certain non-U.S. securities may be fair valued in cases where closing prices are not readily available or are deemed not reflective of readily available market prices. For example, significant events (such as movement in the U.S. securities market, or other regional and local developments) may occur between the time that non-U.S. markets close (where the security is principally traded) and the time that the Fund calculates its net asset value ("NAV") (at the close of regular trading on the NYSE, generally 4 p.m. Eastern time) that may impact the value of securities traded in these non-U.S. markets. In such cases the Fund fair values non-U.S. securities using an independent pricing service which considers the correlation of the trading patterns of the non-U.S. security to the intraday trading in the U.S. markets for investments such as ADRs, financial futures, exchange-traded funds ("ETFs"), and certain indexes, as well as prices for similar securities. Such fair valuations are categorized as Level 2 in the hierarchy. Because the frequency of significant events is not predictable, fair valuation of certain non-U.S. common stocks may occur on a frequent basis.

Debt securities, including restricted securities, are valued based on evaluated quotations received from independent pricing services or from dealers who make markets in such securities. For most bond types, the pricing service utilizes matrix pricing that considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type, and current day trade information, as well as dealer supplied prices. These valuations are generally

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

categorized as Level 2 in the hierarchy. Structured debt instruments, such as mortgage-backed and asset-backed securities, may also incorporate collateral analysis and utilize cash flow models for valuation and are generally categorized as Level 2 in the hierarchy. Pricing services do not provide pricing for all securities and therefore indicative bids from dealers are utilized which are based on pricing models used by market makers in the security and are generally categorized as Level 2 in the hierarchy. Debt securities that are not widely traded, are illiquid, or are internally fair valued by the Valuation Committee, are generally categorized as Level 3 in the hierarchy.

Listed derivatives, such as options, that are actively traded are valued based on quoted prices from the exchange and are categorized as Level 1 in the hierarchy. Over-the-counter derivative contracts, which include forward currency contracts and equity-linked instruments, do not require material subjectivity as pricing inputs are observed from actively quoted markets and are categorized as Level 2 in the hierarchy.

Investments in open-end mutual funds are valued at NAV. Investments in closed-end funds are valued as of the close of regular trading on the NYSE each business day. Both are categorized as Level 1 in the hierarchy.

A summary of the inputs used to value the Fund's net assets by each major security type is disclosed at the end of the Schedule of Investments for the Fund. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

**B. Security Transactions and Investment Income**

Security transactions are recorded on the trade date. Realized gains and losses from sales of securities are determined on the identified cost basis. Dividend income is recognized on the ex-dividend date or, in the case of certain foreign securities, as soon as the Fund is notified. Interest income is recorded on the accrual basis. The Fund amortizes premiums and accretes discounts using the effective interest method. Any distributions from underlying funds are recorded in accordance with the character of the distributions as designated by the underlying funds.

Dividend income from REIT investments is recorded using management's estimate of the income included in distributions received from the REIT investments. Distributions received in excess of this estimated amount are recorded as a reduction of the cost of investments or reclassified to capital gains. The actual amounts of income, return of capital, and capital gains are only determined by each REIT after its fiscal year-end, and may differ from the estimated amounts.

**C. Income Taxes**

The Fund is treated as a separate taxable entity. It is the intention of the Fund to comply with the requirements of Subchapter M of the Internal Revenue Code and to distribute substantially all of its taxable income to its shareholders. Therefore, no provision for federal income taxes or excise taxes has been made.

The Fund may be subject to foreign taxes on income, gains on investments or currency repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable based upon current interpretations of the tax rules and regulations that exist in the markets in which it invests.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. As of March 31, 2017, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2014 forward (with limited exceptions).

**D. Distributions to Shareholders**

Distributions are recorded by the Fund on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations that may differ from U.S. GAAP.

**E. Expenses**

Expenses incurred together by the Fund and other affiliated mutual funds are allocated in proportion to the net assets of each such fund, except where allocation of direct expenses to each fund or an alternative allocation method can be more appropriately used.

In addition to the net annual operating expenses that the Fund bears directly, the shareholders of the Fund indirectly bear the Fund's pro-rata expenses of any underlying mutual funds in which the Fund invests.

**F. Foreign Currency Translation**

Non-U.S. investment securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the foreign currency exchange rate effective at the end of the reporting period. Cost of investments is translated at the currency exchange rate effective at the trade date. The gain or loss resulting from a change in currency exchange rates between the trade and settlement date of a portfolio transaction is treated as a gain or loss on foreign currency. Likewise, the gain or loss resulting from a change in currency exchange rates between the date income is accrued and the date it is paid is treated as a gain or loss on foreign currency. The Fund does not isolate that portion of the results of operations arising from changes in foreign exchange rates on investments from the fluctuations arising from changes in the market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss on investments.

**G. Loan Agreements**

The Fund may invest in direct debt instruments which are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates. Loan agreements are generally non-investment grade and often involve borrowers that are highly leveraged. The Fund may invest in obligations of borrowers who are in bankruptcy proceedings. Loan agreements are typically senior in the corporate capital structure of the borrower. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Fund's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When investing in loan participations, the Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan participation and only upon receipt by the lender of payments from the borrower. The Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Fund may be subject to

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

the credit risk of both the borrower and the lender that is selling the loan agreement. When the Fund purchases assignments from lenders it acquires direct rights against the borrower on the loan.

The Fund may invest in multiple series or tranches of a loan, which may have varying terms and carry different associated risks. Loan agreements may involve foreign borrowers and investments may be denominated in foreign currencies. Direct indebtedness of emerging countries involves a risk that the government entities responsible for the repayment of the debt may be unable, or unwilling, to pay the principal and interest when due.

The loan agreements have floating rate loan interests which generally pay interest at rates that are periodically determined by reference to a base lending rate plus a premium. The base lending rates are generally London Interbank Offered Rate ("LIBOR"), the prime rate offered by one or more U.S. banks or the certificate of deposit rate. When a loan agreement is purchased the Fund may pay an assignment fee. On an ongoing basis, the Fund may receive a commitment fee based on the undrawn portion of the underlying line of credit portion of a loan agreement. Prepayment penalty fees are received upon the prepayment of a loan agreement by a borrower. Prepayment penalty, facility, commitment, consent and amendment fees are recorded to income as earned or paid.

At March 31, 2017, all loan agreements held by the Fund are assignment loans.

**H. When-issued and Forward Commitments (Delayed Delivery)**

The Fund may engage in when-issued or forward commitment transactions. Securities purchased on a when-issued or forward commitment basis are known as delayed delivery transactions. Delayed delivery transactions involve a commitment by the Fund to purchase or sell a security at a future date (ordinarily up to 90 days later). When-issued or forward commitments enable the Fund to lock in what is believed to be an attractive price or yield on a particular security for a period of time, regardless of future changes in interest rates. The Fund records when-issued and delayed delivery securities on the trade date. The Fund maintains collateral for the securities purchased. Securities purchased on a when-issued or delayed delivery basis begin earning interest on the settlement date.

**I. Securities Lending**

The Fund may loan securities to qualified brokers through an agreement with Brown Brothers Harriman ("BBH"), as a third party lending agent. Under the terms of the agreement, the Fund is required to maintain collateral with a market value not less than 100% of the market value of loaned securities. Collateral is adjusted daily in connection with changes in the market value of securities on loan. Collateral may consist of cash and securities issued by the U.S. Government or its agencies. Cash collateral is invested in a short-term money market fund. Dividends earned on the collateral and premiums paid by the broker are recorded as income by the Fund net of fees and rebates charged by BBH for its services as securities lending agent and in connection with this securities lending program. Lending portfolio securities involves a risk of delay in the recovery of the loaned securities or in the declining value of the collateral. At March 31, 2017, the Fund did not have any securities on loan.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

**J. Earnings Credit and Interest**

Through arrangements with the Fund's custodian, the Fund either receives an earnings credit or interest on agreed upon target un-invested cash balances to reduce the Fund's custody expenses. The credits are reflected as "Earnings credit from custodian" and the interest is reflected under "Interest income" in the Fund's Statement of Operations for the period, as applicable.

**Note 3. Investment Advisory Fees and Related Party Transactions**  
**(\$ reported in thousands except as noted)**

**A. Adviser**

Virtus Investment Advisers, Inc. (the "Adviser"), an indirect, wholly owned subsidiary of Virtus Investment Partners, Inc. ("Virtus"), is the investment adviser to the Fund. The Adviser manages the Fund's investment program and general operations of the Fund, including oversight of the Fund's subadvisers.

As compensation for its services to the Fund, the Adviser is entitled to a fee based upon the annual rate: 0.55% of the Fund's first \$1 billion of average daily net assets; 0.50% of the Fund's \$1+ billion through \$2 billion of average daily net assets; and 0.45% of the Fund's average daily net assets in excess of \$2 billion.

During the period covered by these financial statements, the Fund invested a portion of its assets in Virtus Credit Opportunities Fund, an affiliated mutual fund. In order to avoid any duplication of advisory fees, the Adviser has voluntarily waived its advisory fees in an amount equal to that which would otherwise be paid by the Fund on the assets invested in the Virtus Credit Opportunities Fund. For the period covered by these financial statements, the waiver amounted to \$19. This waiver is included in "Less expenses reimbursed and/or waived by investment adviser" in the Statement of Operations.

**B. Subadvisers**

The subadvisers manage the investments of the Fund for which they are paid a fee by the Adviser.

Newfleet Asset Management, LLC, an indirect, wholly owned subsidiary of Virtus, is the subadviser to the Fund's fixed income portfolio. As of the end of the period, Kayne Anderson Rudnick Investment Management, LLC, an indirect, wholly owned subsidiary of Virtus, is the subadviser to the Fund's domestic equity portfolio and Duff & Phelps Investment Management Co., an indirect, wholly owned subsidiary of Virtus, is the subadviser to the Fund's international equity portfolio. Prior to September 7, 2016, Euclid Advisors LLC was the subadviser to the Fund's equity portfolio.

**C. Distributor**

VP Distributors, LLC ("VP Distributors"), an indirect, wholly owned subsidiary of Virtus, serves as the distributor of the Fund's shares. VP Distributors has advised the Fund that for the fiscal year (the "period") ended March 31, 2017, it retained net commissions of \$106 for Class A shares and CDSC of \$— and \$(18) for Class A shares and Class C shares, respectively.

In addition, the Fund pays VP Distributors 12b-1 fees under a 12b-1 Plan as a percentage of the average daily net assets of each respective class at the annual rates as follows: Class A shares 0.25%; and Class C shares 1.00%.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

Under certain circumstances, shares of certain Virtus Mutual Funds may be exchanged for shares of the same class of certain other Virtus Mutual Funds on the basis of the relative NAV per share at the time of the exchange. On exchanges with share classes that carry a CDSC, the CDSC schedule of the original shares purchased continues to apply.

**D. Administrator and Transfer Agent**

Virtus Fund Services, LLC, an indirect, wholly owned subsidiary of Virtus, serves as the administrator and transfer agent to the Trust.

For the period ended March 31, 2017, the Fund incurred administration fees totaling \$474 which are included in the Statement of Operations.

For the period ended March 31, 2017, the Fund incurred transfer agent fees totaling \$395 which are included in the Statement of Operations. A portion of these fees was paid to outside entities that also provide services to the Trust.

**E. Investments in Affiliates**

A summary of total long-term and short-term purchases and sales of the affiliated underlying fund, Virtus Credit Opportunities Fund, during the period ended March 31, 2017, is as follows:

<u>Value, beginning of period</u>	<u>Purchases</u>	<u>Sales</u>	<u>Value, end of period</u>	<u>Dividend Income</u>	<u>Distributions of Realized Gains</u>
\$3,414	\$—	\$—	\$3,567	\$150	\$—

**F. Trustee Compensation**

The Trust provides a deferred compensation plan for its Trustees who receive compensation from the Trust. Under the deferred compensation plan, Trustees may elect to defer all or a portion of their compensation. Amounts deferred are retained by the Trust, and then, to the extent permitted by the 1940 Act, in turn, may be invested in the shares of affiliated or unaffiliated mutual funds selected by the participating Trustees. Investments in such instruments are included in "Other assets" in the Statement of Assets and Liabilities at March 31, 2017.

**Note 4. Purchases and Sales of Securities**

**(\$ reported in thousands)**

Purchases and sales of securities (excluding U.S. Government and agency securities and short-term securities) during the period ended March 31, 2017, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$443,661	\$490,935

Purchases and sales of long-term U.S. Government and agency securities during the period ended March 31, 2017, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$33,001	\$32,795



**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

**Note 5. Borrowings**

**(\$ reported in thousands)**

On June 29, 2016, the Fund and other affiliated funds renewed a \$50,000 secured line of credit. The Credit Agreement (the "Agreement") is with a commercial bank (the "Bank") that allows the Fund to borrow cash from the Bank to manage large unexpected redemptions and trade fails, up to a limit of one-third of the Fund's total net assets in accordance with the Agreement. The Agreement has a term of 364 days and is renewable by the Fund with the Bank's consent and approval of the Board. Interest is charged at the higher of the LIBOR or the Federal Funds rate plus an additional percentage rate on the amount borrowed. Commitment fees are charged on the undrawn balance. The Fund and other affiliated funds are individually, and not jointly, liable for their particular advances, if any, under the line of credit. The Bank has the ability to require repayment of outstanding borrowings under the Agreement upon certain circumstances such as an event of default.

The Fund had no outstanding borrowings at any time during the period ended March 31, 2017.

**Note 6. Indemnifications**

Under the Trust's organizational documents and in separate agreements between each Trustee and the Trust, its Trustees and officers are indemnified against certain liabilities arising out of the performance of their duties to the Trust and its funds. In addition, in the normal course of business, the Fund enters into contracts that provide a variety of indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund and that have not occurred. However, the Fund has not had prior claims or losses pursuant to these arrangements and expects the risk of loss to be remote.

**Note 7. Federal Income Tax Information**

**(\$ reported in thousands)**

At March 31, 2017, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

<u>Federal Tax Cost</u>	<u>Unrealized Appreciation</u>	<u>Unrealized (Depreciation)</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$433,080	\$33,306	\$(5,001)	\$28,305

The components of distributable earnings on a tax basis (excluding unrealized appreciation (depreciation) which is disclosed in the first table above) consist of undistributed ordinary income and undistributed long-term capital gains of \$17 and \$8, respectively.

Capital losses realized after October 31 and certain late year ordinary losses may be deferred and treated as occurring on the first day of the following fiscal year. For the period ended March 31, 2017, the Fund deferred capital loss and recognized qualified late year ordinary losses of \$2,256 and \$205, respectively.

The differences between the book and tax basis components of distributable earnings relate principally to the timing of recognition of income and gains for federal income tax purposes. These differences may include the treatment of non-taxable dividends, foreign currency gain or loss, derivatives, passive foreign investment companies, partnerships, losses deferred due to wash sales and other differences.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

Short-term gain distributions reported in the Statements of Changes in Net Assets, if any, are reported as ordinary income for federal tax purposes. Distributions are determined on a tax basis and may differ from net investment income and realized capital gains for financial reporting purposes. The tax character of dividends and distributions paid during the period ended March 31, 2017, and 2016 was as follows:

	<u>2017</u>	<u>2016</u>
Ordinary Income .....	\$12,177	\$ 9,325
Long-Term Capital Gains .....	31,756	17,075
Total .....	<u>\$43,933</u>	<u>\$26,400</u>

For financial reporting purposes, book basis capital accounts are adjusted to reflect the tax character of permanent book/tax differences. Permanent reclassifications can arise from differing treatment of certain income and gain transactions, nondeductible current year net operating losses, expiring capital loss carryovers and investments in passive foreign investment companies. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications to capital paid in on shares of beneficial interest. The reclassifications have no impact on the net assets or NAV of the Fund. As of March 31, 2017, the Fund recorded reclassifications to increase (decrease) the accounts as listed below:

<b>Capital Paid in on Shares of Beneficial Interest</b>	<b>Undistributed Net Investment Income (Loss)</b>	<b>Accumulated Net Realized Gain (Loss)</b>
\$(1)	\$186	\$(185)

**Note 8. Illiquid and Restricted Securities**

Investments are generally considered illiquid if they cannot be disposed of within seven days in the ordinary course of business at the approximate amount at which such securities have been valued by the Fund. Additionally, the following information is also considered in determining liquidity; the frequency of trades and quotes for the investment, whether the investment is listed for trading on a recognized domestic exchange and/or whether two or more brokers are willing to purchase or sell the security at a comparable price, the extent of market making activity in the investment and the nature of the market for investment. Illiquid securities are footnoted as such at the end of the Fund's Schedule of Investments, where applicable. However, a portion of such footnoted securities could be liquid where it is determined that some, though not all, of the position could be disposed of within seven days in the ordinary course of business at the approximate amount at which such securities have been valued by the Fund.

Restricted securities are illiquid securities, as defined above, not registered under the Securities Act of 1933, as amended (the "1933 Act"). Generally, 144A securities are excluded from this category, except where defined as illiquid.

The Fund will bear any costs, including those involved in registration under the 1933 Act, in connection with the disposition of such securities.

At March 31, 2017, the Fund's aggregate value of illiquid securities was \$557 or 0.1% of the Fund's net assets. These securities have been identified on the Schedule of Investments.

At March 31, 2017, the Fund did not hold any securities that were both illiquid and restricted.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**MARCH 31, 2017**

**Note 9. Credit Risk and Asset Concentration**

In countries with limited or developing markets, investments may present greater risks than in more developed markets and the prices of such investments may be volatile. The consequences of political, social or economic changes in these markets may have disruptive effects on the market prices of these investments and the income they generate, as well as the Fund's ability to repatriate such amounts.

High-yield/high-risk securities typically entail greater price volatility and/or principal and interest rate risk. There is a greater chance that an issuer will not be able to make principal and interest payments on time. Analysis of the creditworthiness of issuers of high-yield/high-risk securities may be complex, and as a result, it may be more difficult for the Adviser and/or subadvisers to accurately predict risk.

The Fund may invest a high percentage of its assets in specific sectors of the market in the pursuit of its investment objectives. Fluctuations in these sectors of concentration may have a greater impact on the Fund, positive or negative, than if the Fund did not concentrate its investments in such sectors.

**Note 10. Custody Fees Reimbursed**

State Street Bank & Trust, custodian for the Fund through January 29, 2010, reimbursed the Fund for out-of-pocket custody expenses overbilled for the period 1998 through January 29, 2010. The amount reimbursed, including interest, is shown in the Statement of Operations under "Custody fees reimbursed."

**Note 11. Regulatory Matters and Litigation**

From time to time, the Trust, the Fund's Adviser and/or subadvisers and/or their affiliates may be involved in litigation and arbitration as well as examinations and investigations by various regulatory bodies, including the SEC, involving compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting their products and other activities. At this time, the Fund's Adviser believes that the outcomes of such matters are not likely, either individually or in the aggregate, to be material to these financial statements.

**Note 12. New Accounting Pronouncements**

On October 13, 2016, the SEC amended existing rules intended to modernize reporting and disclosure of information. Certain of these amendments relate to Regulation S-X which sets forth the requisite form and content of financial statements. At this time, management is evaluating the implications of adopting these amendments and their impact on the financial statements and accompanying notes.

**Note 13. Subsequent Events**

Management has evaluated the impact of all subsequent events on the Fund through the date the financial statements were issued and has determined that there are no subsequent events requiring recognition or disclosure in these financial statements.



## **Report of Independent Registered Public Accounting Firm**

To the Board of Trustees of  
Virtus Equity Trust and Shareholders of  
Virtus Strategic Allocation Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Virtus Strategic Allocation Fund (a fund of Virtus Equity Trust, hereafter referred to as the "Fund") as of March 31, 2017, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities as of March 31, 2017 by correspondence with the custodian, brokers, and transfer agent of the investee funds, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
May 23, 2017

**VIRTUS STRATEGIC ALLOCATION FUND**  
**TAX INFORMATION NOTICE (Unaudited)**  
**MARCH 31, 2017**

For the fiscal year ended March 31, 2017, the Fund makes the following disclosures for federal income tax purposes. Below is listed the percentages, or the maximum amount allowable, of its ordinary income dividends ("QDI") to qualify for the lower tax rates applicable to individual shareholders, and the percentage of ordinary income dividends earned by the Fund which qualifies for the dividends received deduction ("DRD") for corporate shareholders. The actual percentage of QDI and DRD for the calendar year will be designated in year-end tax statements. The Fund designates the amount below as long-term capital gains dividends ("LTCG") taxable at a 20% rate, or lower depending on the shareholder's income (\$ reported in thousands). LTCG amount, if subsequently different, will be designated in the next annual report.

<u>QDI</u>	<u>DRD</u>	<u>LTCG</u>
39%	27%	\$31,086

## CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited)

The Board of Trustees (the "Board") of Virtus Equity Trust (the "Trust") is responsible for determining whether to approve the continuation of the investment advisory agreement (the "Advisory Agreement") between the Trust and Virtus Investment Advisers, Inc. ("VIA") and of each subadvisory agreement (each, a "Subadvisory Agreement" and collectively, the "Subadvisory Agreements") (together with the Advisory Agreement, the "Agreements") with respect to the funds of the Trust, including Virtus Strategic Allocation Fund (formerly known as Virtus Balanced Fund) (the "Fund"). At in-person meetings held on November 2, 2016 and November 16-17, 2016 (the "Meetings"), the Board, including a majority of the Trustees who are not interested persons of the Trust as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (such Act, the "1940 Act" and such Trustees, the "Independent Trustees"), considered and approved the continuation of each Agreement due for renewal, as further discussed below. In addition, prior to the Meetings, the Independent Trustees met with their independent legal counsel to discuss and consider the information provided by management and submitted questions to management, and they considered the responses provided.

In connection with the approval of the Agreements, the Board requested and evaluated information provided by VIA and each subadviser (each, a "Subadviser" and collectively, the "Subadvisers") which, in the Board's view, constituted information necessary for the Board to form a judgment as to whether the renewal of each of the Agreements would be in the best interests of the Fund and its shareholders. The Board also considered information furnished throughout the year at regular Board meetings with respect to the services provided by VIA and the Subadvisers, including quarterly performance reports prepared by management containing reviews of investment results and periodic presentations from the Subadvisers with respect to the Fund. The Board noted the affiliation of the Subadvisers with VIA and any potential conflicts of interest.

The Board was separately advised by independent legal counsel throughout the process. For each Agreement, the Board considered all the criteria separately with respect to the Fund and its shareholders. In their deliberations, the Board considered various factors, including those discussed below, none of which were controlling, and each Trustee may have attributed different weights to the various factors. The Independent Trustees also discussed the proposed approval of the Agreements in private sessions with their independent legal counsel at which no representatives of management were present.

In considering whether to approve the renewal of the Agreements, the Board reviewed and analyzed the factors it deemed relevant, including: (1) the nature, extent and quality of the services to be provided to the Fund by VIA and each of the Subadvisers; (2) the performance of the Fund as compared to an appropriate peer group and an appropriate index; (3) the level and method of computing the Fund's advisory and subadvisory fees, and comparisons of the Fund's advisory fee rates with those of a group of funds with similar investment objective(s); (4) the profitability of VIA under the Advisory Agreement; (5) any "fall-out" benefits to VIA, the Subadvisers and their affiliates (*i.e.*, ancillary benefits realized by VIA, the Subadvisers or their affiliates from VIA's or the applicable Subadviser's relationship with the Trust); (6) the anticipated effect of growth in size on the Fund's performance and expenses; (7) fees paid to VIA and the Subadvisers by comparable accounts, as applicable; (8) possible conflicts of interest; and (9) the terms of the Agreements.

### Nature, Extent and Quality of Services

The Trustees received in advance of the Meetings information from VIA and each Subadviser, including completed questionnaires concerning a number of topics, including such company's

## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited) (Continued)**

investment philosophy, resources, operations and compliance structure. The Trustees also received a presentation by VIA's senior management personnel, during which among other items, VIA's history, investment process, investment strategies, personnel, compliance procedures and the firm's overall performance were reviewed and discussed. The Trustees noted that the Fund is managed using a "manager of managers" structure that generally involves the use of one or more subadvisers to manage some or all of the Fund's portfolio. Under this structure, VIA is responsible for the management of the Fund's investment programs and for evaluating and selecting subadvisers on an ongoing basis and making any recommendations to the Board regarding hiring, retaining or replacing subadvisers. In considering the Advisory Agreement with VIA, the Board considered VIA's process for supervising and managing the Fund's subadvisers, including (a) VIA's ability to select and monitor the subadvisers; (b) VIA's ability to provide the services necessary to monitor the subadvisers' compliance with the Fund's investment objectives, policies and restrictions as well as provide other oversight activities; and (c) VIA's ability and willingness to identify instances in which a subadviser should be replaced and to carry out the required changes. The Trustees also considered: (a) the experience and capability of VIA's management and other personnel; (b) the financial condition of VIA, and whether it had the financial wherewithal to provide a high level and quality of services to the Fund; (c) the quality of VIA's own regulatory and legal compliance policies, procedures and systems; (d) the nature, extent and quality of administrative, transfer agency and other services provided by VIA and its affiliates to the Fund; (e) VIA's supervision of the Fund's other service providers; and (f) VIA's risk management processes. It was noted that affiliates of VIA serve as administrator, transfer agent and distributor to the Fund. The Board also took into account its knowledge of VIA's management and the quality of the performance of VIA's duties through Board meetings, discussions and reports during the preceding year, as well as information from the Trust's Chief Compliance Officer regarding the Fund's compliance policies and procedures established pursuant to Rule 38a-1 under the 1940 Act.

With respect to the services provided by each of the Subadvisers, the Board considered information provided to the Board by each Subadviser, including each Subadviser's Form ADV, as well as information provided throughout the past year. With respect to the Subadvisory Agreements, the Board noted that each Subadviser provided portfolio management, compliance with the Fund's investment policies and procedures, compliance with applicable securities laws and assurances thereof. The Board also noted that VIA's and the Subadvisers' management of the Fund is subject to the oversight of the Board and must be carried out in accordance with the investment objective(s), policies and restrictions set forth in the Fund's prospectus and statement of additional information. In considering the renewal of the Subadvisory Agreements, the Board also considered each Subadviser's investment management process, including (a) the experience and capability of the Subadviser's management and other personnel committed by the Subadviser to the Fund; (b) the financial condition of the Subadviser; (c) the quality of the Subadviser's regulatory and legal compliance policies, procedures and systems; and (d) the Subadviser's brokerage and trading practices, including with respect to best execution and soft dollars. The Board also took into account each Subadviser's risk assessment and monitoring process. The Board noted each Subadviser's regulatory history, including whether it was currently involved in any regulatory actions or investigations as well as material litigation, and any settlements and amelioratory actions undertaken, as appropriate.

After considering all of the information provided to them, the Trustees concluded that the nature, extent and quality of the services provided by VIA and each Subadviser were satisfactory and that there was a reasonable basis on which to conclude that each would continue to provide a high quality of investment services to the Fund.

## CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited) (Continued)

### Investment Performance

The Board considered performance reports and discussions at Board meetings throughout the year, as well as a report (the "Lipper Report") for the Fund prepared by Broadridge, an independent third party provider of investment company data, furnished in connection with the contract renewal process. The Lipper Report presented the Fund's performance relative to a peer group of other mutual funds (the "Performance Universe") and relevant indexes, as selected by Broadridge. The Board also considered performance information presented by management and took into account management's discussion of the same, including the effect of market conditions on the Fund's performance. The Board evaluated the Fund's performance in the context of the considerations that a "manager of managers" structure requires. The Board noted that it also reviews on a quarterly basis detailed information about both the Fund's performance results and portfolio composition, as well as each Subadviser's investment strategy. The Board noted VIA's expertise and resources in monitoring the performance, investment style and risk-adjusted performance of each Subadviser. The Board also noted each Subadviser's performance record with respect to the Fund. The Board was mindful of VIA's focus on each Subadviser's performance and noted VIA's performance in monitoring and responding to any performance issues with respect to the Fund. The Board also took into account its discussions with management regarding factors that contributed to the performance of the Fund.

The Board considered, among other performance data, the information set forth below with respect to the performance of the Fund for the period ended June 30, 2016.

The Board noted that the Fund underperformed the median of its Performance Universe and underperformed its benchmark for the 1- 3-, 5- and 10- year periods.

The Board considered that the Fund had recently replaced one of the Subadvisers, so that the performance shown included that of the prior subadviser, as well as management's discussion about the reasons for the Fund's underperformance. After reviewing these and related factors, the Board concluded that the Fund's overall performance, or reasons discussed for underperformance, were satisfactory.

### Management Fees and Total Expenses

The Board considered the fees charged to the Fund for advisory services as well as the total expense levels of the Fund. This information included comparisons of the Fund's net management fee and total expense level to those of its peer group (the "Expense Group"). In comparing the Fund's net management fee to that of comparable funds, the Board noted that in the materials presented such fee included both advisory and administrative fees. The Board also noted that the subadvisory fees were paid by VIA out of its management fees rather than paid separately by the Fund. In this regard, the Board took into account management's discussion with respect to the advisory/subadvisory fee structure, including the amount of the advisory fee retained by VIA after payment of the subadvisory fee. The Board also took into account the size of the Fund and the impact on expenses. The Subadvisers provided, and the Board considered, fee information of comparable accounts managed by the Subadvisers, as applicable.

In addition to the foregoing, the Board considered, among other data, the information set forth below with respect to the Fund's fees and expenses. In each case, the Board took into account management's discussion of the Fund's expenses, including the type and size of the Fund relative to the other funds in its Expense Group.



## CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited) (Continued)

The Board considered that the Fund's net management fee was higher than the median of the Expense Group, while the Fund's net total expenses were below the median of the Expense Group.

The Board concluded that the advisory and subadvisory fees, including with any proposed amendments, were fair and reasonable in light of the usual and customary charges made for services of the same nature and quality and the other factors considered.

### Profitability

The Board also considered certain information relating to profitability that had been provided by VIA. In this regard, the Board considered information regarding the overall profitability, as well as on a Fund-by-Fund basis, of VIA for its management of the Fund and other funds of the Trust, as well as its profits and those of its affiliates for managing and providing other services to the Trust, such as distribution, transfer agency and administrative services provided to the Fund by a VIA affiliate. In addition to the fees paid to VIA and its affiliates, including the Subadvisers, the Board considered any other benefits derived by VIA or its affiliates from their relationships with the Fund. The Board reviewed the methodology used to allocate costs to the Fund, taking into account the fact that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. The Board concluded that the profitability to VIA and its affiliates from the Fund was reasonable in light of the quality of the services rendered to the Fund by VIA and its affiliates.

In considering the profitability to the Subadvisers in connection with their relationship to the Fund, the Board noted that the fees under the Subadvisory Agreements are paid by VIA out of the fees that VIA receives under the Advisory Agreement, so that Fund shareholders are not directly impacted by those fees. In considering the reasonableness of the fees payable by VIA to the affiliated Subadvisers, the Board noted that, because the Subadvisers are affiliates of VIA, such profitability might be directly or indirectly shared by VIA. For each of the above reasons, the Board concluded that the profitability to the Subadvisers and their affiliates from their relationship with the Fund was not a material factor in approval of the Subadvisory Agreements.

### Economies of Scale

The Board received and discussed information concerning whether VIA realizes economies of scale as the Fund's assets grow. The Board noted that the management fee for the Fund included breakpoints based on assets under management. The Board also took into account management's discussion of the Fund's management fee and subadvisory fee structure. The Board also took into account the current size of the Fund. The Board concluded that no change to the advisory fee structure of the Fund was necessary at this time. The Board noted that VIA and the Fund may realize certain economies of scale if the assets of the Fund were to increase, particularly in relationship to certain fixed costs, and that shareholders of the Fund would have an opportunity to benefit from these economies of scale.

For similar reasons as stated above with respect to the Subadvisers' profitability, and based upon the current size of the portion of the Fund managed by each Subadviser, the Board concluded that the potential for economies of scale in the Subadvisers' management of the Fund was not a material factor in the approval of the Subadvisory Agreements at this time.

**Other Factors.** The Board considered other benefits that may be realized by VIA and each Subadviser and their respective affiliates from their relationships with the Fund. Among them, the Board recognized that VP Distributors, LLC, an affiliate of VIA, serves as the distributor for the Trust, and, as such, receives payments pursuant to Rule 12b-1 from the Fund to compensate it

## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS BY THE BOARD OF TRUSTEES (Unaudited) (Continued)**

for performing selling activities, which could lead to growth in the Trust's assets and corresponding benefits from such growth, including economies of scale. The Board noted that an affiliate of VIA also provides administrative and transfer agency services to the Trust. The Board noted management's discussion of the fact that, while the Subadvisers are affiliates of VIA, there are no other direct benefits to the Subadvisers or VIA in providing investment advisory services to the Fund, other than the fee to be earned under the applicable Agreement. There may be certain indirect benefits gained, including to the extent that serving the Fund could provide the opportunity to provide advisory services to additional portfolios of the Trust or certain reputational benefits.

Based on all of the foregoing considerations, the Board, including a majority of the Independent Trustees, determined that approval of each Agreement, as amended, was in the best interests of the Fund and its shareholders. Accordingly, the Board, and the Independent Trustees voting separately, approved the Agreements, as amended, with respect to the Fund.

## FUND MANAGEMENT TABLES (Unaudited)

Information pertaining to the Trustees and officers of the Trust as of March 31, 2017, is set forth below. The statement of additional information (SAI) includes additional information about the Trustees and is available without charge, upon request, by calling (800) 243-4361.

The address of each individual, unless otherwise noted, is c/o Virtus Equity Trust, 101 Munson Street, Greenfield, MA 01301. There is no stated term of office for Trustees or officers of the Trust.

### Independent Trustees

Name, Year of Birth, Length of Time Served and Number of Portfolios in Complex	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Trustee
Brown, Thomas J. YOB: 1945 Served Since: 2016 63 Portfolios	Retired. Trustee (since 2016), Virtus Mutual Fund Complex (50 portfolios) and Virtus Alternative Solutions Trust (4 portfolios); Trustee (since 2011), Virtus Variable Insurance Trust (9 portfolios); Director (since 2010), D'Youville Senior Care Center; and Director (since 2005), VALIC Company Funds (49 portfolios).
Burke, Donald C. YOB: 1960 Served Since: 2016 67 Portfolios	Retired. Trustee (since 2016), Virtus Mutual Fund Complex (50 portfolios), Virtus Variable Insurance Trust (9 portfolios) and Virtus Alternative Solutions Trust (4 portfolios); Director (since 2014) closed-end funds managed by Duff & Phelps Investment Management Co. (4 funds); Director, Avista Corp. (energy company) (since 2011); Trustee, Goldman Sachs Fund Complex (2010 to 2014); and Director, BlackRock Luxembourg and Cayman Funds (2006 to 2010).
Gelfenbien, Roger A. YOB: 1943 Served Since: 2016 63 Portfolios	Retired. Trustee (since 2016), Virtus Mutual Fund Complex (50 portfolios) and Virtus Alternative Solutions Trust (4 portfolios); Trustee (since 2000), Virtus Variable Insurance Trust (9 portfolios); and Director (since 1999), USAllianz Variable Insurance Product Trust (42 portfolios).
Mallin, John R. YOB: 1950 Served Since: 2016 63 Portfolios	Partner/Attorney (since 2003), McCarter & English LLP (law firm), Real Property Practice Group; and Member (since 2014), Counselors of Real Estate. Trustee (since 2016), Virtus Mutual Fund Complex (50 portfolios) and Virtus Alternative Solutions Trust (4 portfolios); Director (since 2013), Horizons, Inc. (non-profit); and Trustee (since 1999), Virtus Variable Insurance Trust (9 portfolios).
McClellan, Hassell H. YOB: 1945 Served Since: 2015 63 Portfolios	Retired (since 2013); and Professor (1984 to 2013), Wallace E. Carroll School of Management, Boston College. Trustee (since 2016), Virtus Alternative Solutions Trust (4 portfolios); Trustee (since 2015), Virtus Mutual Fund Complex (50 portfolios); and Director (since 2010), Barnes Group, Inc. (diversified global components manufacturer and logistical services company); Trustee, Virtus Variable Insurance Trust (9 portfolios) (since 2008); and Trustee, John Hancock Fund Complex (since 2000) (collectively, 228 portfolios).
McLoughlin, Philip YOB: 1946 Served Since: 1996 72 Portfolios	Retired. Director and Chairman (since 2016), The Zweig Fund Inc. and Virtus Global Dividend & Income Fund Inc.; Trustee and Chairman (since 2013), Virtus Alternative Solutions Trust (4 portfolios); Trustee/Director and Chairman (since 2011), Virtus Closed-End Funds (3 funds); Chairman and Trustee (since 2003), Virtus Variable Insurance Trust (9 portfolios); Director (since 1995), closed-end funds managed by Duff & Phelps Investment Management Co. (4 funds); Director (since 1991) and Chairman (since 2010), Lazard World Trust Fund (closed-end investment firm in Luxembourg); and Trustee (since 1989) and Chairman (since 2002), Virtus Mutual Fund Complex (50 portfolios).
McNamara, Geraldine M. YOB: 1951 Served Since: 2001 67 Portfolios	Retired. Trustee (since 2016) Virtus Alternative Solutions Trust (4 portfolios); Trustee (since 2015), Virtus Variable Insurance Trust (9 portfolios); Director (since 2003), closed-end funds managed by Duff & Phelps Investment Management Co. (4 funds); and Trustee (since 2001), Virtus Mutual Fund Complex (50 portfolios).

## FUND MANAGEMENT TABLES (Unaudited) (Continued)

### Independent Trustees (Continued)

Name, Year of Birth, Length of Time Served and Number of Portfolios in Complex	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Trustee
Oates, James M. YOB: 1946 Served Since: 1996 68 Portfolios	Managing Director (since 1994), Wydown Group (consulting firm). Director (since 2016), The Zweig Fund, Inc. and Virtus Global Dividend & Income Fund Inc.; Trustee (since 2016) Virtus Variable Insurance Trust (9 portfolios); Trustee/Director (since 2013), Virtus Closed-End Funds (3 funds); Trustee (since 2013), Virtus Alternative Solutions Trust (4 portfolios); Chairman and Trustee (since 2005), John Hancock Fund Complex (228 portfolios); Director (2002 to 2014), New Hampshire Trust Company; Chairman (2000 to 2016), Emerson Investment Management, Inc.; Non-Executive Chairman (2000 to 2014), Hudson Castle Group, Inc. (formerly IBEX Capital Markets, Inc.) (financial services); Chairman and Director (1999 to 2014), Connecticut River Bank; Director (since 1996), Stifel Financial; and Trustee (since 1987), Virtus Mutual Fund Complex (50 portfolios).
Segerson, Richard E. YOB: 1948 Served Since: 1996 63 Portfolios	Retired; and Managing Director (1998 to 2013), Northway Management Company. Trustee (since 2016) Virtus Alternative Solutions Trust (4 portfolios) and Virtus Variable Insurance Trust (9 portfolios); and Trustee (since 1983), Virtus Mutual Fund Complex (50 portfolios).
Verdonck, Ferdinand L.J. YOB: 1942 Served Since: 2006 63 Portfolios	Director (1998 to 2015), The J.P. Morgan Continental European Investment Trust; Director (2005 to 2013), Galapagos N.V. (biotechnology); Director (1998 to 2015) Groupe SNEF; Vice Chairman (since 2014), Affirmed Therapeutics (biotechnology); and Mr. Verdonck is also a director of several non-U.S. companies. Trustee (since 2016) Virtus Variable Insurance Trust (9 portfolios) and Virtus Alternative Solutions Trust (4 portfolios); and Trustee (since 2002), Virtus Mutual Fund Complex (50 portfolios).

### Interested Trustee

Name, Year of Birth, Year Elected and Number of Funds Overseen	Principal Occupation(s) During Past 5 Years and Other Directorships Held by Trustee
Aylward, George R.* Trustee and President YOB: 1964 Elected: 2006 69 Portfolios	Director, President and Chief Executive Officer (since 2008), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; various senior officer positions with Virtus affiliates (since 2005). Chairman and Trustee (since 2015), Virtus ETF Trust II (1 fund); Trustee and President (since 2013), Virtus Alternative Solutions Trust (4 portfolios); Director (since 2013), Virtus Global Funds, PLC (2 portfolios); Trustee (since 2012) and President (since 2010), Virtus Variable Insurance Trust (9 portfolios); Trustee and President (since 2011), Virtus Closed-End Funds (3 funds); Trustee (since 2006), Virtus Mutual Funds (50 portfolios); and Director, President and Chief Executive Officer (since 2006), The Zweig Fund, Inc. and Virtus Global Dividend & Income Fund Inc.

\* Mr. Aylward is an “interested person,” as defined in the 1940 Act, by reason of his position as President and Chief Executive Officer of Virtus Investment Partners, Inc. (“Virtus”), the ultimate parent company of the Adviser, and various positions with its affiliates, including the Adviser.

## FUND MANAGEMENT TABLES (Unaudited) (Continued)

### Officers

Name, Address and Year of Birth	Position(s) Held with Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years
Bradley, W. Patrick YOB: 1972	Executive Vice President (since 2013); Senior Vice President (2013 to 2016); Vice President (2011 to 2013); Chief Financial Officer and Treasurer (since 2006).	Executive Vice President, Fund Services (since 2016), Senior Vice President, Fund Services (2010 to 2016), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; various officer positions (since 2006) with Virtus affiliates; Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2011 to 2013), Chief Financial Officer and Treasurer (since 2004), Virtus Variable Insurance Trust; Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2011 to 2013), Chief Financial Officer and Treasurer (since 2006), Virtus Mutual Fund Complex; Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2012 to 2013) and Treasurer and Chief Financial Officer (since 2007), The Zweig Fund, Inc. and Virtus Global Dividend & Income Fund Inc.; Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2011 to 2013), Chief Financial Officer and Treasurer (since 2011), Virtus Closed-End Funds; Vice President and Assistant Treasurer (since 2011), Duff & Phelps Global Utility Income Fund Inc.; Director (since 2013), Virtus Global Funds, PLC; and Executive Vice President (since 2016), Senior Vice President, Chief Financial Officer and Treasurer (2013 to 2016), Virtus Alternative Solutions Trust.
Carr, Kevin J. YOB: 1954	Senior Vice President (since 2013); Vice President (2005 to 2013); Chief Legal Officer, Counsel and Secretary (since 2005).	Senior Vice President (since 2009), Vice President, Counsel and Secretary (2008 to 2009), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; various senior officer positions (since 2005) with Virtus affiliates; Senior Vice President (since 2013), Vice President (2005 to 2013), Chief Legal Officer, Counsel and Secretary (since 2005), Virtus Mutual Fund Complex; Senior Vice President (2013 to 2014), Vice President (2012 to 2013) and Assistant Secretary (since 2012), Secretary and Chief Legal Officer (2005 to 2012), The Zweig Fund, Inc. and Virtus Global Dividend & Income Fund Inc.; Assistant Secretary (since 2013), Vice President, Chief Legal Officer, Counsel and Secretary (2010 to 2013), Virtus Variable Insurance Trust; Vice President and Assistant Secretary (since 2011), Duff & Phelps Global Utility Income Fund Inc.; Senior Vice President and Assistant Secretary (2013 to 2014), Vice President and Assistant Secretary (2012 to 2013), Vice President, Chief Legal Officer, Counsel and Secretary (2011 to 2012), Virtus Closed-End Funds; and Assistant Secretary (since 2013), Virtus Alternative Solutions Trust.

## FUND MANAGEMENT TABLES (Unaudited) (Continued)

### Officers (Continued)

Name, Address and Year of Birth	Position(s) Held with Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years
Engberg, Nancy J. YOB: 1956	Vice President and Chief Compliance Officer since 2011.	Vice President (since 2008) and Chief Compliance Officer (2008 to 2011 and since 2016), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; various officer positions (since 2003) with Virtus affiliates; Vice President and Chief Compliance Officer (since 2011), Virtus Mutual Fund Complex; Vice President (since 2010) and Chief Compliance Officer (since 2011), Virtus Variable Insurance Trust; Vice President and Chief Compliance Officer (since 2011), Virtus Closed-End Funds; Vice President and Chief Compliance Officer (since 2012), The Zweig Fund, Inc. and Virtus Global Dividend & Income Fund Inc.; Vice President and Chief Compliance Officer (since 2013), Virtus Alternative Solutions Trust; Chief Compliance Officer (since 2015), ETFis Series Trust I; and Chief Compliance Officer (since 2015), Virtus ETF Trust II.
Waltman, Francis G. YOB: 1962	Executive Vice President (since 2013); Senior Vice President (2008-2013).	Executive Vice President, Product Development (since 2009), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; various senior officer positions (since 2006) with Virtus affiliates; Executive Vice President (since 2013), Senior Vice President (2008 to 2013), Virtus Mutual Fund Complex; Executive Vice President (since 2013), Senior Vice President (2010 to 2013), Virtus Variable Insurance Trust; Executive Vice President (since 2013), Senior Vice President (2011 to 2013), Virtus Closed-End Funds; Director (since 2013), Virtus Global Funds PLC; and Executive Vice President (since 2013), Virtus Alternative Solutions Trust.

## Virtus Strategic Allocation Fund a series of Virtus Equity Trust

Supplement dated March 24, 2017 to the Summary Prospectus and the Virtus Equity Trust Statutory Prospectus, each dated July 29, 2016, as supplemented

### IMPORTANT NOTICE TO INVESTORS

Effective April 30, 2017, Christopher Kelleher will retire from Newfleet and will no longer be a portfolio manager for the Virtus Strategic Allocation Fund, and Stephen H. Hooker will be added as a portfolio manager to the fund. The resulting disclosure changes to the fund's prospectuses that will be effective on April 30, 2017 are described below.

The disclosure under "Portfolio Management" in the fund's summary prospectus and in the summary section of fund's statutory prospectus will be replaced in its entirety with the following:

- > **David L. Albrycht, CFA**, President and Chief Investment Officer at Newfleet. Mr. Albrycht has served as a Portfolio Manager of the fund since 2012.
- > **Frederick A. Brimberg**, Senior Managing Director and International Equity Portfolio Manager at Duff & Phelps. Mr. Brimberg has served as a Portfolio Manager of the fund since 2012.
- > **Doug Foreman, CFA**, Chief Investment Officer at Kayne Anderson Rudnick. Mr. Foreman has served as a Portfolio Manager of the fund since September 2016.
- > **Stephen H. Hooker, CFA**, Managing Director and Portfolio Manager at Newfleet. Mr. Hooker has served as a Portfolio Manager of the fund since April 2017.

The row for the fund in the table under "Newfleet" on page 72 of the fund's statutory prospectus will be replaced with the following:

Virtus Strategic Allocation Fund (fixed income portion only)	David L. Albrycht, CFA (since 2012) Stephen H. Hooker, CFA (since April 2017)
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The narrative under the referenced table with respect to the portfolio managers of the fund will be replaced in its entirety with the following:

**David L. Albrycht, CFA.** Mr. Albrycht is President and Chief Investment Officer at Newfleet (since June 2011). Until June 2011, he was executive managing director (2008 to 2011) and vice president (2005 to 2008), fixed income, of Goodwin Capital Advisers, Inc. ("Goodwin"). Previously, he was associated with VIA, at which time it was an affiliate of Goodwin. He managed fixed income portfolios for Goodwin affiliates beginning in 1991.

**Stephen H. Hooker, CFA.** Mr. Hooker is a Managing Director Portfolio Manager at Newfleet (since 2011). He is responsible for the paper and packaging and chemicals industry sectors, and the Eastern Europe, Middle East, and Africa sovereign credit sector. From 2005 until 2011, Mr. Hooker was vice president,

senior credit analyst at Aladdin Capital Management and Global Plus Investment Management, respectively, both of which specialize in high yield and structured credit products. Prior to 2005, he was at Goodwin for 12 years, serving in various capacities, including as a senior credit analyst and emerging markets sector manager on its fixed income team.

**Investors should retain this supplement with the Prospectuses for future reference.**



## **VIRTUS EQUITY TRUST**

101 Munson Street  
Greenfield, MA 01301-9668

### **Trustees**

George R. Aylward  
Thomas J. Brown  
Donald C. Burke  
Roger A. Gelfenbien  
John R. Mallin  
Hassell H. McClellan  
Philip R. McLoughlin, Chairman  
Geraldine M. McNamara  
James M. Oates  
Richard E. Segerson  
Ferdinand L.J. Verdonck

### **Officers**

George R. Aylward, President  
Francis G. Waltman, Executive Vice  
President  
W. Patrick Bradley, Executive Vice  
President,  
Chief Financial Officer and Treasurer  
Kevin J. Carr, Senior Vice President, Chief  
Legal Officer, Counsel and Secretary  
Nancy J. Engberg, Vice President and  
Chief Compliance Officer

### **Investment Adviser**

Virtus Investment Advisers, Inc.  
100 Pearl Street  
Hartford, CT 06103-4506

### **Principal Underwriter**

VP Distributors, LLC  
100 Pearl Street  
Hartford, CT 06103-4506

### **Administrator and Transfer Agent**

Virtus Fund Services, LLC  
100 Pearl Street  
Hartford, CT 06103-4506

### **Custodian**

JPMorgan Chase Bank, NA  
1 Chase Manhattan Plaza  
New York, NY 10005-1401

### **Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
2001 Market Street  
Philadelphia, PA 19103-7042

### **How to Contact Us**

Mutual Fund Services 1-800-243-1574  
Adviser Consulting Group 1-800-243-4361  
Website **Virtus.com**

#### **Important Notice to Shareholders**

The Securities and Exchange Commission has modified mailing regulations for semiannual and annual shareholder fund reports to allow mutual fund companies to send a single copy of these reports to shareholders who share the same mailing address. If you would like additional copies, please call Mutual Fund Services at 1-800-243-1574.



P.O. Box 9874  
Providence, RI 02940-8074

For more information about  
Virtus Mutual Funds, please call  
your financial representative, or  
contact us at **1-800-243-1574**  
or **Virtus.com**.