

Virtus Vontobel Foreign Opportunities Fund

A: JVIAX (92828R859) | C: JVICX (92828R842) | I: JVXIX (92828R834) | R6: VFOPX (92828W569)

MARKET REVIEW

International equity markets retreated in the third quarter on concerns that interest rates in the U.S. and Europe may stay elevated for longer as central banks work to bring down inflation, and China's slow post-pandemic recovery added a further drag.

FUND PERFORMANCE

The Virtus Vontobel Foreign Opportunities Fund returned -7.57% (Class I) in the quarter, underperforming the MSCI All Country World ex USA Index, which returned -3.77%.

RELX and Schlumberger were the largest contributors to returns during the quarter.

> RELX, a leading provider of information and analytics solutions for the scientific, technical, medical, and legal industries, continued to exhibit the strength of its business model as it posted strong organic growth during the first half of the year. The company has also incorporated AI features into its Lexis Nexis database.

> Schlumberger, a leader in technology for offshore energy exploration and development, should benefit from accelerating capital expenditures in the energy sector, which is at a trough after many years of underinvestment. Schlumberger's second quarter results reflected strong free cash flow generation, with management expecting investment momentum in the international/offshore space to continue.

Flutter Entertainment and Amadeus IT Group were the largest detractors from returns in the quarter.

> On the negative side, Flutter Entertainment, a leading global sports betting platform, declined after a strong performance run. The company posted solid revenue growth, however, there was weakness in its Australian division. We continue to believe that Flutter is well positioned to build on the strength of its U.S. franchise.

> Amadeus, a leading provider of travel services, declined as business travel has not yet returned to pre-pandemic levels. This, combined with the increasingly challenging economic backdrop, contributed to the decline in Amadeus shares over the quarter.

PORTFOLIO CHANGES

During the quarter, we bought Alimentation Couche-Tard, a Canada-based international gas station and convenience store operator with over 12,000 locations. We sold Switzerland's Lonza Group in the healthcare sector, and we sold Hong Kong Exchanges and Clearing in the financials sector to reallocate capital to better opportunities.

OUTLOOK

In Europe, wages have increased alongside inflation, particularly for lower earners, which has helped underpin consumer spending, as have savings that built up during COVID among higher earners. As reserves are spent, there may be pressure on sales volumes, although this will vary from company to company. Volumes are unlikely to fall sharply as companies should be in a position to ease pricing as inflation eases.

Commodity costs are falling, which will benefit companies broadly. However, as many businesses hedge their commodity exposure, we expect the benefits to come through more prominently in 2024.

While policymakers are concentrated on economic de-risking from China, companies are focused on dual sourcing in their supply chains, except for the semiconductor space. Notwithstanding the political environment, China remains an important trading partner for Europe. Auto and chemical companies have been exposed to China's slowdown, as have luxury companies, although many have been able to offset sales declines with growth elsewhere.

As we enter the second full winter of the Russia-Ukraine war, Europe's gas supply is starting from a stronger position than last year, while the continent is also better prepared with replacement and energy use management strategies. The weather will be an important factor, but the risk of negative surprises is lower.

Increased Indian government spending on infrastructure, combined with private sector investment and the "Made in India" strategy, is driving strong capital expenditure growth. Among a number of attractive themes, the infrastructure growth story looks promising and should generate investment opportunities.

India benefits from a 20-30% discount from buying Russian crude oil, and we see no near-term reason for that advantage (or the current government fuel subsidies) to end. Moreover, the country's inclusion in JPMorgan's Government Bond Index-Emerging Markets should drive more foreign capital inflows to help mitigate the impact of rising oil prices.

Related Reading: [Q3 Vontobel Market Review & Outlook](#)

INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

INVESTMENT SUBADVISER

Vontobel Asset Management, Inc.

PORTFOLIO MANAGERS



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



Daniel Kranson, CFA
 Industry start date: 1999
 Start date as Fund Portfolio Manager: 2016



David Souccar
 Industry start date: 1996
 Start date as Fund Portfolio Manager: 2016

TOP TEN HOLDINGS

% Fund

Constellation Software Inc./Canada	6.85
RELX PLC	6.11
Mastercard Inc	5.79
London Stock Exchange Group PLC	4.89
Alcon Inc.	4.37
Rentokil Initial PLC	4.10
Ferrari NV	4.09
Wolters Kluwer NV	4.04
Obic Co. Ltd.	3.83
Aon PLC	3.56

Holdings are subject to change.

TOP FIVE CONTRIBUTORS % Contribution

RELX PLC	0.14
Schlumberger NV	0.13
Tata Consultancy Services Ltd	0.12
Epiroc AB	0.04
Mastercard Inc.	0.03

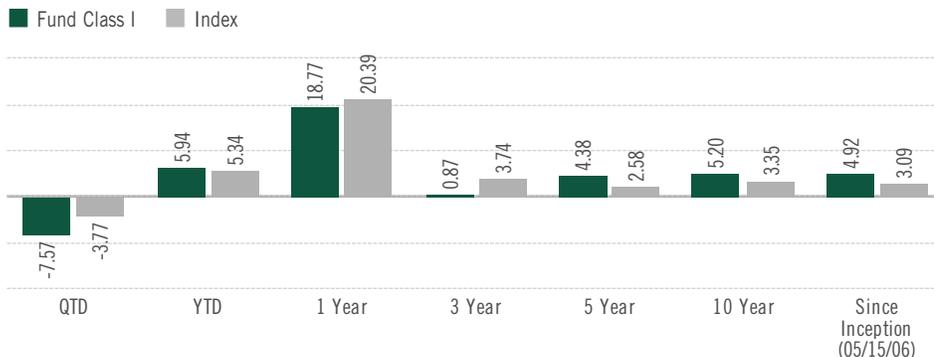
TOP FIVE DETRACTORS % Contribution

Flutter Entertainment PLC	-0.65
Amadeus IT Group SA	-0.61
Taiwan Semiconductor Manufacturing Co. Ltd.	-0.44
Keyence Corp.	-0.43
Experian PLC	-0.42

% Contribution: Absolute weighted contribution.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

AVERAGE ANNUAL TOTAL RETURNS (%) as of 09/30/23



Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 1.13%. The net expense ratio is 1.07%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

Index: The **MSCI AC World ex USA Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets, excluding the United States. 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.

Notes on Risk: Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war or military conflict, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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