



PIVOT WITH PURPOSE

DEFINING OUR NORTH STAR

Our mission is to **drive better client outcomes.**



BUILDING THE BRIDGE

Our mandate is to connect the real world needs of our clients with the power of the Virtus multi-manager model.

The logic is simple:

- Investors face many challenges
- Virtus delivers an effective range of investment solutions
- The bridge is built by connecting the solutions we offer with the problems at hand



WHAT ALL INVESTORS (REALLY) NEED

Individuals, advisors, and institutions alike all strive for the same goals:



THE PROBLEM IN A NUTSHELL

The return potential and diversification benefits of the two traditional pillars of asset allocation – bonds and stocks – are challenged.

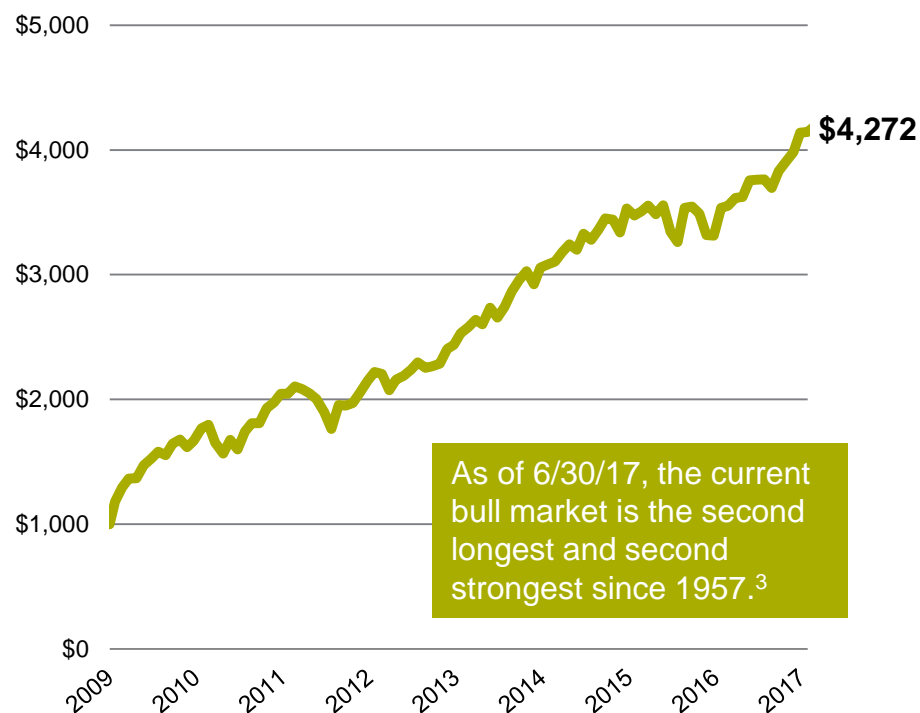
INTERMEDIATE-TERM (10-YEAR) GOVERNMENT BOND YIELDS¹

December 31, 1979–June 30, 2017



S&P 500[®] INDEX²

March 9, 2009–June 30, 2017



Past performance is not indicative of future results.

¹Source: FactSet. Represents 10-year U.S. Treasury Yields.

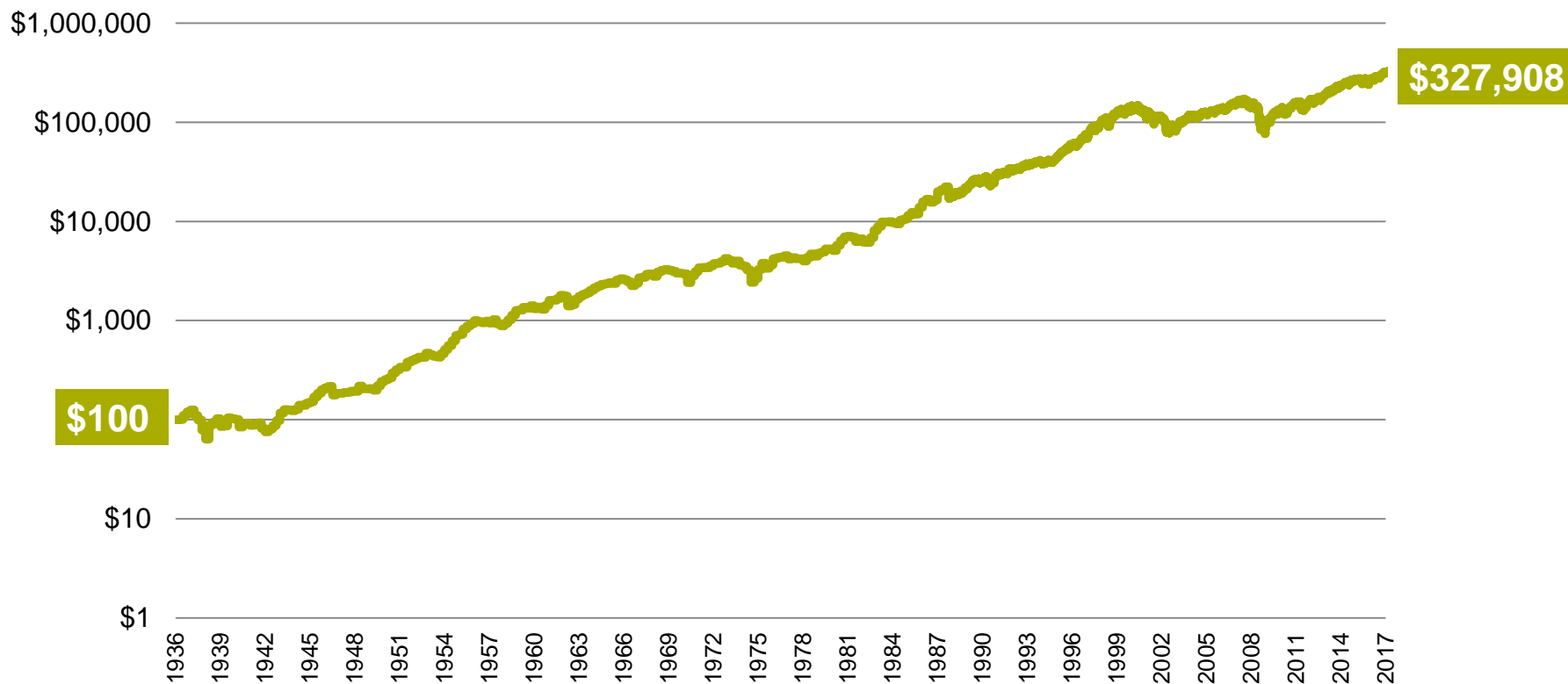
²Chart Source: Virtus Performance Analytics. The **S&P 500[®] Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its return does not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

³Source: Ned Davis Research. Length measured by number of days and strength by % gain. © 2017 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All rights reserved. See NDR disclaimer at <http://www.ndr.com/copyright.html>. For data vendor disclaimers refer to www.ndr.com/vendorinfo.

IT'S ABOUT YOUR RUN

“Stocks for the long run” sounds good, but ignores real world individual challenges.

S&P 500® INDEX, GROWTH OF \$100 1936–2017



Past performance is not indicative of future results. Source: Morningstar Direct. As of 6/30/2017.

TRADITIONAL EQUITY STRATEGIES HAVE A HIGH “PRICE OF ADMISSION”



In the relatively tranquil market of the post-crisis era, we sometimes lose sight of the fact that markets drop sharply—and frequently. The law of market cycles has not been repealed.

S&P 500® loss	Number of times since 1928 ¹	Average frequency
-5%	303	More than three times per year
-10%	96	About once a year
-15%	43	Every other year
-20%	25	Every four years
-30%	12	Every eight years
-50%	3	Twice since 2000

Each correction was preceded by a rally of equal percentage.

Past performance is not indicative of future results.

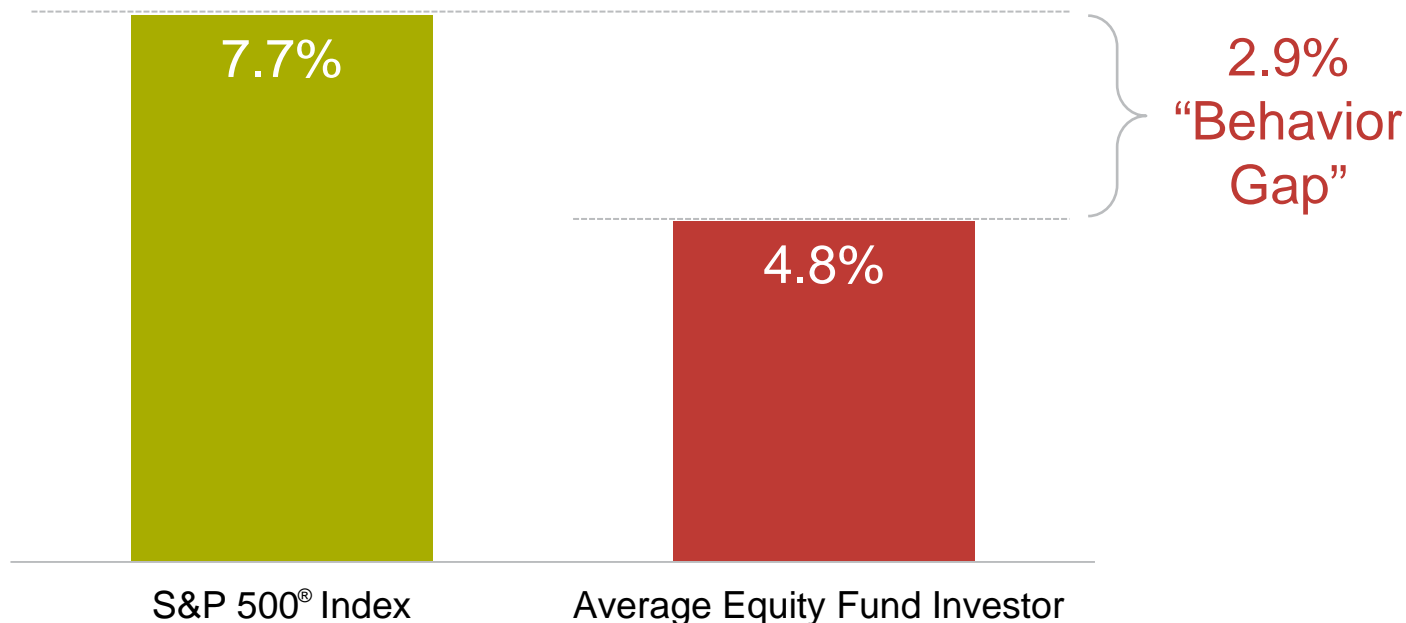
¹As of 6/30/17.

Source: Ned Davis Research, Inc. ©2017 Ned Davis Research, Inc. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/.

WHY VOLATILITY MATTERS

The first rule of investing is “buy low, sell high.” Behavioral biases, unfortunately, often make that impossible.

20-YEAR AVERAGE FUND VS. INVESTOR RETURNS



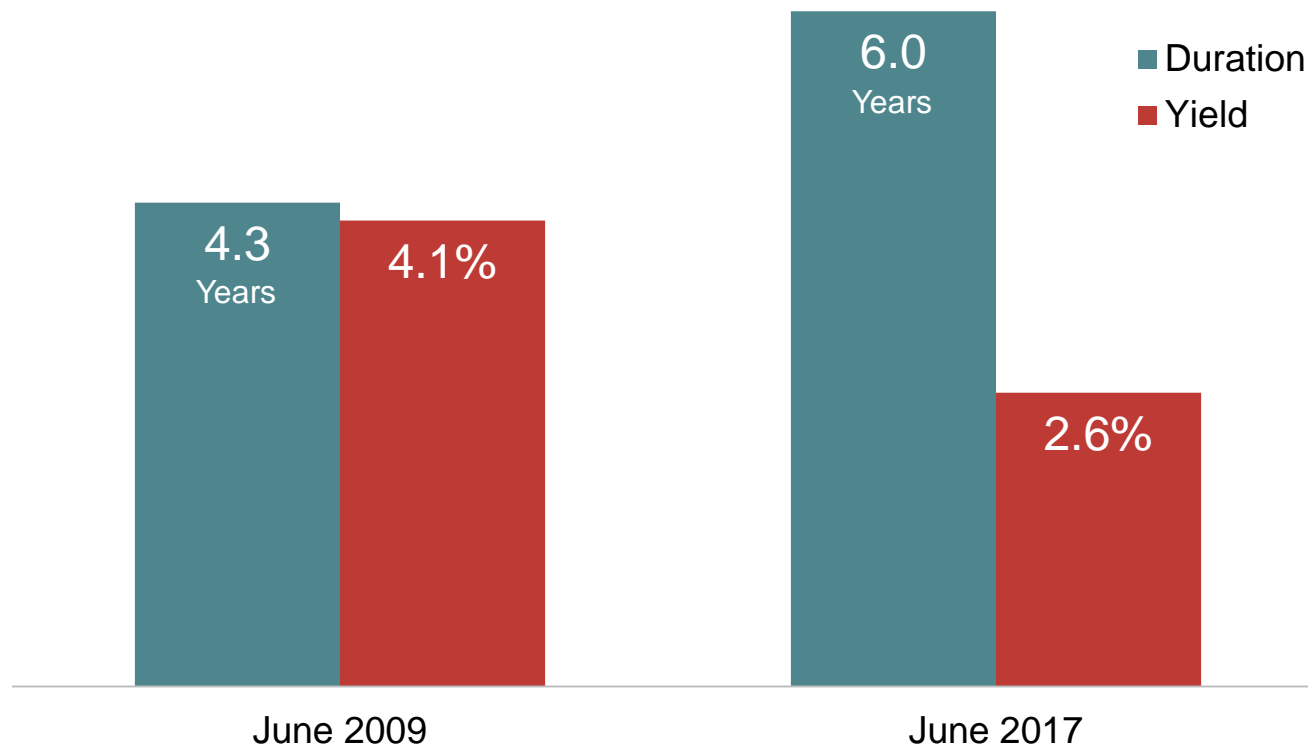
Past performance is not indicative of future results.

Source: Quantitative Analysis of Investor Behavior, 2017, DALBAR, Inc., www.dalbar.com. Average equity investor performance results are calculated using data supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions, and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses, and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions, and exchanges for each period. 20 year period ended 12/30/16.

IS THE OLD “CORE” OLD NEWS?

From the end of the 2008 financial crisis until today, the “core” Bloomberg Barclays Aggregate Bond Index has seen both its **interest rate risk rise** and its **return potential fall**.

BLOOMBERG BARCLAYS AGGREGATE BOND INDEX



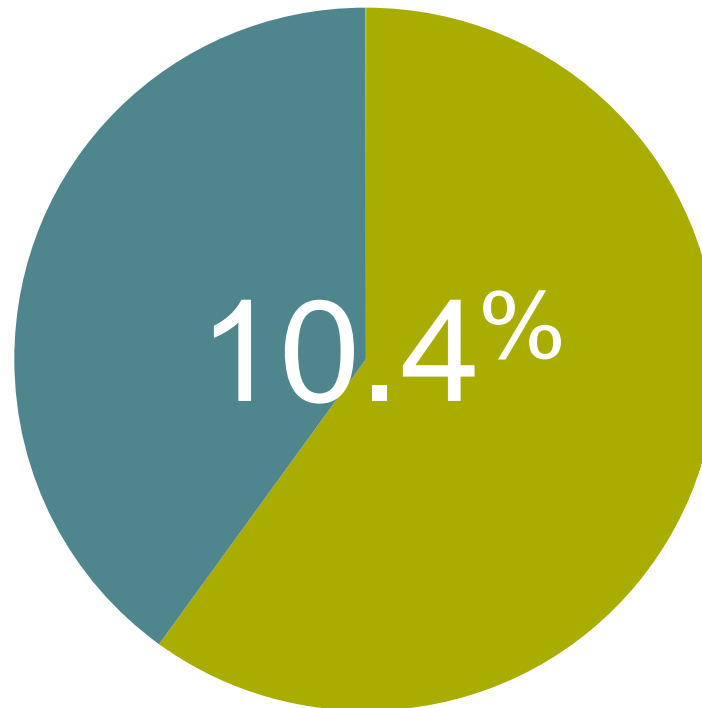
Past performance is not indicative of future results.

Current duration and yield as of 6/30/2017. The **Bloomberg Barclays US 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 return does not reflect any fees, expenses, or sales charges, and it is not available for direct investment. Duration represents the interest rate sensitivity of a fixed income fund. For example, if a fund's duration is five years, a 1% increase in interest rates would result in a 5% decline in the fund's price. Similarly, a 1% decline in interest rates would result in a 5% gain in the fund's price. Yield shown is yield-to-maturity (YTM), the rate of return anticipated on a bond if held until the end of its lifetime. YTM is considered a long-term bond yield expressed as an annual rate.

THE DEMISE OF THE “BALANCED” PORTFOLIO?

There is a low probability that the traditional “60/40” portfolio will repeat its strong performance of the previous generation.

60/40 PORTFOLIO RETURN¹
December 31, 1978–June 30, 2017



Fixed Income Return	7.6%
Equity Return	11.8%

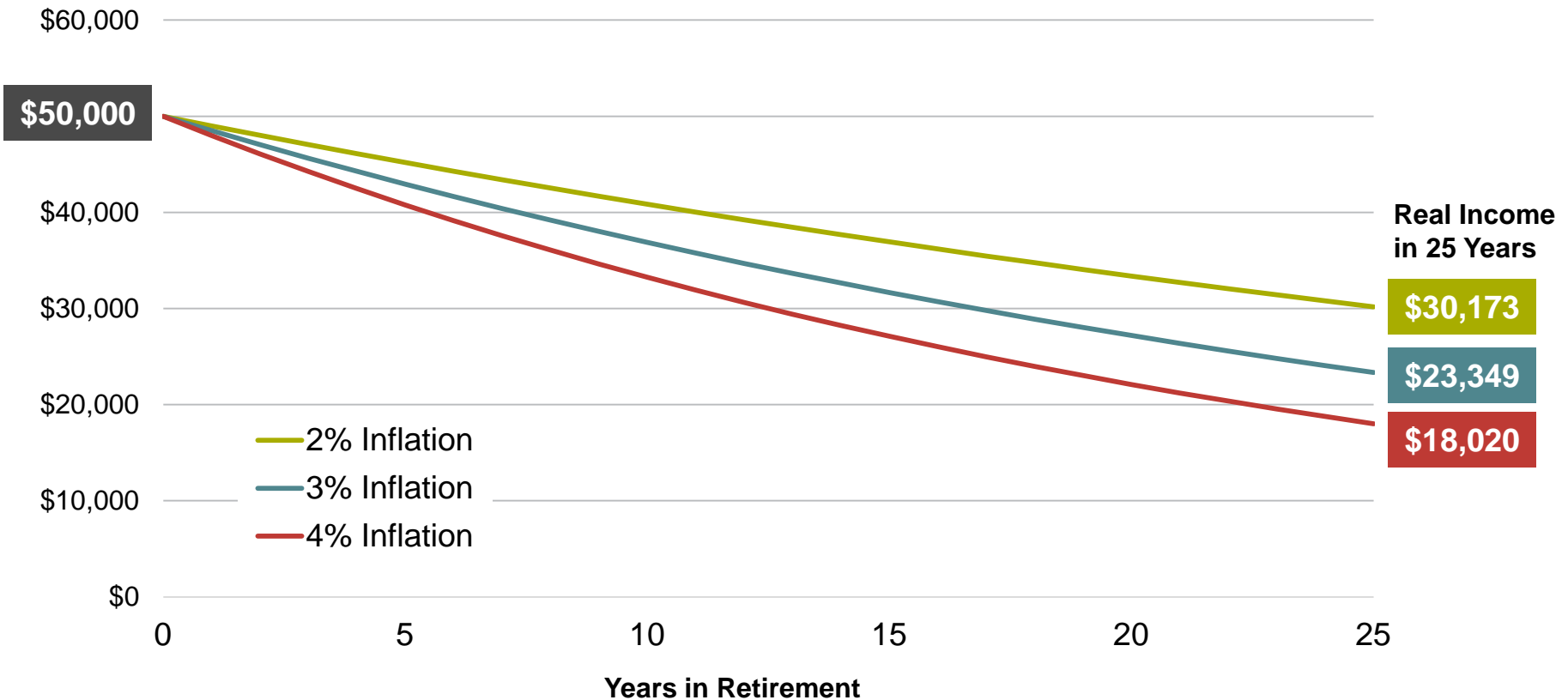
Past performance is not indicative of future results.

¹Source: Virtus Performance Analytics. 60/40 returns are rebalanced monthly. Fixed Income represented by Bloomberg Barclays Aggregate Bond Index. Equity represented by S&P 500® Index.

WHY YOU CAN'T SAVE YOUR WAY TO RETIREMENT

Watching the buying power of your capital erode due to inflation is a timeless risk.

EFFECT OF INFLATION ON \$50,000



Source: Virtus Performance Analytics. For illustrative purposes only. Calculations based on hypothetical inflation rates of 2%, 3%, and 4% to demonstrate the impact of inflation over time. Actual inflation rates will vary and may be more or less than shown.

How are you planning to fund your desired lifestyle through 25-35 years of retirement?

RETIREMENT

**Will you save enough during your working
years to fully fund retirement?**

SAVINGS

Do you agree that a conservative investment not only aims to protect principal, but also to offset the harmful impact of inflation?

PURCHASING POWER

**Do you see a 30% stock market decline as a
“paper loss” or “temporary fluctuation”?**

STOCKS

Have you considered the risks of traditional fixed income investing given globally low yields and the potential for rising interest rates?

B O N D S

**Do you have the skills needed to assemble a portfolio
with sound components that are truly diversified?**

PORTFOLIOS

KEY ISSUES

RETIREMENT

SAVINGS

PURCHASING
POWER

STOCKS

BONDS

PORTFOLIOS

PIVOT WITH PURPOSE

Our mission is to connect the real-world needs of our clients with the power of the Virtus model. We offer three categories of solutions:

**Equities...
With Defense**

**Bonds...
With Flexibility**



**Alternatives...
With Perspective**

VIRTUS ORGANIZATIONAL OVERVIEW



*Virtus Investment Partners has an ownership interest in the firm.

The FA Difference

A Planning and Behavioral Approach to Better Client Outcomes

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What's Your Number?

There are four steps to calculating an individual's retirement number: the number of dollars he or she most probably needs as a sum of cash from which to draw a lifestyle-sustaining income without serious draw of running through the capital.

Four more steps then help determine whether, in fact, that number is attainable, and roughly what asset mix the individual will need to own—at historical long-term compound rates of return—in order to get to that number by their planned retirement date.

Only one of these steps requires a calculator.

GETTING TO THE NUMBER

- 1

Ask your client to imagine that he or she were retiring at the end of this month. Then ask: Above Social Security, and above any fixed pension benefits you expect to receive, what dollar amount do you think you would need to withdraw from your investment in order to comfortably sustain your lifestyle the following month (that is, in the first month of retirement)?
- 2

Multiply the resulting number by 12 to arrive at an annual withdrawal number. (People are generally concerned before preparing monthly expenses than annual ones.)
- 3

Inflate the resulting number by 3% per year from now to the actual planned retirement year.
- 4

Divide the number from the last step by 0.045. Close the resulting number up 2% to cover normal expense inflation during withdrawal. The result will be a sum from which, at actual retirement, the client might begin withdrawing 4% per year, without excessive risk of immediately beginning to run completely through the capital.

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It Was a Very Good Year

Year	Client Level	The S&P 500 Year by Year Compound Return %	Assumed Death %	Assumed Funding
1954	12.58	907,270.09	9.74	18.36
1957	17.66	456,951.46	9.50	18.95
1958	24.26	333,137.08	9.60	19.20
1959	23.46	332,284.84	9.51	19.20
1960	24.24	254,274.28	9.54	19.84
1961	8.12	330,626.28	10.03	18.73
1962	4.80	396,622.48	10.90	18.17
1963	10.10	429,889.09	11.11	18.58
1964	9.02	402,877.41	10.76	18.78
1965	13.43	412,808.69	10.82	18.71
1966	17.18	279,303.67	10.62	18.68
1967	10.58	230,845.03	10.17	18.89
1968	13.11	326,748.28	10.92	18.60
1969	12.49	243,740.09	10.85	18.90
1969	10.88	246,308.09	10.81	18.68
1961	8.89	271,148.03	11.12	18.41
1962	9.77	310,889.78	11.67	18.39
1963	11.67	286,712.09	11.34	18.40
1964	13.28	202,718.49	11.18	18.38
1965	12.36	170,301.75	11.04	18.46
1966	15.30	124,848.18	10.72	18.47
1967	15.20	136,027.73	11.02	18.39
1968	15.20	129,408.19	10.11	18.48
1969	16.76	122,258.69	11.20	18.36
1969	15.61	104,808.09	10.10	18.43
1961	23.17	80,321.49	10.83	18.46
1962	26.17	64,441.74	10.63	18.48
1963	24.11	64,400.09	10.51	18.62
1964	46.38	56,400.09	10.71	18.60
1965	46.48	56,400.09	10.13	18.48
1966	46.47	27,263.84	9.81	18.41
1967	38.89	25,127.67	9.86	18.41
1968	36.11	28,871.28	10.28	18.48
1969	38.89	25,127.67	9.76	18.42
1969	38.11	17,482.48	9.72	18.79
1961	71.10	17,482.48	9.69	18.43
1962	63.10	14,881.49	9.60	18.41
1963	75.10	14,881.49	9.69	18.41
1964	64.75	12,881.48	9.75	18.48
1965	62.43	12,881.48	9.63	18.11
1966	60.10	9,409.13	9.58	18.12
1967	66.10	22,702.18	10.00	18.17
1968	103.86	8,419.73	9.75	18.22
1969	92.06	7,274.68	9.12	18.28
1970	91.10	8,481.38	10.18	18.21

Client level of the index is prior return. Compound Return, Assumed Return, and Assumed Funding figures are the S&P 500 Year return and represent the point of the year. Assumed Death 100%.

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Virtus (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors.

- We are not constrained by a single investment approach; rather, we provide access to independent, specialized investment philosophies through our multi-discipline, multi-strategy approach
- We have the flexibility, agility, and responsiveness of a boutique asset management firm with similar product breadth and investment talent of our larger peers
- We are committed to thoughtfully providing investment solutions, adhering to the highest standards of product quality, operational excellence, and fiduciary responsibility

Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit Virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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