

**Virtus KAR Small-Cap Growth Series  
a series of Virtus Variable Insurance Trust**

Supplement dated August 13, 2018 to the Summary Prospectus,  
Statutory Prospectus and Statement of Additional Information,  
each dated April 30, 2018

**IMPORTANT NOTICE TO INVESTORS**

Effective September 28, 2018, Virtus KAR Small-Cap Growth Series will no longer be available to new insurance companies. Only insurance companies that have existing participation agreements to purchase the fund (effective prior to September 28, 2018) may continue to offer shares of the fund under variable accumulation annuity contracts and/or variable universal life insurance policies.

**Investors should retain this supplement for future reference.**

VVIT 8505/CloseSCGS (8/2018)

**Virtus Rampart Equity Trend Series,  
a series of Virtus Variable Insurance Trust**

Supplement dated June 29, 2018, to the Summary Prospectus, and the Virtus Variable Insurance Trust Statutory Prospectus and Statement of Additional Information (“SAI”), each dated April 30, 2018, as supplemented

**IMPORTANT NOTICE TO INVESTORS**

Effective June 29, 2018, the **Virtus Rampart Equity Trend Series** (the “Series”) was liquidated. The Series has ceased to exist and is no longer available for sale. Accordingly, the Series’ Prospectuses and SAI are no longer valid.

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

VVIT 8510/EqTrendClosed (6/2018)

## Virtus Variable Insurance Trust

100 Pearl Street  
Hartford, CT 06103

### STATEMENT OF ADDITIONAL INFORMATION

April 30, 2018

Virtus Variable Insurance Trust is an open-end management investment company issuing shares in 9 separate series ("Series"), all of which are publicly offered and described herein:

SERIES	CLASS A	CLASS I
Virtus Duff & Phelps International Series	X	X
Virtus Duff & Phelps Real Estate Securities Series	X	X
Virtus KAR Capital Growth Series	X	
Virtus KAR Small-Cap Growth Series	X	X
Virtus KAR Small-Cap Value Series	X	
Virtus Newfleet Multi-Sector Intermediate Bond Series	X	X
Virtus Rampart Enhanced Core Equity Series	X	
Virtus Rampart Equity Trend Series	X	X
Virtus Strategic Allocation Series	X	

This Statement of Additional Information relates to the Class A and Class I shares of the Series. This SAI is not a prospectus and it should be read in conjunction with the Prospectuses for the Series dated April 30, 2018, as described below and as supplemented from time to time. Each Series' Prospectuses are incorporated by reference into this SAI, and the portions of this SAI that relate to each Series have been incorporated by reference into such Series' Prospectuses. The portions of this SAI that do not relate to a Series do not form a part of such Series' SAI, have not been incorporated by reference into such Series' Prospectuses and should not be relied upon by investors in such Series.

The Prospectuses may be obtained by downloading them from *virtus.com*; by calling VP Distributors, LLC at 800.367.5877; or by writing to the Distributor at 100 Pearl Street, Hartford, CT 06103.

Capitalized terms used and not defined herein have the same meanings as those used in the Prospectuses.

The audited financial statements for the Series appear in each Series' annual report for its most recent fiscal year. The financial statements from the foregoing annual report are incorporated herein by reference. Shareholders may obtain a copy of the Annual Report dated December 31, 2017, without charge, by calling 800.367.5877 or by downloading it from *virtus.com*.

- **Virtus Customer Service:** 800.367.5877
- **Web site:** *virtus.com*

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## Glossary

1933 Act	The Securities Act of 1933, as amended
1940 Act	The Investment Company Act of 1940, as amended
ACH	Automated Clearing House, a nationwide electronic money transfer system that provides for the inter-bank clearing of credit and debit transactions and for the exchange of information among participating financial institutions
Administrator	The Trust's administrative agent, Virtus Fund Services, LLC
ADRs	American Depositary Receipts
ADSs	American Depositary Shares
Adviser	The investment adviser to the Series, Virtus Investment Advisers, Inc.
BNY Mellon	The Bank of New York Mellon, the custodian and the subadministrative and accounting agent for the Series
Board	The Board of Trustees of Virtus Variable Insurance Trust (also referred to herein as the "Trustees")
CCO	Chief Compliance Officer
CDRs	Continental Depositary Receipts (another name for EDRs)
CDSC	Contingent Deferred Sales Charge
CEA	Commodity Exchange Act, which is the U.S. law governing trading in commodity futures
CFTC	Commodity Futures Trading Commission, which is the U.S. regulator governing trading in commodity futures
Class	A class of shares of a Series of the Trust discussed in this SAI
Code	The Internal Revenue Code of 1986, as amended, which is the law governing U.S. federal taxes
Custodian	The custodian of the Series' assets, The Bank of New York Mellon
Distributor	The principal underwriter of shares of the Series, VP Distributors, LLC
Duff & Phelps	Duff & Phelps Investment Management Co., subadviser to the Duff & Phelps International Series, Duff & Phelps Real Estate Securities Series and Strategic Allocation Series (international equity portion)
Duff & Phelps International Series	Virtus Duff & Phelps International Series
Duff & Phelps Real Estate Securities Series	Virtus Duff & Phelps Real Estate Securities Series
EDRs	European Depositary Receipts (another name for CDRs)
ETFs	Exchange-traded Funds
FHFA	Federal Housing Finance Agency, an independent Federal agency that regulates FNMA, FHLMC and the twelve Federal Home Loan Banks
FHLMC	Federal Home Loan Mortgage Corporation, also known as "Freddie Mac", which is a government-sponsored corporation formerly owned by the twelve Federal Home Loan Banks and now owned entirely by private stockholders
FINRA	Financial Industry Regulatory Authority, a self-regulatory organization with authority over registered broker-dealers operating in the United States, including VP Distributors
FNMA	Federal National Mortgage Association, also known as "Fannie Mae", which is a government-sponsored corporation owned entirely by private stockholders and subject to general regulation by the Secretary of Housing and Urban Development
Fund Complex	The group of funds sponsored by Virtus and managed by VIA, including the Series, the Virtus Mutual Funds and certain other closed-end funds
GDRs	Global Depositary Receipts
GICs	Guaranteed Investment Contracts

GNMA	Government National Mortgage Association, also known as “Ginnie Mae”, is a wholly-owned United States Government corporation within the Department of Housing and Urban Development
IMF	International Monetary Fund, an international organization seeking to promote international economic cooperation, international trade, employment and exchange rate stability, among other things
Independent Trustees	Trustees who are not “interested persons” of the Trust, as that term is defined in the 1940 Act.
IRA	Individual Retirement Account
IRS	The United States Internal Revenue Service, which is the arm of the U.S. government that administers and enforces the Code
KAR	Kayne Anderson Rudnick Investment Management LLC, subadviser to the KAR Capital Growth Series, KAR Small-Cap Growth Series, KAR Small-Cap Value Series and the Strategic Allocation Series (domestic equity portion)
KAR Capital Growth Series	Virtus KAR Capital Growth Series
KAR Small-Cap Growth Series	Virtus KAR Small-Cap Growth Series
KAR Small-Cap Value Series	Virtus KAR Small-Cap Value Series
LIBOR	London Interbank Offering Rate, an interest rate at which banks can borrow funds, in marketable size, from other banks in the London interbank market
Moody’s	Moody’s Investors Service, Inc.
NAV	Net Asset Value, which is the per-share price of a Series
Newfleet	Newfleet Asset Management, LLC, subadviser to the Newfleet Multi-Sector Intermediate Bond Series and Strategic Allocation Series (fixed income portion)
Newfleet Multi-Sector Intermediate Bond Series	Virtus Newfleet Multi-Sector Intermediate Bond Series
NYSE	New York Stock Exchange
OCC	Options Clearing Corporation, the world’s largest equity derivatives clearing corporation
OECD	Organization for Economic Cooperation and Development, an international organization seeking to promote economic progress and world trade
PERLS	Principal Exchange Rate Linked Securities
Prospectuses	The prospectuses for the Series, as amended from time to time
Rampart	Rampart Investment Management Company, LLC, subadviser to the Rampart Enhanced Core Equity Series and Rampart Equity Trend Series
Rampart Enhanced Core Equity Series	Virtus Rampart Enhanced Core Equity Series
Rampart Equity Trend Series	Virtus Rampart Equity Trend Series
Regulations	The Treasury Regulations promulgated under the Internal Revenue Code of 1986, as amended
RIC	Regulated Investment Company, a designation under the Code indicating a U.S.-registered investment company meeting the specifications under the Code allowing the investment company to be exempt from paying U.S. federal income taxes
S&P	Standard & Poor’s Corporation
S&P 500® Index	The Standard & Poor’s 500® Index, which is a free-float market capitalization-weighted index of 500 of the largest U.S. companies, calculated on a total return basis with dividends reinvested
SAI	This Statement of Additional Information
Series	The series of the Trust discussed in this SAI

SIFMA	Securities Industry and Financial Markets Association (formerly, the Bond Market Association), a financial industry trade group consisting of broker-dealers and asset managers across the United States
SMBS	Stripped Mortgage-backed Securities
Strategic Allocation Series	Virtus Strategic Allocation Series
Transfer Agent	The Trust's transfer agent, BNY Mellon Investment Servicing (U.S.) Inc.
Trust	Virtus Variable Insurance Trust
VIA	Virtus Investment Advisers, Inc.
Virtus	Virtus Investment Partners, Inc., which is the parent company of the Adviser, the Distributor, the Administrator, Duff & Phelps, KAR, Newfleet and Rampart.
Virtus Fund Services	Virtus Fund Services, LLC
Virtus Mutual Funds	The family of funds consisting of the Series, the series of Virtus Alternative Solutions Trust, the series of Virtus Equity Trust, the series of Virtus Opportunities Trust and the series of Virtus Retirement Trust.
VP Distributors	VP Distributors, LLC
World Bank	International Bank for Reconstruction and Development, an international financial institution that provides loans to developing countries for capital programs

## GENERAL INFORMATION AND HISTORY

The Trust is an open-end management investment company as defined in the 1940 Act. It was formed on February 18, 1986 as a Massachusetts business trust and commenced operations on December 5, 1986. Prior to November 5, 2010, the Trust was named The Phoenix Edge Series Fund. The Trust was reorganized as a Delaware statutory trust on February 14, 2011.

The investment objectives of the Series are listed below. The Series' Prospectuses describe the strategies that the Series will employ in seeking to achieve their investment objectives.

Series	Investment Objective(s)
Duff & Phelps International Series	To provide high total return consistent with reasonable risk.
Duff & Phelps Real Estate Securities Series	To provide capital appreciation and income with approximately equal emphasis.
KAR Capital Growth Series	To provide long-term growth of capital.
KAR Small-Cap Growth Series	To provide long-term capital growth.
KAR Small-Cap Value Series	To provide long-term capital appreciation.
Newfleet Multi-Sector Intermediate Bond Series	To provide long-term total return.
Rampart Enhanced Core Equity Series	To provide capital appreciation and current income.
Rampart Equity Trend Series	To provide long-term capital appreciation.
Strategic Allocation Series	To provide high total return over an extended period of time consistent with prudent investment risk.

The following discussion supplements the disclosure in the Prospectuses.

### **Capital Stock and Organization of the Trust**

The capitalization of the Trust consists solely of an unlimited number of shares of beneficial interest. The Trust currently offers shares in different Series and different Classes of those Series. Holders of shares of a Series have equal rights with regard to voting, redemptions, dividends, distributions, and liquidations with respect to that Series. Shareholders of all Series vote on the election of Trustees. On matters affecting an individual Series (such as approval of an investment advisory agreement or a change in fundamental investment policies) and also on matters affecting an individual Class (such as approval of matters relating to the Plan of Distribution for a particular Class of Shares), a separate vote of that Series or Class is required. The Trust does not hold regular meetings of shareholders of the Series. The Board of Trustees will call a meeting of shareholders of a Series when at least 10% of the outstanding shares of that Series so request in writing. If the Board of Trustees fails to call a meeting after being so notified, the shareholders may call the meeting. The Board of Trustees will assist the shareholders by identifying other shareholders or mailing communications, as required under Section 16(c) of the 1940 Act.

Shares are fully paid, nonassessable, redeemable and fully transferable when they are issued. Shares do not have cumulative voting rights, preemptive rights or subscription rights. The assets received by the Trust for the issue or sale of shares of each Series, and any Class thereof and all income, earnings, profits and proceeds thereof, are allocated to such Series and Class, respectively, subject only to the rights of creditors, and constitute the underlying assets of such Series or class. The underlying assets of each Series are required to be segregated on the books of account, and are to be charged with the expenses in respect to such Series and with a share of the general expenses of the Trust. Any general expenses of the Trust not readily identifiable as belonging to a particular Series or Class will be allocated by or under the direction of the Board of Trustees as it determines to be fair and equitable. The Trust is not bound to recognize any transfer of shares of a Series or Class until the transfer is recorded on the Trust's books pursuant to policies and procedures of the Transfer Agent.

As a Delaware statutory trust, the Trust's operations are governed by its Agreement and Declaration of Trust dated February 14, 2011, as amended, and the Delaware Statutory Trust Act. A copy of the Trust's Certificate of Trust, as amended, is on file with the Office of the Secretary of the State of Delaware. Upon the initial purchase of shares, the shareholder agrees to be bound by the Trust's Agreement and Declaration of Trust, as amended. Delaware law provides that Delaware statutory trust shareholders are not personally liable for obligations of the Delaware statutory trust under Delaware law. The Trust's Agreement and Declaration of Trust expressly provides that the Trust has been organized under Delaware law and that the Agreement and Declaration of Trust is to be governed by Delaware law. It is nevertheless possible that a Delaware statutory trust, such as the Trust, might become a party to an action in another state whose courts refused to apply Delaware law, in which case the Trust's shareholders could be subject to personal liability. To guard against this risk, the Agreement and Declaration of Trust (i) contains an express disclaimer of

shareholder liability for acts or obligations of the Trust and provides that notice of such disclaimer may be given in each agreement, obligation and instrument entered into or executed by the Trust or its Trustees, (ii) provides for the indemnification out of Trust property of any shareholders held personally liable for any obligations of the Trust or any series of the Trust by reason of a claim or demand relating to such person being or having been a shareholder (as opposed to such person's actions or omissions), and (iii) provides that the Trust shall, upon request, assume the defense of any such claim made against any shareholder for any act or obligation of the Trust and satisfy any judgment thereon. Thus, the risk of a Trust shareholder incurring financial loss beyond his or her investment because of shareholder liability is limited to circumstances in which all of the following factors are present: (1) a court refused to apply Delaware law; (2) the liability arose under tort law or, if not, no contractual limitation of liability was in effect; and (3) the Trust itself would be unable to meet its obligations. In the light of Delaware law, the nature of the Trust's business and the nature of its assets, the risk of personal liability to a Series shareholder is remote.

The Agreement and Declaration of Trust further provides that the Trust shall indemnify each of its Trustees and officers against liabilities and expenses reasonably incurred by them, in connection with, or arising out of, any action, suit or proceeding, threatened against or otherwise involving such Trustee or officer, directly or indirectly, by reason of being or having been a Trustee or officer of the Trust. The Agreement and Declaration of Trust does not authorize the Trust to indemnify any Trustee or officer against any liability to which he or she would otherwise be subject by reason of or for willful misfeasance, bad faith, gross negligence or reckless disregard of such person's duties.

Shares in each Series of the Trust are generally available only as underlying investments in a variable accumulation annuity contract or a variable universal life insurance policy issued by a participating insurance company.

### **Diversification of Series**

Each Series is diversified under the 1940 Act, except for the Duff & Phelps Real Estate Securities Series, which is nondiversified. Each Series also intends to diversify its assets to the extent necessary to qualify for tax treatment as a regulated investment company under the Code. (For information regarding qualification under the Code, see "Dividends, Distributions and Taxes" in this SAI.)

### **Series Names and Investment Policies**

Certain of the Series have names that suggest a focus on a particular type of investment. In accordance with Rule 35d-1 under the 1940 Act, each of those Series states in its Prospectuses that it has adopted a policy that it will, under normal circumstances, invest at least 80% of its assets in investments of the type suggested by its name. For this policy, "assets" means net assets plus the amount of any borrowings for investment purposes. In addition, in appropriate circumstances, synthetic investments may be included in the 80% basket if they have economic characteristics similar to the other investments included in the basket. A Series' policy to invest at least 80% of its assets in such a manner is not a "fundamental" one, which means that it may be changed without a vote of a majority of the Series' outstanding shares as defined in the 1940 Act. However, under Rule 35d-1, shareholders must be given written notice at least 60 days prior to any change by a Series of its 80% investment policy.

### **Mixed and Shared Funding**

Shares of the Trust are not directly offered to the public. Shares of the Trust are currently offered through separate accounts to fund variable accumulation annuity contracts and variable universal life insurance policies issued by participating insurance companies. The interests of variable annuity contract owners and variable life policy owners could diverge based on differences in federal and state regulatory requirements, tax laws, investment management or other unanticipated developments. The Trustees do not foresee any such differences or disadvantages at this time. However, the Trustees intend to monitor for any material conflicts and will determine what action, if any, should be taken in response to such conflicts. If such a conflict should occur, one or more separate accounts may be required to withdraw its investment in the Trust or shares of another Series may be substituted.

### **Operation of a Fund of Funds**

The term "fund of funds" is typically used to describe mutual funds whose primary investment strategy involves investing in other investment companies, such as ETFs and other mutual funds. Investments in securities of other investment companies, including ETFs, are subject to statutory limitations prescribed in the 1940 Act. Absent an available exemption, a Series may not: (i) acquire more than 3% of the voting securities of any other investment company, (ii) invest more than 5% of its total assets in securities of any one investment company, or (iii) invest more than 10% of its assets in securities of all investment companies. Many ETFs have obtained exemptive relief from the SEC to permit unaffiliated funds to invest in the ETF's shares beyond these statutory limitations, subject to certain conditions. The Series may rely on these exemptive orders to invest in unaffiliated ETFs. In addition to this the Trust has obtained

exemptive relief permitting the Series to exceed the limitations with respect to investments in affiliated and unaffiliated funds that are not themselves funds of funds, subject to certain conditions.

### **Portfolio Turnover**

The portfolio turnover rate of each Series is calculated by dividing the lesser of purchases or sales of portfolio securities during the fiscal year by the monthly average of the value of the Series' securities (excluding all securities, including options, with maturities at the time of acquisition of one year or less). All long-term securities, including long-term U.S. Government securities, are included. A high rate of portfolio turnover generally involves correspondingly greater brokerage commission expenses, which must be borne directly by the Series. Turnover rates may vary greatly from year to year as well as within a particular year and also may be affected by cash requirements for redemptions of each Series' shares by requirements that enable the Trust to receive certain favorable tax treatments. The portfolio turnover rates for each Series are set forth in the summary prospectus and under "Financial Highlights" in the statutory prospectus.

### **Disclosure of Portfolio Holdings**

The Trustees of the Trust have adopted a policy with respect to the protection of certain non-public information which governs disclosure of the Series' portfolio holdings. This policy provides that the Series' portfolio holdings information generally may not be disclosed to any party prior to the information becoming public.

Divulging Series portfolio holdings to selected third parties is permissible only when the affected party has legitimate business purposes for doing so and the recipients are subject to a duty of confidentiality.

### ***Public Disclosures***

In accordance with rules established by the SEC, each Series sends semiannual and annual reports to shareholders that contain a full listing of portfolio holdings as of the second and fourth fiscal quarters, respectively, within 60 days of quarter end. The Series also disclose complete portfolio holdings as of the end of the first and third fiscal quarters on Form N-Q, which is filed with the SEC within 60 days of quarter end. The Series' shareholder reports are available on Virtus' Web site at *virtus.com*. Certain of the Series also make publicly available on Virtus' Web site a full listing of portfolio holdings as of the end of each month with a 30-day delay, while other of the Series make such full listings available as of the end of each fiscal quarter with a 30 or 60-day delay. Portfolio holdings may be released sooner at the Administrator's discretion. Additionally, each Series provides its top 10 holdings and summary composition data derived from portfolio holdings information on Virtus' Web site. This information is posted to the Web site at the end of each month with respect to the top 10 holdings, and at the end of each quarter with respect to summary composition information, generally within 10 business days. This information will be available on the Web site until full portfolio holdings information becomes publicly available as described above. The Series also provide publicly-available portfolio holdings information directly to ratings agencies, the frequency and timing of which is determined under the terms of the contractual arrangements with such agencies, and may provide to financial intermediaries, upon request, monthly portfolio holdings for periods included in publicly-available quarterly portfolio holdings disclosures.

### ***Other Disclosures***

The Trust and/or the Administrator may authorize the disclosure of non-public portfolio holdings information under certain limited circumstances. The Series' policy provides that non-public disclosures of a Series' portfolio holdings may only be made if (i) the Series has a legitimate business purpose for making such disclosure and (ii) the party receiving the non-public information is subject to a duty of confidentiality. Federal law also prohibits recipients of non-public portfolio holdings information from trading on such information. The Administrator will consider any actual or potential conflicts of interest between Virtus and the Series' shareholders and will act in the best interest of the Series' shareholders with respect to any such disclosure of portfolio holdings information. If a potential conflict can be resolved in a manner that does not present detrimental effects to the Series' shareholders, the Administrator may authorize release of portfolio holdings information. Conversely, if the potential conflict cannot be resolved in a manner that does not present detrimental effects to the Series' shareholders, the Administrator will not authorize such release.

### ***Ongoing Arrangements to Disclose Portfolio Holdings***

As previously authorized by the Series' Board and/or the Series' Administrator, the Series periodically disclose non-public portfolio holdings on a confidential basis to various service providers that require such information in order to assist the Series in their day-to-day operations, as well as public information to certain ratings organizations. In addition to Virtus and its affiliates, the entities receiving non-public portfolio holdings as of the date of this SAI are described in the following table. The table also includes information as to the timing of these entities receiving the portfolio holdings information from the Series.

### Non-Public Portfolio Holdings Information

Type of Service Provider	Name of Service Provider	Timing of Release of Portfolio Holdings Information
Adviser	Virtus Investment Advisers, Inc.	Daily, with no delay
Subadvisers	Duff & Phelps KAR Newfleet Rampart	Daily, with no delay Daily, with no delay Daily, with no delay Daily, with no delay
Administrator	Virtus Fund Services, LLC	Daily, with no delay
Distributor	VP Distributors, LLC	Daily, with no delay
Custodian	BNY Mellon	Daily, with no delay
Reconciliation Services for Subadvisers (KAR) (KAR Capital Growth Series, KAR Small-Cap Growth Series, KAR Small-Cap Value Series)	Fiserve, Inc.	Daily, with no delay
Sub-financial Agent	BNY Mellon	Daily, with no delay
Independent Registered Public Accounting Firm	PricewaterhouseCoopers LLP	Annual Reporting Period, within 5 business days of the end of reporting period
Performance Analytics Firm	FactSet Research Systems, Inc.	Daily, with no delay
Typesetting and Printing Firm for Financial Reports	RR Donnelley Financial	Quarterly, within 15 days of end of reporting period
Proxy Voting Service	International Shareholder Services	Daily, weekly, monthly, quarterly depending on subadviser
Class Action Provider	International Shareholder Services	Monthly
Back-end Compliance Monitoring System	Financial Tracking Technologies, LLC	Daily, with no delay
3rd Party Administrator for Duff & Phelps	SS&C Technologies, Inc., or one of its affiliates ("SS&C")	Daily, with no delay
3rd Party Administrator for KAR	SS&C	Daily, with no delay

### Public Portfolio Holdings Information

Type of Service Provider	Name of Service Provider	Timing of Release of Portfolio Holdings Information
Portfolio Redistribution Firms	Bloomberg, Standard & Poor's and Thompson Reuters	Various frequencies depending on the series, which may include but is not limited to: fiscal quarter with a 30-day or 60-day delay.
Rating Agencies	Lipper Inc. and Morningstar	Various frequencies depending on the series, which may include but is not limited to: fiscal quarter with a 30-day or 60-day delay.
Virtus Public Web site	Virtus Investment Partners, Inc.	Various frequencies depending on the series, which may include but is not limited to: fiscal quarter with a 30-day or 60-day delay.

These service providers are required to keep all non-public information confidential and are prohibited from trading based on the information or otherwise using the information except as necessary in providing services to the Series. There is no guarantee that the Trust's policies on use and dissemination of holdings information will protect the Series from the potential misuse of holdings by individuals or firms in possession of such information.

## MORE INFORMATION ABOUT SERIES INVESTMENT STRATEGIES & RELATED RISKS

The following investment strategies and policies supplement each Series' investment strategies and policies set forth in the Series' prospectuses. Some of the investment strategies and policies described below and in each Series' prospectus set forth percentage limitations on a Series' investment in, or holdings of, certain types of investments. Unless otherwise required by law or stated in this SAI, compliance with these strategies and policies will be determined immediately after the acquisition of such investments by the Series. Subsequent changes in values, net assets, or other circumstances will not be considered when determining whether the investment complies with the Series' investment strategies and policies.

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<b>Debt Investing</b>	<p>Each Series may invest in debt, or fixed income, securities. Debt, or fixed income, securities (which include corporate bonds, commercial paper, debentures, notes, government securities, municipal obligations, state- or state agency-issued obligations, obligations of foreign issuers, asset-or mortgage-backed securities, and other obligations) are used by issuers to borrow money and thus are debt obligations of the issuer. Holders of debt securities are creditors of the issuer, normally ranking ahead of holders of both common and preferred stock as to dividends or upon liquidation. The issuer usually pays a fixed, variable, or floating rate of interest and must repay the amount borrowed at the security's maturity. Some debt securities, such as zero-coupon securities (discussed below), do not pay interest but may be sold at a deep discount from their face value.</p> <p>Yields on debt securities depend on a variety of factors, including the general conditions of the money, bond, and note markets, the size of a particular offering, the maturity date of the obligation, and the rating of the issue. Debt securities with longer maturities tend to produce higher yields and are generally subject to greater price fluctuations in response to changes in market conditions than obligations with shorter maturities. An increase in interest rates generally will reduce the market value of portfolio debt securities, while a decline in interest rates generally will increase the value of the same securities. The achievement of a Series' investment objective depends in part on the continuing ability of the issuers of the debt securities in which the Series invests to meet their obligations for the payment of principal and interest when due. Obligations of issuers of debt securities are subject to the provisions of bankruptcy, insolvency, sovereign immunity, and other laws that affect the rights and remedies of creditors. There is also the possibility that, as a result of litigation or other conditions, the ability of an issuer to pay, when due, the principal of and interest on its debt securities may be materially affected.</p>	
<b>Convertible Securities</b>	<p>A convertible security is a bond, debenture, note, or other security that entitles the holder to acquire common stock or other equity securities of the same or a different issuer within a particular period of time at a specific price or formula. It generally entitles the holder to receive interest paid or accrued until the security matures or is redeemed, converted, or exchanged. Convertible securities may have several unique investment characteristics such as (1) higher yields than common stocks, but lower yields than comparable nonconvertible securities, (2) a lesser degree of fluctuation in value than the underlying stock since they have fixed income characteristics and (3) the potential for capital appreciation if the market price of the underlying common stock increases.</p> <p>Before conversion, convertible securities have characteristics similar to nonconvertible debt securities. Convertible securities often rank senior to common stock in a corporation's capital structure and, therefore, are often viewed as entailing less risk than the corporation's common stock, although the extent to which this is true depends in large measure on the degree to which the convertible security sells above its value as a fixed income security. However, because</p>	<p>A Series' investments in convertible securities that are rated below investment grade will be limited to 5% of the Series' total assets.</p>

convertible securities are often viewed by the issuer as future common stock, they are often subordinated to other senior securities and therefore are rated one category lower than the issuer's nonconvertible debt obligations or preferred stock.

A convertible security may be subject to redemption or conversion at the option of the issuer at a predetermined price. If a convertible security held by the Series is called for redemption, the Series could be required to permit the issuer to redeem the security and convert it to the underlying common stock. The Series generally would invest in convertible securities for their favorable price characteristics and total return potential, and would normally not exercise an option to convert. The Series might be more willing to convert such securities to common stock.

A Series' subadviser will select only those convertible securities for which it believes (a) the underlying common stock is a suitable investment for the Series and (b) a greater potential for total return exists by purchasing the convertible security because of its higher yield and/or favorable market valuation. However, the Series may invest in convertible debt securities rated less than investment grade. Debt securities rated less than investment grade are commonly referred to as "junk bonds." (For information about debt securities rated less than investment grade, see High-Yield/High-Risk Fixed Income Securities ("Junk Bonds") under "Debt Investing" in this section of the SAI; for additional information about ratings on debt obligations, see Appendix A to this SAI.)

***Corporate Debt Securities***

Each Series may invest in debt securities issued by corporations, limited partnerships and other similar entities. A Series' investments in debt securities of domestic or foreign corporate issuers include bonds, debentures, notes and other similar corporate debt instruments, including convertible securities that meet the Series' minimum ratings criteria or if unrated are, in the Series' subadviser's opinion, comparable in quality to corporate debt securities that meet those criteria. The rate of return or return of principal on some debt obligations may be linked or indexed to the level of exchange rates between the U.S. dollar and a foreign currency or currencies or to the value of commodities, such as gold.

***Dollar-denominated Foreign Debt Securities ("Yankee Bonds")***

Each Series may invest in "Yankee bonds", which are dollar-denominated instruments issued in the U.S. market by foreign branches of U.S. banks and U.S. branches of foreign banks. Since these instruments are dollar-denominated, they are not affected by variations in currency exchange rates. They are influenced primarily by interest rate levels in the United States and by the financial condition of the issuer, or of the issuer's foreign parent. However, investing in these instruments may present a greater degree of risk than investing in domestic securities, due to less publicly available information, less securities regulation, war or expropriation. Special considerations may include higher brokerage costs and thinner trading markets. Investments in foreign countries could be affected by other factors including extended settlement periods. (See "Foreign Investing" in this section of the SAI for additional information about investing in foreign countries.)

***Duration***

Duration is a time measure of a bond's interest-rate sensitivity, based on the weighted average of the time periods over which a bond's cash flows accrue to the bondholder. Time periods are weighted by multiplying by the present value of its cash flow divided by the bond's price. (A bond's cash flows consist of coupon payments and repayment of capital.) A bond's duration will almost always be shorter than its maturity, with the exception of zero-coupon bonds, for which maturity and duration are equal.

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<b>High-Yield, High-Risk Fixed Income Securities ("Junk Bonds")</b>	<p>Investments in securities rated "BB" or below by S&amp;P or Fitch, or "Ba" or below by Moody's generally provide greater income (leading to the name "high-yield" securities) and opportunity for capital appreciation than investments in higher quality securities, but they also typically entail greater price volatility, liquidity, and principal and income risk. These securities are regarded as predominantly speculative as to the issuer's continuing ability to meet principal and interest payment obligations. Analysis of the creditworthiness of issuers of lower-quality debt securities may be more complex than for issuers of higher-quality debt securities.</p> <p>Interest-bearing securities typically experience appreciation when interest rates decline and depreciation when interest rates rise. The market values of low-rated securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities, which react primarily to fluctuations in the general level of interest rates. Low-rated securities also tend to be more sensitive to economic conditions than higher-rated securities. As a result, they generally involve more credit risks than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of low-rated securities may experience financial stress and may not have sufficient revenues to meet their payment obligations. The issuer's ability to service its debt obligations may also be adversely affected by specific corporate developments, the issuer's inability to meet specific projected business forecasts or the unavailability of additional financing. The risk of loss due to default by an issuer of low-rated securities is generally considered to be significantly greater than issuers of higher-rated securities because such securities are usually unsecured and are often subordinated to other creditors. Further, if the issuer of a low-rated security defaulted, the applicable Series might incur additional expenses in seeking recovery. Periods of economic uncertainty and changes would also generally result in increased volatility in the market prices of low-rated securities and thus in the applicable Series' NAV.</p> <p>Low-rated securities often contain redemption, call or prepayment provisions which permit the issuer of the securities containing such provisions to, at its discretion, redeem the securities. During periods of falling interest rates, issuers of low-rated securities are likely to redeem or prepay the securities and refinance them with debt securities with a lower interest rate. To the extent an issuer is able to refinance the securities or otherwise redeem them, the applicable Series may have to replace the securities with a lower yielding security which would result in lower returns for the Series.</p> <p>A Series may have difficulty disposing of certain low-rated securities because there may be a thin trading market for such securities. Because not all dealers maintain markets in all low-rated securities, there is no established retail secondary market for many of these securities. The Series anticipate that such securities could be sold only to a limited number of dealers or institutional investors. To the extent a secondary trading market does exist, it is generally not as liquid as the secondary market for higher-rated securities. The lack of a liquid secondary market may have an adverse impact on the market price of the security, and accordingly, the NAV of a particular Series and its ability to dispose of particular securities when necessary to meet its liquidity needs, or in response to a specific economic event, or an event such as a deterioration in the creditworthiness of the issuer. The lack of a liquid secondary market for certain securities may also make it more difficult for the Series to obtain accurate market quotations for purposes of valuing its respective portfolio. Market quotations are generally available on many low-rated issues</p>	<p>The Newfleet Multi-Sector Intermediate Bond Series will limit its investments in below-investment grade securities to no more than 50% of its net assets; the Strategic Allocation Series will limit such investments to no more than 10% of its net assets.</p>

only from a limited number of dealers and may not necessarily represent firm bids of such dealers or prices for actual sales. During periods of thin trading, the spread between bid and asked prices is likely to increase significantly. In addition, adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the values and liquidity of low-rated securities, especially in a thinly-traded market. If a Series experiences unexpected net redemptions, it may be forced to liquidate a portion of its portfolio securities without regard to their investment merits. Due to the limited liquidity of low-rated securities, the Series may be forced to liquidate these securities at a substantial discount. Any such liquidation would reduce the Series' asset base over which expenses could be allocated and could result in a reduced rate of return for the Series.

***Interest Rate  
Environment Risk***

In the wake of the financial crisis that began in 2007, the Federal Reserve System attempted to stabilize the U.S. economy and support the U.S. economic recovery by keeping the federal funds rate at or near zero percent. In addition, the Federal Reserve has purchased large quantities of securities issued or guaranteed by the U.S. government, its agencies or instrumentalities on the open market (the "quantitative easing program"). The Federal Reserve has since increased the federal funds rate as of December 2015, however, the United States continues to experience historically low interest rate levels. A low interest rate environment may have an adverse impact on each Series' ability to provide a positive yield to its shareholders and pay expenses out of Series assets because of the low yields from the Series' portfolio investments.

However, continued economic recovery and the cessation of the quantitative easing program increase the risk that interest rates will continue to rise in the near future and that the Series will face a heightened level of interest rate risk. Federal Reserve policy changes may expose fixed-income and related markets to heightened volatility and may reduce liquidity for certain Series investments, which could cause the value of a Series' investments and a Series' share price to decline or create difficulties for the Series in disposing of investments. A Series that invests in derivatives tied to fixed-income markets may be more substantially exposed to these risks than a Series that does not invest in derivatives. A Series could also be forced to liquidate its investments at disadvantageous times or prices, thereby adversely affecting the Series. To the extent a Series experiences high redemptions because of these policy changes, the Series may experience increased portfolio turnover, which will increase the costs that the Series incurs and lower the Series' performance.

***Inverse Floating Rate  
Obligations***

Certain variable rate securities pay interest at a rate that varies inversely to prevailing short-term interest rates (sometimes referred to as inverse floaters). For example, upon reset the interest rate payable on a security may go down when the underlying index has risen. During periods when short-term interest rates are relatively low as compared to long-term interest rates, the Series may attempt to enhance its yield by purchasing inverse floaters. Certain inverse floaters may have an interest rate reset mechanism that multiplies the effects of changes in the underlying index. While this form of leverage may increase the security's yield, it may also increase the volatility of the security's market value.

Similar to other variable and floating rate obligations, effective use of inverse floaters requires skills different from those needed to select most portfolio securities. If movements in interest rates are incorrectly anticipated, a Series holding these instruments could lose money and its NAV could decline.

***Letters of Credit***

Debt obligations, including municipal obligations, certificates of participation, commercial paper and other short-term obligations, may be backed by an irrevocable letter of credit of a bank that assumes the obligation for payment of principal and interest in the event of default by the issuer. Only banks that, in the opinion of the relevant Series' subadviser, are of investment quality comparable to other permitted investments of the Series may be used for Letter of Credit-backed investments.

***Loan and Debt Participations and Assignments***

A loan participation agreement involves the purchase of a share of a loan made by a bank to a company in return for a corresponding share of the borrower's principal and interest payments. Loan participations of the type in which the Series may invest include interests in both secured and unsecured corporate loans. When a Series purchases loan assignments from lenders, it will acquire direct rights against the borrower, but these rights and the Series' obligations may differ from, and be more limited than, those held by the assignment lender. The principal credit risk associated with acquiring loan participation and assignment interests is the credit risk associated with the underlying corporate borrower. There is also a risk that there may not be a readily available market for participation loan interests and, in some cases, this could result in the Series disposing of such securities at a substantial discount from face value or holding such securities until maturity.

There is typically a limited amount of public information available about loans because loans normally are not registered with the SEC or any state securities commission or listed on any securities exchange. Certain of the loans in which a Series may invest may not be considered "securities," and therefore the Series may not be entitled to rely on the anti-fraud protections of the federal securities laws with respect to those loans in the event of fraud or misrepresentation by a borrower. A Series may come into possession of material, non-public information about a borrower as a result of the Series' ownership of a loan or other floating-rate instrument of the borrower. Because of prohibitions on trading in securities of issuers while in possession of material, non-public information, the Series might be unable to enter into a transaction in a publicly-traded security of the borrower when it would otherwise be advantageous to do so.

Loans trade in an unregulated inter-dealer or inter-bank secondary market. Purchases and sales of loans are generally subject to contractual restrictions that must be satisfied before a loan can be bought or sold. These restrictions may (i) impede the Series' ability to buy or sell loans; (ii) negatively affect the transaction price; (iii) affect the counterparty credit risk borne by the Series; (iv) impede the Series' ability to timely vote or otherwise act with respect to loans; and (v) expose the Series to adverse tax or regulatory consequences.

In the event that a corporate borrower failed to pay its scheduled interest or principal payments on participations held by the Series, the market value of the affected participation would decline, resulting in a loss of value of such investment to the Series. Accordingly, such participations are speculative and may result in the income level and net assets of the Series being reduced. Moreover, loan participation agreements generally limit the right of a participant to resell its interest in the loan to a third party and, as a result, loan participations may be deemed by the Series to be illiquid investments. A Series will invest only in participations with respect to borrowers whose creditworthiness is, or is determined by the Series' subadviser to be, substantially equivalent to that of issuers whose senior unsubordinated debt securities are rated B or higher by Moody's or S&P. For the purposes of diversification and/or concentration

calculations, both the borrower and issuer will be considered an “issuer.”

The Series may purchase from banks participation interests in all or part of specific holdings of debt obligations. Each participation interest is backed by an irrevocable letter of credit or guarantee of the selling bank that the relevant Series’ subadviser has determined meets the prescribed quality standards of the Series. Thus, even if the credit of the issuer of the debt obligation does not meet the quality standards of the Series, the credit of the selling bank will.

Loan participations and assignments may be illiquid and therefore subject to the Series’ limitations on investments in illiquid securities. (See “Illiquid and Restricted Securities” in this section of the SAI.)

***Municipal Securities  
and Related  
Investments***

Tax-exempt municipal securities are debt obligations issued by the various states and their subdivisions (e.g., cities, counties, towns, and school districts) to raise funds, generally for various public improvements requiring long-term capital investment. Purposes for which tax-exempt bonds are issued include flood control, airports, bridges and highways, housing, medical facilities, schools, mass transportation and power, water or sewage plants, as well as others. Tax-exempt bonds also are occasionally issued to retire outstanding obligations, to obtain funds for operating expenses or to loan to other public or, in some cases, private sector organizations or to individuals.

Yields on municipal securities are dependent on a variety of factors, including the general conditions of the money market and the municipal bond market, the size of a particular offering, the maturity of the obligations and the rating of the issue. Municipal securities with longer maturities tend to produce higher yields and are generally subject to potentially greater capital appreciation and depreciation than obligations with shorter maturities and lower yields. The market prices of municipal securities usually vary, depending upon available yields. An increase in interest rates will generally reduce the value of portfolio investments, and a decline in interest rates will generally increase the value of portfolio investments. The ability of the Series to achieve its investment objective is also dependent on the continuing ability of the issuers of municipal securities in which the Series invests to meet their obligations for the payment of interest and principal when due. The ratings of Moody’s and S&P represent their opinions as to the quality of municipal securities which they undertake to rate. Ratings are not absolute standards of quality; consequently, municipal securities with the same maturity, coupon, and rating may have different yields. There are variations in municipal securities, both within a particular classification and between classifications, depending on numerous factors. It should also be pointed out that, unlike other types of investments, municipal securities have traditionally not been subject to regulation by, or registration with, the SEC, although there have been proposals which would provide for such regulation in the future.

The federal bankruptcy statutes relating to the debts of political subdivisions and authorities of states of the United States provide that, in certain circumstances, such subdivisions or authorities may be authorized to initiate bankruptcy proceedings without prior notice to or consent of creditors, which proceedings could result in material and adverse changes in the rights of holders of their obligations.

Lawsuits challenging the validity under state constitutions of present systems of financing public education have been initiated or adjusted in a number of states, and legislation has been introduced to effect changes in public school financing in some states. In other instances there have been lawsuits challenging the issuance of pollution control revenue bonds or the validity of their issuance under state or federal

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<i>Municipal Bonds</i>	<p>law which could ultimately affect the validity of those municipal securities or the tax-free nature of the interest thereon.</p> <p>Descriptions of some of the municipal securities and related investment types most commonly acquired by the Series are provided below. In addition to those shown, other types of municipal investments are, or may become, available for investment by the Series. For the purpose of each Series' investment restrictions set forth in this SAI, the identification of the "issuer" of a municipal security which is not a general obligation bond is made by the applicable Series' subadviser on the basis of the characteristics of the obligation, the most significant of which is the source of funds for the payment of principal and interest on such security.</p>	
<u>General Obligation Bonds</u>	<p>Issuers of general obligation bonds include states, counties, cities, towns, and regional districts. The proceeds of these obligations are used to fund a wide range of public projects, including construction or improvement of schools, highways and roads, and water and sewer systems. The basic security behind general obligation bonds is the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. The taxes that can be levied for the payment of debt service may be limited or unlimited as to the rate or amount of special assessments.</p>	
<u>Industrial Development Bonds</u>	<p>Industrial development bonds, which are considered municipal bonds if the interest paid is exempt from Federal income tax, are issued by or on behalf of public authorities to raise money to finance various privately operated facilities for business and manufacturing, housing, sports arenas and pollution control. These bonds are also used to finance public facilities such as airports, mass transit systems, ports and parking. The payment of the principal and interest on such bonds is dependent solely on the ability of the facility's user to meet its financial obligations and the pledge, if any, of real and personal property so financed as security for such payment.</p>	
<u>Revenue Bonds</u>	<p>The principal security for a revenue bond is generally the net revenues derived from a particular facility, group of facilities, or, in some cases, the proceeds of a special excise or other specific revenue source. Revenue bonds are issued to finance a wide variety of capital projects including: electric, gas, water and sewer systems; highways, bridges, and tunnels; port and airport facilities; colleges and universities; and hospitals. Although the principal security behind these bonds may vary, many provide additional security in the form of a debt service reserve fund whose money may be used to make principal and interest payments on the issuer's obligations. Housing finance authorities have a wide range of security; including partially or fully insured mortgages, rent subsidized and/or collateralized mortgages, and/or the net revenues from housing or other public projects. Some authorities provide further security in the form of a state's ability (without obligation) to make up deficiencies in the debt service reserve fund.</p>	
<i>Municipal Leases</i>	<p>Each Series may acquire participations in lease obligations or installment purchase contract obligations (hereinafter collectively called "lease obligations") of municipal authorities or entities. Although lease obligations do not constitute general obligations of the municipality for which the municipality's taxing power is pledged, a lease obligation may be backed by the municipality's covenant to</p>	

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budget for, appropriate, and make the payments due under the lease obligation. However, certain lease obligations contain “non-appropriation” clauses which provide that the municipality has no obligation to make lease or installment purchase payments in future years unless money is appropriated for such purpose on a yearly basis. In addition to the “non-appropriation” risk, these securities represent a relatively new type of financing that has not yet developed the depth of marketability associated with more conventional bonds. In the case of a “non-appropriation” lease, the Series’ ability to recover under the lease in the event of non-appropriation or default will be limited solely to the repossession of the leased property in the event foreclosure might prove difficult. The Series’ subadviser will evaluate the credit quality of a municipal lease and whether it will be considered liquid. (See “Illiquid and Restricted Investments” in this section of the SAI for information regarding the implications of these investments being considered illiquid.)

*Municipal Notes*

Municipal notes generally are used to provide for short-term working capital needs and generally have maturities of one year or less. Municipal notes include bond anticipation notes, construction loan notes, revenue anticipation notes and tax anticipation notes.

Bond Anticipation  
Notes

Bond anticipation notes are issued to provide interim financing until long-term financing can be arranged. In most cases, the long-term bonds then provide the money for the repayment of the notes.

Construction Loan  
Notes

Construction loan notes are sold to provide construction financing. After successful completion and acceptance, many projects receive permanent financing through FNMA or GNMA.

Revenue Anticipation  
Notes

Revenue anticipation notes are issued in expectation of receipt of other types of revenue, such as Federal revenues available under Federal revenue sharing programs.

Tax Anticipation Notes

Tax anticipation notes are issued to finance working capital needs of municipalities. Generally, they are issued in anticipation of various seasonal tax revenue, such as income, sales, use and business taxes, and are payable from these specific future taxes.

*Tax-Exempt  
Commercial Paper*

Tax-exempt commercial paper is a short-term obligation with a stated maturity of 365 days or less. It is issued by state and local governments or their agencies to finance seasonal working capital needs or as short-term financing in anticipation of longer-term financing.

***Participation on  
Creditors’  
Committees***

While the Series do not invest in securities to exercise control over the securities’ issuers, each Series may, from time to time, participate on committees formed by creditors to negotiate with the management of financially troubled issuers of securities held by the Series. Such participation may subject the relevant Series to expenses such as legal fees and may deem the Series an “insider” of the issuer for purposes of the Federal securities laws and expose the Series to material non-public information of the issuer, and therefore may restrict the Series’ ability to purchase or sell a particular security when it might otherwise desire to do so. Participation by a Series on such committees also may expose the Series to potential liabilities under the federal bankruptcy laws or other laws governing the rights of creditors and debtors. A Series will participate on such committees only when the Series’ subadviser believes that such participation is necessary or desirable to enforce the Series’ rights as a creditor or to protect the value of securities held by the Series.

***Payable in Kind  
("PIK") Bonds***

PIK bonds are obligations which provide that the issuer thereof may, at its option, pay interest on such bonds in cash or "in kind", which means in the form of additional debt securities. Such securities benefit the issuer by mitigating its need for cash to meet debt service, but also require a higher rate of return to attract investors who are willing to defer receipt of such cash. The Series will accrue income on such investments for tax and accounting purposes, which is distributable to shareholders and which, because no cash is received at the time of accrual, may require the liquidation of other portfolio securities to satisfy the Series' distribution obligations. The market prices of PIK bonds generally are more volatile than the market prices of securities that pay interest periodically, and they are likely to respond to changes in interest rates to a greater degree than would otherwise similar bonds on which regular cash payments of interest are being made.

***Ratings***

The rating or quality of a debt security refers to a rating agency's assessment of the issuer's creditworthiness, i.e., its ability to pay principal and interest when due. Higher ratings indicate better credit quality, as rated by independent rating organizations such as Moody's, S&P or Fitch, which publish their ratings on a regular basis. Appendix A provides a description of the various ratings provided for bonds (including convertible bonds), municipal bonds, and commercial paper.

After a Series purchases a debt security, the rating of that security may be reduced below the minimum rating acceptable for purchase by the Series. A subsequent downgrade does not require the sale of the security, but the Series' subadviser will consider such an event in determining whether to continue to hold the obligation. To the extent that ratings established by Moody's or S&P may change as a result of changes in such organizations or their rating systems, a Series will invest in securities which are deemed by the Series' subadviser to be of comparable quality to securities whose current ratings render them eligible for purchase by the Series.

Credit ratings issued by credit rating agencies evaluate the safety of principal and interest payments of rated securities. They do not, however, evaluate the market-value risk and therefore may not fully reflect the true risks of an investment. In addition, credit rating agencies may or may not make timely changes in a rating to reflect changes in the economy or in the condition of the issuer that affect the market value of the security. Consequently, credit ratings are used only as a preliminary indicator of investment quality.

***Sovereign Debt***

Each Series may invest in "sovereign debt," which is issued or guaranteed by foreign governments (including countries, provinces and municipalities) or their agencies and instrumentalities. Sovereign debt may trade at a substantial discount from face value. The Series may hold and trade sovereign debt of foreign countries in appropriate circumstances to participate in debt conversion programs. Emerging-market country sovereign debt involves a higher degree of risk than developed markets, is generally lower-quality debt, and is considered speculative in nature due, in part, to the extreme and volatile nature of debt burdens in such countries and because emerging market governments can be relatively unstable. The issuer or governmental authorities that control sovereign-debt repayment ("sovereign debtors") may be unable or unwilling to repay principal or interest when due in accordance with the terms of the debt. A sovereign debtor's willingness or ability to repay principal and interest due in a timely manner may be affected by, among other factors, its cash-flow situation, the extent of its foreign reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the

debt service burden to the economy as a whole, the sovereign debtor's policy towards the IMF, and the political constraints to which the sovereign debtor may be subject. Sovereign debtors may also be dependent on expected disbursements from foreign governments, multilateral agencies and others abroad to reduce principal and interest arrearage on their debt. The commitment of these third parties to make such disbursements may be conditioned on the sovereign debtor's implementation of economic reforms or economic performance and the timely service of the debtor's obligations. The sovereign debtor's failure to meet these conditions may cause these third parties to cancel their commitments to provide funds to the sovereign debtor, which may further impair the debtor's ability or willingness to timely service its debts. In certain instances, the Series may invest in sovereign debt that is in default as to payments of principal or interest. In the event that the Series hold non-performing sovereign debt, the Series may incur additional expenses in connection with any restructuring of the issuer's obligations or in otherwise enforcing their rights thereunder.

***Brady Bonds***

Each Series may invest a portion of its assets in certain sovereign debt obligations known as "Brady Bonds." Brady Bonds are issued under the framework of the Brady Plan, an initiative announced by former U.S. Treasury Secretary Nicholas F. Brady in 1989 as a mechanism for debtor nations to restructure their outstanding external indebtedness. The Brady Plan contemplates, among other things, the debtor nation's adoption of certain economic reforms and the exchange of commercial bank debt for newly issued bonds. In restructuring its external debt under the Brady Plan framework, a debtor nation negotiates with its existing bank lenders as well as the World Bank or the IMF. The World Bank or IMF supports the restructuring by providing funds pursuant to loan agreements or other arrangements that enable the debtor nation to collateralize the new Brady Bonds or to replenish reserves used to reduce outstanding bank debt. Under these loan agreements or other arrangements with the World Bank or IMF, debtor nations have been required to agree to implement certain domestic monetary and fiscal reforms. The Brady Plan sets forth only general guiding principles for economic reform and debt reduction, emphasizing that solutions must be negotiated on a case-by-case basis between debtor nations and their creditors.

Brady Bonds are often viewed as having three or four valuation components: (i) the collateralized repayment of principal at final maturity; (ii) the collateralized interest payments; (iii) the uncollateralized interest payments; and (iv) any uncollateralized repayment of principal at maturity (these uncollateralized amounts constitute the "residual risk"). In light of the residual risk of Brady Bonds and, among other factors, the history of defaults with respect to commercial bank loans by public and private entities of countries issuing Brady Bonds, investments in Brady Bonds can be viewed as speculative.

***Stand-by  
Commitments***

Each Series may purchase securities together with the right to resell them to the seller or a third party at an agreed-upon price or yield within specified periods prior to their maturity dates. Such a right to resell is commonly known as a stand-by commitment, and the aggregate price which a Series pays for securities with a stand-by commitment may increase the cost, and thereby reduce the yield, of the security. The primary purpose of this practice is to permit the Series to be as fully invested as practicable in municipal securities while preserving the necessary flexibility and liquidity to meet unanticipated redemptions. Stand-by commitments acquired by a Series are valued at zero in determining the Series' NAV. Stand-by commitments involve certain expenses and risks, including the

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inability of the issuer of the commitment to pay for the securities at the time the commitment is exercised, non-marketability of the commitment, and differences between the maturity of the underlying security and the maturity of the commitment.

**Strip Bonds**

Strip bonds are debt securities that are stripped of their interest (usually by a financial intermediary) after the securities are issued. The market value of these securities generally fluctuates more in response to changes in interest rates than interest-paying securities of comparable maturity.

**Tender Option Bonds**

Tender option bonds are relatively long-term bonds that are coupled with the option to tender the securities to a bank, broker-dealer or other financial institution at periodic intervals and receive the face value of the bond. This investment structure is commonly used as a means of enhancing a security's liquidity.

**Variable and Floating Rate Obligations**

Each Series may purchase securities having a floating or variable rate of interest. These securities pay interest at rates that are adjusted periodically according to a specific formula, usually with reference to some interest rate index or market interest rate (the "underlying index"). The floating rate tends to decrease the security's price sensitivity to changes in interest rates. These securities may carry demand features permitting the holder to demand payment of principal at any time or at specified intervals prior to maturity. Accordingly, as interest rates decrease or increase, the potential for capital appreciation or depreciation is less than for fixed-rate obligations.

In order to most effectively use these investments, a Series' subadviser must correctly assess probable movements in interest rates. This involves different skills than those used to select most other portfolio securities. If the Series' subadviser incorrectly forecasts such movements, the Series could be adversely affected by the use of variable or floating rate obligations.

The floating and variable rate obligations that the Series may purchase include variable rate demand securities. Variable rate demand securities are variable rate securities that have demand features entitling the purchaser to resell the securities to the issuer at an amount approximately equal to amortized cost or the principal amount thereof plus accrued interest, which may be more or less than the price that the Series paid for them. The interest rate on variable rate demand securities also varies either according to some objective standard, such as an index of short-term, tax-exempt rates, or according to rates set by or on behalf of the issuer.

When a Series purchases a floating or variable rate demand instrument, the Series' subadviser will monitor, on an ongoing basis, the ability of the issuer to pay principal and interest on demand. The Series' right to obtain payment at par on a demand instrument could be affected by events occurring between the date the Series elects to demand payment and the date payment is due that may affect the ability of the issuer of the instrument to make payment when due, except when such demand instrument permits same day settlement. To facilitate settlement, these same day demand instruments may be held in book entry form at a bank other than the Series' custodian subject to a sub-custodian agreement between the bank and the Series' custodian.

The floating and variable rate obligations that the Series may purchase also include certificates of participation in such obligations purchased from banks. A certificate of participation gives the Series an undivided interest in the underlying obligations in the proportion that the Series' interest bears to the total principal amount of the

obligation. Certain certificates of participation may carry a demand feature that would permit the holder to tender them back to the issuer prior to maturity.

The income received on certificates of participation in tax-exempt municipal obligations constitutes interest from tax-exempt obligations.

Each Series will limit its purchases of floating and variable rate obligations to those of the same quality as it otherwise is allowed to purchase. Similar to fixed rate debt instruments, variable and floating rate instruments are subject to changes in value based on changes in prevailing market interest rates or changes in the issuer's creditworthiness.

A floating or variable rate instrument may be subject to a Series' percentage limitation on illiquid securities if there is no reliable trading market for the instrument or if the Series may not demand payment of the principal amount within seven days. (See "Illiquid and Restricted Securities" in this section of the SAI.)

***Zero and Deferred  
Coupon Debt  
Securities***

Each Series may invest in debt obligations that do not make any interest payments for a specified period of time prior to maturity ("deferred coupon" bonds) or until maturity ("zero coupon" bonds). The nonpayment of interest on a current basis may result from the bond's having no stated interest rate, in which case the bond pays only principal at maturity and is normally initially issued at a discount from face value. Alternatively, the bond may provide for a stated rate of interest, but provide that such interest is not payable until maturity, in which case the bond may initially be issued at par. The value to the investor of these types of bonds is represented by the economic accretion either of the difference between the purchase price and the nominal principal amount (if no interest is stated to accrue) or of accrued, unpaid interest during the bond's life or payment deferral period.

Because deferred and zero coupon bonds do not make interest payments for a certain period of time, they are generally purchased by a Series at a deep discount and their value fluctuates more in response to interest rate changes than does the value of debt obligations that make current interest payments. The degree of fluctuation with interest rate changes is greater when the deferred period is longer. Therefore, when a Series invests in zero or deferred coupon bonds, there is a risk that the value of the Series' shares may decline more as a result of an increase in interest rates than would be the case if the Series did not invest in such bonds.

Even though zero and deferred coupon bonds may not pay current interest in cash, each Series is required to accrue interest income on such investments and to distribute such amounts to shareholders. Thus, a Series would not be able to purchase income-producing securities to the extent cash is used to pay such distributions, and, therefore, the Series' current income could be less than it otherwise would have been. Instead of using cash, the Series might liquidate investments in order to satisfy these distribution requirements.

***Derivative  
Investments***

Each Series may invest in various types of derivatives, which may at times result in significant derivative exposure. A derivative is a financial instrument whose performance is derived from the performance of another asset. Each Series may invest in derivative instruments including, but not limited to: futures contracts, put options, call options, options on future contracts, options on foreign currencies, swaps, forward contracts, structured investments, and other equity-linked derivatives.

Each Series may use derivative instruments for hedging (to offset risks associated with an investment, currency exposure, or market conditions) or in pursuit of its investment objective(s) (to seek to enhance returns). When a Series invests in a derivative, the risks of loss of that derivative may be greater than the derivative's cost. No Series may use any derivative to gain exposure to an asset or class of assets that it would be prohibited by its investment restrictions from purchasing directly. In addition to other considerations, a Series' ability to use derivative instruments may be limited by tax considerations. (See "Dividends, Distributions and Taxes" in this SAI.)

Investments in derivatives may subject a Series to special risks in addition to normal market fluctuations and other risks inherent in investment in securities. For example, a percentage of the Series' assets may be segregated to cover its obligations with respect to the derivative investment, which may make it more difficult for the Series' subadviser to meet redemption requests or other short-term obligations.

Investments in derivatives in general are also subject to market risks that may cause their prices to fluctuate over time. Investments in derivatives may not directly correlate with the price movements of the underlying instrument. As a result, the use of derivatives may expose the Series to additional risks that it would not be subject to if it invested directly in the securities underlying those derivatives. The use of derivatives may result in larger losses or smaller gains than otherwise would be the case.

***Commodity Interests***

Certain of the derivative investment types permitted for the Series may be considered commodity interests for purposes of the CEA and regulations approved by the CFTC. However, each Series intends to limit the use of such investment types as required to qualify for exclusion or exemption from being considered a "commodity pool" or otherwise as a vehicle for trading in commodity interests under such regulations. As a result, except as otherwise noted below each Series has filed a notice of exclusion under CFTC Regulation 4.5 or exemption under CFTC Regulation 4.13(a)(3).

The CFTC recently adopted amendments to its rules that may affect the Series' ability to continue to claim exclusion or exemption from regulation. If a Series' use of these techniques would cause the Series to be considered a "commodity pool" under the CEA, then the Adviser would be subject to registration and regulation as the Series' commodity pool operator, and the Series' subadviser may be subject to registration and regulation as the Series' commodity trading advisor. A Series may incur additional expense as a result of the CFTC's registration and regulation obligations, and the Series' use of these techniques and other instruments may be limited or restricted.

As of the date of this SAI, each Series intends to limit the use of such investment types as required to qualify for exclusion from being considered a "commodity pool" or otherwise as a vehicle for trading in commodity interests under such regulations, and each Series has filed a notice of exclusion under CFTC Regulation 4.5 or exemption under CFTC Regulation 4.13(a)(3).

***Credit-linked Notes***

Credit-linked notes are derivative instruments used to transfer credit risk. The performance of the notes is linked to the performance of the underlying reference obligation or reference portfolio ("reference entities"). The notes are usually issued by a special purpose vehicle that sells credit protection through a credit default swap agreement in return for a premium and an obligation to pay the transaction sponsor should a reference entity experience a credit event, such as bankruptcy. The special purpose vehicle invests the proceeds from the notes to cover its contingent obligation. Revenue from the investments and the money received as premium are used to pay interest to note holders. The main risk of credit linked notes is the risk of default to the reference obligation of the credit default swap. Should a default occur, the special purpose vehicle would have to pay the transaction sponsor, subordinating payments to the note holders.

Investment Technique

Description and Risks

Series-Specific  
Limitations

***Equity-linked  
Derivatives***

Credit linked notes also may not be liquid and may be subject to currency and interest rate risks as well.

Each Series may invest in equity-linked derivative products the performance of which is designed to correspond generally to the performance of a specified stock index or "basket" of stocks, or to a single stock. Investments in equity-linked derivatives involve the same risks associated with a direct investment in the types of securities such products are designed to track. There can be no assurance that the trading price of the equity-linked derivatives will equal the underlying value of the securities purchased to replicate a particular investment or that such basket will replicate the investment.

Investments in equity-linked derivatives may constitute investments in other investment companies. (See "Mutual Fund Investing" in this section of the SAI for information regarding the implications of a Series investing in other investment companies.)

***Eurodollar  
Instruments***

The Series may invest in Eurodollar instruments. Eurodollar instruments are dollar-denominated certificates of deposit and time deposits issued outside the U.S. capital markets by foreign branches of U.S. banks and by foreign banks. Eurodollar futures contracts enable purchasers to obtain a fixed rate for the lending of funds and sellers to obtain a fixed rate for borrowings. A Series might use Eurodollar instruments to hedge against changes in interest rates or to enhance returns.

Eurodollar obligations are subject to the same risks that pertain to domestic issuers, most notably income risk (and, to a lesser extent, credit risk, market risk, and liquidity risk). Additionally, Eurodollar obligations are subject to certain sovereign risks. One such risk is the possibility that a sovereign country might prevent capital, in the form of dollars, from flowing across its borders. Other risks include adverse political and economic developments, the extent and quality of government regulation of financial markets and institutions, the imposition of foreign withholding taxes, and expropriation or nationalization of foreign issuers. However, Eurodollar obligations will undergo the same type of credit analysis as domestic issuers in which a Series invests.

***Foreign Currency  
Forward Contracts,  
Futures and Options***

Each Series may engage in certain derivative foreign currency exchange and option transactions involving investment risks and transaction costs to which the Series would not be subject absent the use of these strategies. If a Series' subadviser's predictions of movements in the direction of securities prices or currency exchange rates are inaccurate, the adverse consequences to the Series may leave the Series in a worse position than if it had not used such strategies. Risks inherent in the use of option and foreign currency forward and futures contracts include: (1) dependence on the Series' subadviser's ability to correctly predict movements in the direction of securities prices and currency exchange rates; (2) imperfect correlation between the price of options and futures contracts and movements in the prices of the securities or currencies being hedged; (3) the fact that the skills needed to use these strategies are different from those needed to select portfolio securities; (4) the possible absence of a liquid secondary market for any particular instrument at any time; and (5) the possible need to defer closing out certain hedged positions to avoid adverse tax consequences. The Series' ability to enter into futures contracts is also limited by the requirements of the Code for qualification as a regulated investment company. (See the "Dividends, Distributions and Taxes" section of this SAI.)

A Series may engage in currency exchange transactions to protect against uncertainty in the level of future currency exchange rates. In addition, a Series may write covered put and call options on foreign currencies for the purpose of increasing its return.

A Series may enter into contracts to purchase or sell foreign currencies at a future date (“forward contracts”) and purchase and sell foreign currency futures contracts. For certain hedging purposes, the Series may also purchase exchange-listed and over-the-counter put and call options on foreign currency futures contracts and on foreign currencies. A put option on a futures contract gives the Series the right to assume a short position in the futures contract until the expiration of the option. A put option on a currency gives the Series the right to sell the currency at an exercise price until the expiration of the option. A call option on a futures contract gives the Series the right to assume a long position in the futures contract until the expiration of the option. A call option on a currency gives the Series the right to purchase the currency at the exercise price until the expiration of the option.

When engaging in position hedging, a Series enters into foreign currency exchange transactions to protect against a decline in the values of the foreign currencies in which its portfolio securities are denominated (or an increase in the values of currency for securities which the Series expects to purchase, when the Series holds cash or short-term investments). In connection with position hedging, the Series may purchase put or call options on foreign currency and on foreign currency futures contracts and buy or sell forward contracts and foreign currency futures contracts. (A Series may also purchase or sell foreign currency on a spot basis, as discussed in “Foreign Currency Transactions” under “Foreign Investing” in this section of the SAI.)

The precise matching of the amounts of foreign currency exchange transactions and the value of the portfolio securities involved will not generally be possible since the future value of such securities in foreign currencies will change as a consequence of market movements in the value of those securities between the dates the currency exchange transactions are entered into and the dates they mature. It is also impossible to forecast with precision the market value of portfolio securities at the expiration or maturity of a forward or futures contract. Accordingly, it may be necessary for a Series to purchase additional foreign currency on the spot market (and bear the expense of such purchase) if the market value of the security or securities being hedged is less than the amount of foreign currency the Series is obligated to deliver and a decision is made to sell the security or securities and make delivery of the foreign currency. Conversely, it may be necessary to sell on the spot market some of the foreign currency received upon the sale of the portfolio security or securities if the market value of such security or securities exceeds the amount of foreign currency the Series is obligated to deliver.

Hedging transactions do not eliminate fluctuations in the underlying prices of the securities which a Series owns or intends to purchase or sell. They simply establish a rate of exchange which one can achieve at some future point in time. Additionally, although these techniques tend to minimize the risk of loss due to a decline in the value of the hedged currency, they also tend to limit any potential gain which might result from the increase in value of such currency.

A Series may seek to increase its return or to offset some of the costs of hedging against fluctuations in currency exchange rates by writing covered put options and covered call options on foreign currencies. In that case, the Series receives a premium from writing a put or call

option, which increases the Series' current return if the option expires unexercised or is closed out at a net profit. A Series may terminate an option that it has written prior to its expiration by entering into a closing purchase transaction in which it purchases an option having the same terms as the option written.

A Series' currency hedging transactions may call for the delivery of one foreign currency in exchange for another foreign currency and may at times not involve currencies in which its portfolio securities are then denominated. A Series' subadviser will engage in such "cross hedging" activities when it believes that such transactions provide significant hedging opportunities for the Series. Cross hedging transactions by a Series involve the risk of imperfect correlation between changes in the values of the currencies to which such transactions relate and changes in the value of the currency or other asset or liability which is the subject of the hedge.

Foreign currency forward contracts, futures and options may be traded on foreign exchanges. Such transactions may not be regulated as effectively as similar transactions in the United States; may not involve a clearing mechanism and related guarantees; and are subject to the risk of governmental actions affecting trading in, or the prices of, foreign securities. The value of such positions also could be adversely affected by (i) other complex foreign political, legal and economic factors, (ii) lesser availability than in the United States of data on which to make trading decisions, (iii) delays in the relevant Series' ability to act upon economic events occurring in foreign markets during non-business hours in the United States, (iv) the imposition of different exercise and settlement terms and procedures and margin requirements than in the United States, and (v) lesser trading volume.

The types of derivative foreign currency exchange transactions most commonly employed by the Series are discussed below, although each Series is also permitted to engage in other similar transactions to the extent consistent with the Series' investment limitations and restrictions.

*Foreign Currency  
Forward Contracts*

A foreign currency forward contract involves an obligation to purchase or sell a specific currency at a future date, which may be any fixed number of days ("term") from the date of the contract agreed upon by the parties, at a price set at the time of the contract. These contracts are traded directly between currency traders (usually large commercial banks) and their customers.

A Series will specifically designate on its accounting records any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily in an amount not less than the value of the Series' total assets committed to forward foreign currency exchange contracts entered into for the purchase of a foreign currency. If the value of the securities specifically designated declines, additional cash or securities will be added so that the specifically designated amount is not less than the amount of the Series' commitments with respect to such contracts.

*Foreign Currency  
Futures Transactions*

Each Series may use foreign currency futures contracts and options on such futures contracts. Through the purchase or sale of such contracts, a Series may be able to achieve many of the same objectives attainable through the use of foreign currency forward contracts, but more effectively and possibly at a lower cost.

Unlike forward foreign currency exchange contracts, foreign currency futures contracts and options on foreign currency futures contracts are standardized as to amount and delivery period and are traded on

boards of trade and commodities exchanges. It is anticipated that such contracts may provide greater liquidity and lower cost than forward foreign currency exchange contracts.

Purchasers and sellers of foreign currency futures contracts are subject to the same risks that apply to the buying and selling of futures generally. In addition, there are risks associated with foreign currency futures contracts similar to those associated with options on foreign currencies. (See “Foreign Currency Options” and “Futures Contracts and Options on Futures Contracts”, each in this sub-section of the SAI.) The Series must accept or make delivery of the underlying foreign currency, through banking arrangements, in accordance with any U.S. or foreign restrictions or regulations regarding the maintenance of foreign banking arrangements by U.S. residents and may be required to pay any fees, taxes or charges associated with such delivery which are assessed in the issuing country.

To the extent required to comply with SEC Release No. IC-10666, when entering into a futures contract or an option transaction, a Series will specifically designate on its accounting records any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily equal to the net amount of the Series’ obligation. For foreign currency futures transactions, the prescribed amount will generally be the daily value of the futures contract, marked to market.

Futures contracts are designed by boards of trade which are designated “contracts markets” by the CFTC. Futures contracts trade on contracts markets in a manner that is similar to the way a stock trades on a stock exchange and the boards of trade, through their clearing corporations, guarantee performance of the contracts. As of the date of this SAI, the Series may invest in futures contracts under specified conditions without being regulated as commodity pools. However, under recently amended CFTC rules the Series’ ability to maintain the exclusions/exemptions from the definition of commodity pool may be limited. (See “Commodity Interests” in this section of the SAI.)

*Foreign Currency  
Options*

A foreign currency option provides the option buyer with the right to buy or sell a stated amount of foreign currency at the exercise price at a specified date or during the option period. A call option gives its owner the right, but not the obligation, to buy the currency, while a put option gives its owner the right, but not the obligation, to sell the currency. The option seller (writer) is obligated to fulfill the terms of the option sold if it is exercised. However, either seller or buyer may close its position during the option period for such options any time prior to expiration.

A call rises in value if the underlying currency appreciates. Conversely, a put rises in value if the underlying currency depreciates. While purchasing a foreign currency option can protect a Series against an adverse movement in the value of a foreign currency, it does not limit the gain which might result from a favorable movement in the value of such currency. For example, if the Series were holding securities denominated in an appreciating foreign currency and had purchased a foreign currency put to hedge against a decline in the value of the currency, it would not have to exercise its put. Similarly, if the Series had entered into a contract to purchase a security denominated in a foreign currency and had purchased a foreign currency call to hedge against a rise in the value of the currency but instead the currency had depreciated in value between the date of purchase and the settlement date, the Series would not have to exercise its call but could acquire in the spot market the amount of foreign currency needed for settlement.

The value of a foreign currency option depends upon the value of the underlying currency relative to the other referenced currency. As a result, the price of the option position may vary with changes in the value of either or both currencies and have no relationship to the investment merits of a foreign security, including foreign securities held in a “hedged” investment portfolio. Because foreign currency transactions occurring in the interbank market involve substantially larger amounts than those that may be involved in the use of foreign currency options, the Series may be disadvantaged by having to deal in an odd lot market (generally consisting of transactions of less than \$1 million) for the underlying foreign currencies at prices that are less favorable than for round lots.

As in the case of other kinds of options, the use of foreign currency options constitutes only a partial hedge, and a Series could be required to purchase or sell foreign currencies at disadvantageous exchange rates, thereby incurring losses. The purchase of an option on a foreign currency may not necessarily constitute an effective hedge against fluctuations in exchange rates and, in the event of rate movements adverse to the Series’ position, the Series may forfeit the entire amount of the premium plus related transaction costs.

Options on foreign currencies written or purchased by a Series may be traded on U.S. or foreign exchanges or over the counter. There is no systematic reporting of last sale information for foreign currencies traded over the counter or any regulatory requirement that quotations available through dealers or other market sources be firm or revised on a timely basis. Quotation information available is generally representative of very large transactions in the interbank market and thus may not reflect relatively smaller transactions (i.e., less than \$1 million) where rates may be less favorable. The interbank market in foreign currencies is a global, around-the-clock market. To the extent that the options markets are closed while the markets for the underlying currencies remain open, significant price and rate movements may take place in the underlying markets that are not reflected in the options market.

For additional information about options transactions, see “Options” under “Derivative Investments” in this section of the SAI.

*Foreign Currency  
Warrants*

Foreign currency warrants such as currency exchange warrants are warrants that entitle the holder to receive from the issuer an amount of cash (generally, for warrants issued in the United States, in U.S. dollars) that is calculated pursuant to a predetermined formula and based on the exchange rate between two specified currencies as of the exercise date of the warrant. Foreign currency warrants generally are exercisable upon their issuance and expire as of a specified date and time.

Foreign currency warrants may be used to reduce the currency exchange risk assumed by purchasers of a security by, for example, providing for a supplemental payment in the event the U.S. dollar depreciates against the value of a major foreign currency such as the Japanese Yen or Euro. The formula used to determine the amount payable upon exercise of a foreign currency warrant may make the warrant worthless unless the applicable foreign currency exchange rate moves in a particular direction (e.g., unless the U.S. dollar appreciates or depreciates against the particular foreign currency to which the warrant is linked or indexed).

Foreign currency warrants are severable from the debt obligations with which they may be offered, and may be listed on exchanges. Foreign currency warrants may be exercisable only in certain minimum amounts, and an investor wishing to exercise warrants who

possesses less than the minimum number required for exercise may be required either to sell the warrants or to purchase additional warrants, thereby incurring additional transaction costs. Upon exercise of warrants, there may be a delay between the time the holder gives instructions to exercise and the time the exchange rate relating to exercise is determined, thereby affecting both the market and cash settlement values of the warrants being exercised. The expiration date of the warrants may be accelerated if the warrants should be delisted from an exchange or if their trading should be suspended permanently, which would result in the loss of any remaining "time value" of the warrants (i.e., the difference between the current market value and the exercise value of the warrants), and, if the warrants were "out-of-the-money," in a total loss of the purchase price of the warrants.

Warrants are generally unsecured obligations of their issuers and are not standardized foreign currency options issued by the OCC. Unlike foreign currency options issued by OCC, the terms of foreign exchange warrants generally will not be amended in the event of governmental or regulatory actions affecting exchange rates or in the event of the imposition of other regulatory controls affecting the international currency markets. The initial public offering price of foreign currency warrants could be considerably in excess of the price that a commercial user of foreign currencies might pay in the interbank market for a comparable option involving larger amounts of foreign currencies. Foreign currency warrants are subject to significant foreign exchange risk, including risks arising from complex political or economic factors.

*Performance Indexed  
Paper*

Performance indexed paper is commercial paper the yield of which is linked to certain currency exchange rate movements. The yield to the investor on performance indexed paper is established at maturity as a function of spot exchange rates between the designated currencies as of or about the time (generally, the index maturity two days prior to maturity). The yield to the investor will be within a range stipulated at the time of purchase of the obligation, generally with a guaranteed minimum rate of return that is below, and a potential maximum rate of return that is above, market yields on commercial paper, with both the minimum and maximum rates of return on the investment corresponding to the minimum and maximum values of the spot exchange rate two business days prior to maturity.

*Principal Exchange  
Rate Linked Securities  
("PERLS")*

PERLS are debt obligations the principal on which is payable at maturity in an amount that may vary based on the exchange rate between the particular currencies at or about that time. The return on "standard" principal exchange rate linked securities is enhanced if the currency to which the security is linked appreciates against the base currency, and is adversely affected by increases in the exchange value of the base currency. "Reverse" PERLS are like the "standard" securities, except that their return is enhanced by increases in the value of the base currency and adversely impacted by increases in the value of other currency. Interest payments on the securities are generally made at rates that reflect the degree of currency risk assumed or given up by the purchaser of the notes (i.e., at relatively higher interest rates if the purchaser has assumed some of the currency exchange risk, or relatively lower interest rates if the issuer has assumed some of the currency exchange risk, based on the expectations of the current market). PERLS may in limited cases be subject to acceleration of maturity (generally, not without the consent of the holders of the securities), which may have an adverse impact on the value of the principal payment to be made at maturity.

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<p><b><i>Futures Contracts and Options on Futures Contracts</i></b></p>	<p>Each Series may use interest rate, foreign currency, dividend, volatility or index futures contracts. An interest rate, foreign currency, dividend, or index futures contract provides for the future sale by one party and purchase by another party of a specified quantity of a financial instrument, foreign currency, dividend basket or the cash value of an index at a specified price and time. A futures contract on an index is an agreement pursuant to which two parties agree to take or make delivery of an amount of cash equal to the difference between the value of the index at the close of the last trading day of the contract and the price at which the index contract was originally written. Although the value of an index might be a function of the value of certain specified securities, no physical delivery of these securities is made. A public market exists in futures contracts covering several indexes as well as a number of financial instruments and foreign currencies, and it is expected that other futures contracts will be developed and traded in the future. Interest rate and volatility futures contracts currently are traded in the United States primarily on the floors of the Chicago Board of Trade and the International Monetary Market of the Chicago Mercantile Exchange. Interest rate futures also are traded on foreign exchanges such as the London International Financial Futures Exchange and the Singapore International Monetary Exchange. Volatility futures also are traded on foreign exchanges such as Eurex. Dividend futures are also traded on foreign exchanges such as Eurex, NYSE Euronext Liffe, London Stock Exchange and the Singapore International Monetary Exchange.</p> <p>A Series may purchase and write call and put options on futures. Futures options possess many of the same characteristics as options on securities and indexes discussed above. A futures option gives the holder the right, in return for the premium paid, to assume a long position (call) or short position (put) in a futures contract at a specified exercise price at any time during the period of option. Upon exercise of a call option, the holder acquires a long position in the futures contract and the writer is assigned the opposite short position. In the case of a put option, the opposite is true.</p> <p>Except as otherwise described in this SAI, the Series will limit their use of futures contracts and futures options to hedging transactions and in an attempt to increase total return, in accordance with federal regulations. The costs of, and possible losses incurred from, futures contracts and options thereon may reduce the Series' current income and involve a loss of principal. Any incremental return earned by the Series resulting from these transactions would be expected to offset anticipated losses or a portion thereof.</p> <p>The Series will only enter into futures contracts and futures options which are standardized and traded on a U.S. or foreign exchange, board of trade, or similar entity, or quoted on an automated quotation system.</p> <p>When a purchase or sale of a futures contract is made by a Series, the Series is required to deposit with its custodian (or broker, if legally permitted) a specified amount of cash or U.S. Government securities ("initial margin"). The margin required for a futures contract is set by the exchange on which the contract is traded and may be modified during the term of the contract. The initial margin is in the nature of a performance bond or good faith deposit on the futures contract which is returned to the Series upon termination of the contract, assuming all contractual obligations have been satisfied. The Series expect to earn interest income on their initial margin deposits. A futures contract held by a Series is valued daily at the official settlement price of the exchange on which it is traded. Each day the Series pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking to market."</p>	<p>No Series will purchase or sell any financial futures contract or related option for non-bona fide hedging purposes if, immediately thereafter, the sum of the cash or U.S. Treasury bills committed with respect to its existing futures and related options positions and the premiums paid for related options would exceed 5% of the market value of its total assets.</p> <p>No Series may enter into a futures contract for the delivery of a security if, immediately thereafter, the value of the securities called for by all of such Series' outstanding futures contracts (for both receipt and delivery) would exceed 10% of the market value of such Series' total assets.</p>

Variation margin does not represent a borrowing or loan by the Series but is instead a settlement between the Series and the broker of the amount one would owe the other if the futures contract expired. In computing daily NAV, the Series will mark to market its open futures positions.

The Series are also required to deposit and maintain margin with respect to put and call options on futures contracts written by them. Such margin deposits will vary depending on the nature of the underlying futures contract (and the related initial margin requirements), the current market value of the option, and other futures positions held by the relevant Series.

To the extent required to comply with SEC Release No. IC-10666, when entering into a futures contract or an option on a futures contract, a Series will specifically designate on its accounting records any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily equal to the prescribed amount.

Futures contracts are designed by boards of trade which are designated "contracts markets" by the CFTC. Futures contracts trade on contracts markets in a manner that is similar to the way a stock trades on a stock exchange and the boards of trade, through their clearing corporations, guarantee performance of the contracts. A Series' ability to claim an exclusion or exemption from the definition of a commodity pool may be limited when the Series invests in futures contracts. (See "Commodity Interests" in this SAI.)

The requirements of the Code for qualification as a regulated investment company also may limit the extent to which a Series may enter into futures, futures options or forward contracts. (See the "Dividends, Distributions and Taxes" section of this SAI.)

Although some futures contracts call for making or taking delivery of the underlying securities, generally these obligations are closed out prior to delivery by offsetting purchases or sales of matching futures contracts (same exchange, underlying security or index, and delivery month). If an offsetting purchase price is less than the original sale price, the Series realizes a capital gain, or if it is more, the Series realizes a capital loss. Conversely, if an offsetting sales price is more than the original purchase price, the Series realizes a capital gain, or if it is less, the Series realizes a capital loss. The transaction costs must also be included in these calculations.

Positions in futures contracts and related options may be closed out only on an exchange which provides a secondary market for such contracts or options. The Series will enter into an option or futures position only if there appears to be a liquid secondary market. However, there can be no assurance that a liquid secondary market will exist for any particular option or futures contract at any specific time. Thus, it may not be possible to close out a futures or related option position. In the case of a futures position, in the event of adverse price movements the Series would continue to be required to make daily margin payments. In this situation, if the Series has insufficient cash to meet daily margin requirements it may have to sell portfolio securities to meet its margin obligations at a time when it may be disadvantageous to do so. In addition, the Series may be required to take or make delivery of the securities underlying the futures contracts it holds. The inability to close out futures positions also could have an adverse impact on the Series' ability to hedge its portfolio effectively.

There are several risks in connection with the use of futures contracts as a hedging device. While hedging can provide protection against an adverse movement in market prices, it can also limit a hedger's opportunity to benefit fully from a favorable market movement. In addition, investing in futures contracts and options on futures contracts will cause the Series to incur additional brokerage commissions and may cause an increase in the Series' portfolio turnover rate.

The successful use of futures contracts and related options may also depend on the ability of the relevant Series' subadviser to forecast correctly the direction and extent of market movements, interest rates and other market factors within a given time frame. To the extent market prices remain stable during the period a futures contract or option is held by a Series or such prices move in a direction opposite to that anticipated, the Series may realize a loss on the transaction which is not offset by an increase in the value of its portfolio securities. Options and futures may also fail as a hedging technique in cases where the movements of the securities underlying the options and futures do not follow the price movements of the hedged portfolio securities. As a result, the Series' total return for the period may be less than if it had not engaged in the hedging transaction. The loss from investing in futures transactions is potentially unlimited.

Utilization of futures contracts by a Series involves the risk of imperfect correlation in movements in the price of futures contracts and movements in the price of the securities which are being hedged. If the price of the futures contract moves more or less than the price of the securities being hedged, the Series will experience a gain or loss which will not be completely offset by movements in the price of the securities. It is possible that, where a Series has sold futures contracts to hedge its portfolio against a decline in the market, the market may advance and the value of securities held in the Series' portfolio may decline. If this occurred, the Series would lose money on the futures contract and would also experience a decline in value in its portfolio securities. Where futures are purchased to hedge against a possible increase in the prices of securities before the Series is able to invest its cash (or cash equivalents) in securities (or options) in an orderly fashion, it is possible that the market may decline; if the Series then determines not to invest in securities (or options) at that time because of concern as to possible further market decline or for other reasons, the Series will realize a loss on the futures that would not be offset by a reduction in the price of the securities purchased.

The market prices of futures contracts may be affected if participants in the futures market elect to close out their contracts through off-setting transactions rather than to meet margin deposit requirements. In such case, distortions in the normal relationship between the cash and futures markets could result. Price distortions could also result if investors in futures contracts opt to make or take delivery of the underlying securities rather than to engage in closing transactions because such action would reduce the liquidity of the futures market. In addition, from the point of view of speculators, because the deposit requirements in the futures markets are less onerous than margin requirements in the cash market, increased participation by speculators in the futures market could cause temporary price distortions. Due to the possibility of price distortions in the futures market and because of the imperfect correlation between movements in the prices of securities and movements in the prices of futures contracts, a correct forecast of market trends may still not result in a successful hedging transaction.

Compared to the purchase or sale of futures contracts, the purchase of put or call options on futures contracts involves less potential risk for the Series because the maximum amount at risk is the premium paid for the options plus transaction costs. However, there may be circumstances when the purchase of an option on a futures contract would result in a loss to the Series while the purchase or sale of the futures contract would not have resulted in a loss, such as when there is no movement in the price of the underlying securities.

For additional information about options transactions, see “Options” under “Derivative Investments” in this section of the SAI.

***Mortgage-Related  
and Other Asset-  
Backed Securities***

Each Series may purchase mortgage-related and other asset-backed securities, which collectively are securities backed by mortgages, installment contracts, credit card receivables or other financial assets. Asset-backed securities represent interests in “pools” of assets in which payments of both interest and principal on the securities are made periodically, thus in effect “passing through” such payments made by the individual borrowers on the assets that underlie the securities, net of any fees paid to the issuer or guarantor of the securities. The average life of asset-backed securities varies with the maturities of the underlying instruments, and the average life of a mortgage-backed instrument, in particular, is likely to be less than the original maturity of the mortgage pools underlying the securities as a result of mortgage prepayments, where applicable. For this and other reasons, an asset-backed security’s stated maturity may be different, and the security’s total return may be difficult to predict precisely.

If an asset-backed security is purchased at a premium, a prepayment rate that is faster than expected will reduce yield to maturity, while a prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity. Conversely, if an asset-backed security is purchased at a discount, faster than expected prepayments will increase yield to maturity, while slower than expected prepayments will decrease yield to maturity.

Prepayments of principal of mortgage-related securities by mortgagors or mortgage foreclosures affect the average life of the mortgage-related securities in the Series’ portfolio. Mortgage prepayments are affected by the level of interest rates and other factors, including general economic conditions and the underlying location and age of the mortgage. In periods of rising interest rates, the prepayment rate tends to decrease, lengthening the average life of a pool of mortgage-related securities. The longer the remaining maturity of a security the greater the effect of interest rate changes will be. Changes in the ability of an issuer to make payments of interest and principal and in the market’s perception of its creditworthiness also affect the market value of that issuer’s debt securities.

In periods of falling interest rates, the prepayment rate tends to increase, shortening the average life of a pool. Because prepayments of principal generally occur when interest rates are declining, it is likely that the Series, to the extent that it retains the same percentage of debt securities, may have to reinvest the proceeds of prepayments at lower interest rates than those of its previous investments. If this occurs, that Series’ yield will correspondingly decline. Thus, mortgage-related securities may have less potential for capital appreciation in periods of falling interest rates than other fixed income securities of comparable duration, although they may have a comparable risk of decline in market value in periods of rising interest rates. To the extent that the Series purchases mortgage-related securities at a premium, unscheduled prepayments, which are made at par, result in a loss equal to any unamortized premium.

Duration is one of the fundamental tools used by a Series' subadviser in managing interest rate risks including prepayment risks. Traditionally, a debt security's "term to maturity" characterizes a security's sensitivity to changes in interest rates. "Term to maturity," however, measures only the time until a debt security provides its final payment, taking no account of prepayment payments. Most debt securities provide interest ("coupon") payments in addition to a final ("par") payment at maturity, and some securities have call provisions allowing the issuer to repay the instrument in full before maturity date, each of which affect the security's response to interest rate changes. "Duration" therefore is generally considered a more precise measure of interest rate risk than "term to maturity." Determining duration may involve a subadviser's estimates of future economic parameters, which may vary from actual future values. Generally, fixed income securities with longer effective durations are more responsive to interest rate fluctuations than those with shorter effective durations. For example, if interest rates rise by 1%, the value of securities having an effective duration of three years will generally decrease by approximately 3%.

Descriptions of some of the different types of mortgage-related and other asset-backed securities most commonly acquired by the Series are provided below. In addition to those shown, other types of mortgage-related and asset-backed investments are, or may become, available for investment by the Series.

*Collateralized  
Mortgage Obligations  
("CMOs")*

CMOs are hybrid instruments with characteristics of both mortgage-backed and mortgage pass-through securities. Interest and prepaid principal on a CMO are paid, in most cases, monthly. CMOs may be collateralized by whole mortgage loans but are more typically collateralized by portfolios of mortgage pass-through securities guaranteed by entities such as GNMA, FHLMC, or FNMA, and their income streams.

CMOs are typically structured in multiple classes, each bearing a different stated maturity. Actual maturity and average life will depend upon the prepayment experience of the collateral. CMOs provide for a modified form of call protection through a de facto breakdown of the underlying pool of mortgages according to how quickly the loans are repaid. Monthly payment of principal received from the pool of underlying mortgages, including prepayments, is first returned to investors holding the shortest maturity class. Investors holding the longer maturity classes typically receive principal only after the first class has been retired. An investor may be partially guarded against a sooner than desired return of principal because of the sequential payments.

FHLMC CMOs are debt obligations of FHLMC issued in multiple classes having different maturity dates and are secured by the pledge of a pool of conventional mortgage loans purchased by FHLMC. The amount of principal payable on each monthly payment date is determined in accordance with FHLMC's mandatory sinking fund schedule. Sinking fund payments in the CMOs are allocated to the retirement of the individual classes of bonds in the order of their stated maturities. Payments of principal on the mortgage loans in the collateral pool in excess of the amount of FHLMC's minimum sinking fund obligation for any payment date are paid to the holders of the CMOs as additional sinking-fund payments. Because of the "pass-through" nature of all principal payments received on the collateral pool in excess of FHLMC's minimum sinking fund requirement, the rate at which principal of the CMOs is actually repaid is likely to be such that each class of bonds will be retired in advance of its scheduled maturity date. If collection of principal (including

Investment Technique

Description and Risks

Series-Specific  
Limitations

prepayments) on the mortgage loans during any semiannual payment period is not sufficient to meet FHLMC's minimum sinking fund obligation on the next sinking fund payment date, FHLMC agrees to make up the deficiency from its general funds.

*CMO Residuals*

CMO residuals are derivative mortgage securities issued by agencies or instrumentalities of the U.S. Government or by private originators of, or investors in, mortgage loans. As described above, the cash flow generated by the mortgage assets underlying a series of CMOs is applied first to make required payments of principal and interest on the CMOs and second to pay the related administrative expenses of the issuer. The "residual" in a CMO structure generally represents the interest in any excess cash flow remaining after making the foregoing payments. Each payment of such excess cash flow to a holder of the related CMO residual represents income and/or a return of capital. The amount of residual cash flow resulting from a CMO will depend on, among other things, the characteristics of the mortgage assets, the coupon rate of each class of CMO, prevailing interest rates, the amount of administrative expenses and, in particular, the prepayment experience on the mortgage assets. In addition, if a series of a CMO includes a class that bears interest at an adjustable rate, the yield to maturity on the related CMO residual will also be extremely sensitive to changes in the level of the index upon which interest rate adjustments are based. In certain circumstances a Series may fail to recoup fully its initial investment in a CMO residual.

CMO residuals are generally purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers. The CMO residual market currently may not have the liquidity of other more established securities trading in other markets. CMO residuals may be subject to certain restrictions on transferability, may be deemed illiquid and therefore subject to the Series' limitations on investment in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.)

*Mortgage Pass-through Securities*

Mortgage pass-through securities are interests in pools of mortgage loans, assembled and issued by various governmental, government-related, and private organizations. Unlike other forms of debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates, these securities provide a monthly payment consisting of both interest and principal payments. In effect, these payments are a "pass-through" of the monthly payments made by the individual borrowers on their residential or commercial mortgage loans, net of any fees paid to the issuer or guarantor of such securities. Additional payments are caused by repayments of principal resulting from the sale of the underlying property, refinancing or foreclosure, net of fees or costs. "Modified pass-through" securities (such as securities issued by GNMA) entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, at the scheduled payment dates regardless of whether or not the mortgagor actually makes the payment.

The principal governmental guarantor of U.S. mortgage-related securities is GNMA. GNMA is authorized to guarantee, with the full faith and credit of the United States Government, the timely payment of principal and interest on securities issued by institutions approved by GNMA (such as savings and loan institutions, commercial banks and mortgage bankers) and backed by pools of Federal Housing Administration insured or Veterans Administration guaranteed mortgages. Government-related guarantors whose obligations are not backed by the full faith and credit of the United States Government include FNMA and FHLMC. FNMA purchases conventional (i.e., not insured or guaranteed by any government agency) residential

mortgages from a list of approved seller/servicers which include state and federally chartered savings and loan associations, mutual savings banks, commercial banks and credit unions and mortgage bankers. FHLMC issues Participation Certificates that represent interests in conventional mortgages from FHLMC's national portfolio. FNMA and FHLMC guarantee the timely payment of interest and ultimate collection of principal on securities they issue, but the securities they issue are neither issued nor guaranteed by the United States Government.

Commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers also create pass-through pools of conventional residential mortgage loans. Such issuers may, in addition, be the originators and/or servicers of the underlying mortgage loans as well as the guarantors of the mortgage-related securities. Pools created by such non-governmental issuers generally offer a higher rate of interest than government and government-related pools because there are no direct or indirect government or agency guarantees of payments for such securities. However, timely payment of interest and principal of these pools may be supported by various forms of insurance or guarantees, including individual loan, title, pool and hazard insurance and letters of credit. The insurance and guarantees are issued by governmental entities, private insurers and the mortgage poolers. Such insurance and guarantees and the creditworthiness of the issuers thereof will be considered in determining whether a mortgage-related security meets a Series' investment quality standards. There can be no assurance that the private insurers or guarantors can meet their obligations under the insurance policies or guarantee arrangements. A Series may buy mortgage-related securities without insurance or guarantees if, through an examination of the loan experience and practices of the originator/servicers and poolers, the Series' subadviser determines that the securities meet the Series' quality standards. Securities issued by certain private organizations may not be readily marketable and may therefore be subject to the Series' limitations on investments in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.)

Mortgage-backed securities that are issued or guaranteed by the U.S. Government, its agencies or instrumentalities, are not subject to the Series' industry concentration restrictions set forth in the "Investment Restrictions" section of this SAI by virtue of the exclusion from the test available to all U.S. Government securities. The assets underlying such securities may be represented by a portfolio of first lien residential mortgages (including both whole mortgage loans and mortgage participation interests) or portfolios of mortgage pass-through securities issued or guaranteed by GNMA, FNMA or FHLMC. Mortgage loans underlying a mortgage-related security may in turn be insured or guaranteed by the Federal Housing Administration or the Department of Veterans Affairs.

The Series will take the position that privately-issued, mortgage-related securities, and other asset-backed securities, do not represent interests in any particular "industry" or group of industries. Instead, the Series will consider the assets underlying such securities when determining the industry of such securities for purposes of the Series' industry concentration restrictions set forth in the "Investment Restrictions" section of this SAI. In the case of private issue mortgage-related securities whose underlying assets are neither U.S. Government securities nor U.S. Government-insured mortgages, to the extent that real properties securing such assets may be located in the same geographical region, the security may be subject to a greater risk of default than other comparable securities in the event of adverse economic, political or business developments that may affect

such region and, ultimately, the ability of residential homeowners to make payments of principal and interest on the underlying mortgages.

It is possible that the availability and the marketability (that is, liquidity) of the securities discussed in this section could be adversely affected by the actions of the U.S. Government to tighten the availability of its credit. On September 7, 2008, the FHFA, an agency of the U.S. Government, placed FNMA and FHLMC into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA will act as the conservator to operate FNMA and FHLMC until they are stabilized. The conservatorship is still in effect as of the date of this SAI and has no specified termination date. There can be no assurance as to when or how the conservatorship will be terminated or whether FNMA or FHLMC will continue to exist following the conservatorship or what their respective business structures will be during or following the conservatorship. FHFA, as conservator, has the power to repudiate any contract entered into by FNMA or FHLMC prior to its appointment if it determines that performance of the contract is burdensome and repudiation of the contract promotes the orderly administration of FNMA's or FHLMC's affairs. Furthermore, FHFA has the right to transfer or sell any asset or liability of FNMA or FHLMC without any approval, assignment or consent. If FHFA were to transfer any such guarantee obligation to another party, holders of FNMA or FHLMC mortgage-backed securities would have to rely on that party for satisfaction of the guarantee obligation and would be exposed to the credit risk of that party.

*Other Asset-Backed  
Securities*

Through trusts and other special purpose entities, various types of securities based on financial assets other than mortgage loans are increasingly available, in both pass-through structures similar to mortgage pass-through securities described above and in other structures more like CMOs. As with mortgage-related securities, these asset-backed securities are often backed by a pool of financial assets representing the obligations of a number of different parties. They often include credit-enhancement features similar to mortgage-related securities.

Financial assets on which these securities are based include automobile receivables; credit card receivables; loans to finance boats, recreational vehicles, and mobile homes; computer, copier, railcar, and medical equipment leases; and trade, healthcare, and franchise receivables. In general, the obligations supporting these asset-backed securities are of shorter maturities than mortgage loans and are less likely to experience substantial prepayments. However, obligations such as credit card receivables are generally unsecured and the obligors are often entitled to protection under a number of consumer credit laws granting, among other things, rights to set off certain amounts owed on the credit cards, thus reducing the balance due. Other obligations that are secured, such as automobile receivables, may present issuers with difficulties in perfecting and executing on the security interests, particularly where the issuer allows the servicers of the receivables to retain possession of the underlying obligations, thus increasing the risk that recoveries on defaulted obligations may not be adequate to support payments on the securities.

*Stripped Mortgage-  
backed Securities  
("SMBS")*

SMBS are derivative multi-class mortgage securities. They may be issued by agencies or instrumentalities of the U.S. Government, or by private originators of, or investors in, mortgage loans. SMBS are usually structured with two classes that receive different proportions of the interest and principal distributions on a pool of mortgage assets. A common type of SMBS will have one class receiving some of the interest and most of the principal from the mortgage assets,

while the other class will receive most of the interest and the remainder of the principal. In the most extreme case, one class will receive all of the interest (the interest-only or "IO" class), while the other class will receive all of the principal (the principal-only or "PO" class). The yield to maturity on an IO class security is extremely sensitive to the rate of principal payments (including prepayments) on the related underlying mortgage assets, and a rapid rate of principal payments may have a material adverse effect on a Series' yield to maturity from these securities. If the underlying mortgage assets experience greater than anticipated prepayments of principal, the Series may fail to recoup fully its initial investment in these securities even if the security is in one of the highest rating categories. The market value of the PO class generally is unusually volatile in response to changes in interest rates.

Although SMBS are purchased and sold by institutional investors through several investment banking firms acting as brokers or dealers, these securities were only recently developed. As a result, established trading markets have not yet developed and, accordingly, these securities may be deemed illiquid and therefore subject to the Series' limitations on investment in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.)

Each Series may invest in other mortgage-related securities with features similar to those described above, to the extent consistent with the relevant Series' investment objectives and policies.

### Options

Each Series may purchase or sell put and call options on securities, indices and other financial instruments. Options may relate to particular securities, foreign and domestic securities indices, financial instruments, volatility, credit default, foreign currencies or the yield differential between two securities. Such options may or may not be listed on a domestic or foreign securities exchange and may or may not be issued by the OCC.

A call option for a particular security gives the purchaser of the option the right to buy, and a writer the obligation to sell, the underlying security at the stated exercise price before the expiration of the option, regardless of the market price of the security. A premium is paid to the writer by the purchaser in consideration for undertaking the obligation under the option contract. A put option for a particular security gives the purchaser the right to sell and a writer the obligation to buy the security at the stated exercise price before the expiration date of the option, regardless of the market price of the security.

To the extent required to comply with SEC Release No. IC-10666, options written by a Series will be covered and will remain covered as long as the Series is obligated as a writer. A call option is "covered" if the Series owns the underlying security or its equivalent covered by the call or has an absolute and immediate right to acquire that security without additional cash consideration (or for additional cash consideration if such cash is segregated) upon conversion or exchange of other securities held in its portfolio. A call option is also covered if the Series holds on a share-for-share or equal principal amount basis a call on the same security as the call written where the exercise price of the call held is equal to or less than the exercise price of the call written or greater than the exercise price of the call written if appropriate liquid assets representing the difference are segregated by the Series. A put option is "covered" if the Series maintains appropriate liquid securities with a value equal to the exercise price, or owns on a share-for-share or equal principal amount basis a put on the same security as the put written where the exercise price of the put held is equal to or greater than the exercise price of the put written.

Each Series may invest up to an aggregate of 5% of its total assets in exchange-traded or over-the-counter call and put options on securities, securities indices and foreign currencies.

No Series may write options on more than 50% of its total assets.

Immediately after entering into an opening option position, the total value of all open option positions based on exercise price will not exceed 10% of the Strategic Allocation Series' total assets.

The Newfleet Multi-Sector Intermediate Bond Series may only purchase a call option to terminate a previously written call option.

A Series' obligation to sell an instrument subject to a covered call option written by it, or to purchase an instrument subject to a secured put option written by it, may be terminated before the expiration of the option by the Series' execution of a closing purchase transaction. This means that a Series buys an option of the same series (i.e., same underlying instrument, exercise price and expiration date) as the option previously written. Such a purchase does not result in the ownership of an option. A closing purchase transaction will ordinarily be effected to realize a profit on an outstanding option, to prevent an underlying instrument from being called, to permit the sale of the underlying instrument or to permit the writing of a new option containing different terms on such underlying instrument. The cost of such a closing purchase plus related transaction costs may be greater than the premium received upon the original option, in which event the Series will experience a loss. There is no assurance that a liquid secondary market will exist for any particular option. A Series that has written an option and is unable to effect a closing purchase transaction will not be able to sell the underlying instrument (in the case of a covered call option) or liquidate the segregated assets (in the case of a secured put option) until the option expires or the optioned instrument is delivered upon exercise. The Series will be subject to the risk of market decline or appreciation in the instrument during such period.

To the extent required to comply with SEC Release No. IC-10666, when entering into an option transaction, a Series will specifically designate on its accounting records any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily equal to the market value of the security or index on which the option is written. For options transactions, the prescribed amount will generally be the market value of the underlying instrument but will not be less than the exercise price.

Options purchased are recorded as an asset and written options are recorded as liabilities to the extent of premiums paid or received. The amount of this asset or liability will be subsequently marked-to-market to reflect the current value of the option purchased or written. The current value of the traded option is the last sale price or, in the absence of a sale, the current bid price. If an option purchased by a Series expires unexercised, the Series will realize a loss equal to the premium paid. If a Series enters into a closing sale transaction on an option purchased by it, the Series will realize a gain if the premium received by the Series on the closing transaction is more than the premium paid to purchase the option, or a loss if it is less. If an option written by a Series expires on the stipulated expiration date or if a Series enters into a closing purchase transaction, it will realize a gain (or loss if the cost of a closing purchase transaction exceeds the net premium received when the option is sold), and the liability related to such option will be eliminated. If an option written by a Series is exercised, the proceeds of the sale will be increased by the net premium originally received and the Series will realize a gain or loss.

Options trading is a highly specialized activity that entails more complex and potentially greater than ordinary investment risk. Options may be more volatile than the underlying instruments and, therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying instruments themselves.

There are several other risks associated with options. For example, there are significant differences among the securities, currency, volatility, credit default and options markets that could result in an imperfect correlation among these markets, causing a given

transaction not to achieve its objectives. In addition, a liquid secondary market for particular options, whether traded over-the-counter or on an exchange, may be absent for reasons that include the following: there may be insufficient trading interest in certain options; restrictions may be imposed by an exchange on opening transactions or closing transactions or both; trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of options or underlying securities or currencies; unusual or unforeseen circumstances may interrupt normal operations on an exchange; the facilities of an exchange or the OCC may not at all times be adequate to handle current trading value; or one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of options (or a particular class or series of options), in which event the secondary market on that exchange (or in that class or series of options) would cease to exist, although outstanding options that had been issued by the OCC as a result of trades on that exchange would continue to be exercisable in accordance with their terms.

The staff of the SEC currently takes the position that options not traded on registered domestic securities exchanges and the assets used to cover the amount of the Series' obligation pursuant to such options are illiquid, and are therefore subject to each Series' limitation on investments in illiquid securities. However, for options written with "primary dealers" in U.S. Government securities pursuant to an agreement requiring a closing transaction at the formula price, the amount considered to be illiquid may be calculated by reference to a formula price. (See "Illiquid and Restricted Securities" in this section of the SAI.)

*Options on Indexes  
and "Yield Curve"  
Options*

Each Series may enter into options on indexes or options on the "spread," or yield differential, between two fixed income securities, in transactions referred to as "yield curve" options. Options on indexes and yield curve options provide the holder with the right to make or receive a cash settlement upon exercise of the option. With respect to options on indexes, the amount of the settlement will equal the difference between the closing price of the index at the time of exercise and the exercise price of the option expressed in dollars, times a specified multiple. With respect to yield curve options, the amount of the settlement will equal the difference between the yields of designated securities.

With respect to yield curve options, a call or put option is covered if a Series holds another call or put, respectively, on the spread between the same two securities and maintains in a segregated account liquid assets sufficient to cover the Series' net liability under the two options. Therefore, the Series' liability for such a covered option is generally limited to the difference between the amount of the Series' liability under the option it wrote less the value of the option it holds. A Series may also cover yield curve options in such other manner as may be in accordance with the requirements of the counterparty with which the option is traded and applicable laws and regulations.

The trading of these types of options is subject to all of the risks associated with the trading of other types of options. In addition, however, yield curve options present risk of loss even if the yield of one of the underlying securities remains constant, if the spread moves in a direction or to an extent which was not anticipated.

*Reset Options*

In certain instances, a Series may purchase or write options on U.S. Treasury securities, which provide for periodic adjustment of the strike price and may also provide for the periodic adjustment of the premium during the term of each such option. Like other types of options, these

transactions, which may be referred to as “reset” options or “adjustable strike” options grant the purchaser the right to purchase (in the case of a call) or sell (in the case of a put), a specified type of U.S. Treasury security at any time up to a stated expiration date (or, in certain instances, on such date). In contrast to other types of options, however, the price at which the underlying security may be purchased or sold under a “reset” option is determined at various intervals during the term of the option, and such price fluctuates from interval to interval based on changes in the market value of the underlying security. As a result, the strike price of a “reset” option, at the time of exercise, may be less advantageous than if the strike price had been fixed at the initiation of the option. In addition, the premium paid for the purchase of the option may be determined at the termination, rather than the initiation, of the option. If the premium for a reset option written by a Series is paid at termination, the Series assumes the risk that (i) the premium may be less than the premium which would otherwise have been received at the initiation of the option because of such factors as the volatility in yield of the underlying Treasury security over the term of the option and adjustments made to the strike price of the option, and (ii) the option purchaser may default on its obligation to pay the premium at the termination of the option. Conversely, where a Series purchases a reset option, it could be required to pay a higher premium than would have been the case at the initiation of the option.

**Swaptions**

A Series may enter into swaption contracts, which give the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date. Over-the-counter swaptions, although providing greater flexibility, may involve greater credit risk than exchange-traded options as they are not backed by the clearing organization of the exchanges where they are traded, and as such, there is a risk that the seller will not settle as agreed. A Series' financial liability associated with swaptions is linked to the marked-to-market value of the notional underlying investments. Purchased swaption contracts are exposed to a maximum loss equal to the price paid for the option/swaption (the premium) and no further liability. Written swaptions, however, give the right of potential exercise to a third party, and the maximum loss to the Series in the case of an uncovered swaption is unlimited.

**Swap Agreements**

Each Series may enter into swap agreements on, among other things, interest rates, indices, securities and currency exchange rates. A Series' subadviser may use swaps in an attempt to obtain for the Series a particular desired return at a lower cost to the Series than if the Series had invested directly in an instrument that yielded that desired return. Swap agreements are two-party contracts entered into primarily by institutional investors for periods typically ranging from a few weeks to more than one year. In a standard “swap” transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be exchanged or “swapped” between the parties are calculated with respect to a “notional amount,” i.e., the return on or increase in value of a particular dollar amount invested at a particular interest rate, in a particular foreign currency, or in a “basket” of securities representing a particular index. The “notional amount” of the swap agreement is only a fictive basis on which to calculate the obligations the parties to a swap agreement have agreed to exchange. A Series' obligations (or rights) under a swap agreement will generally be equal only to the amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the “net amount”). A Series' obligations under a swap agreement will be accrued daily on the Series' accounting records (offset against any amounts owing to

the Series) and any accrued but unpaid net amounts owed to a swap counterparty will be covered by specifically designating on the accounting records of the Series liquid assets to avoid leveraging of the Series' portfolio.

Because swap agreements are two-party contracts and may have terms of greater than seven days, they may be considered to be illiquid and therefore subject to the Series' limitations on investment in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.) Moreover, the Series bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. A Series' subadviser will cause the Series to enter into swap agreements only with counterparties that would be eligible for consideration as repurchase agreement counterparties under the Series' repurchase agreement guidelines. (See "Repurchase Agreements" in this section of the SAI.) Certain restrictions imposed on the Series by the Code may limit the Series' ability to use swap agreements. (See the "Dividends, Distributions and Taxes" section of this SAI.) The swaps market is a relatively new market and is largely unregulated. It is possible that developments in the swaps market, including potential government regulation, could adversely affect a Series' ability to terminate existing swap agreements or to realize amounts to be received under such agreements.

Certain swap agreements are exempt from most provisions of the CEA and, therefore, are not regulated as futures or commodity option transactions under the CEA, pursuant to regulations of the CFTC. To qualify for this exemption, a swap agreement must be entered into by eligible participants and must meet certain conditions (each pursuant to the CEA and regulations of the CFTC). However, recent CFTC rule amendments dictate that certain swap agreements be considered commodity interests for purposes of the CEA. (See "Commodity Interests" in this section of the SAI for additional information regarding the implications of investments being considered commodity interests under the CEA.)

Recently, the SEC and the CFTC have developed rules under the Dodd-Frank Wall Street Reform and Consumer Protection Act to create a new, comprehensive regulatory framework for swap transactions. Under the new regulations, certain swap transactions will be required to be executed on a regulated trading platform and cleared through a derivatives clearing organization. Additionally, the new regulations impose other requirements on the parties entering into swap transactions, including requirements relating to posting margin, and reporting and documenting swap transactions. A Series engaging in swap transactions may incur additional expenses as a result of these new regulatory requirements. The Adviser is continuing to monitor the implementation of the new regulations and to assess their impact on the Series.

*Credit Default Swap  
Agreements*

Each Series may enter into credit default swap agreements. A credit default swap is a bilateral financial contract in which one party (the protection buyer) pays a periodic fee in return for a contingent payment by the protection seller following a credit event of a reference issuer. The protection buyer must either sell particular obligations issued by the reference issuer for its par value (or some other designated reference or strike price) when a credit event occurs or receive a cash settlement based on the difference between the market price and such reference price. A credit event is commonly defined as bankruptcy, insolvency, receivership, material adverse restructuring of debt, or failure to meet payment obligations when due. A Series may be either the buyer or seller in the transaction. If a Series is a buyer and no event of default occurs, the Series loses its investment

and recovers nothing; however, if an event of default occurs, the Series receives full notional value for a reference obligation that may have little or no value. As a seller, a Series receives a periodic fee throughout the term of the contract, provided there is no default event; if an event of default occurs, the Series must pay the buyer the full notional value of the reference obligation. The value of the reference obligation received by the Series as a seller, coupled with the periodic payments previously received, may be less than the full notional value the Series pays to the buyer, resulting in a loss of value to the Series.

As with other swaps, when a Series enters into a credit default swap agreement, to the extent required by applicable law and regulation the Series will specifically designate on its accounting records any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily, equal to the Series' net exposure under the swap (the "Segregated Assets"). Generally, the minimum cover amount for a swap agreement is the amount owed by the Series, if any, on a daily mark-to-market basis. With respect to swap contracts that provide for the netting of payments, the net amount of the excess, if any, of the Series' obligations over its entitlements with respect to each swap contract will be accrued on a daily basis and an amount of Segregated Assets having an aggregate market value at least equal to the accrued excess will be maintained to cover the transactions in accordance with SEC positions. With respect to swap contracts that do not provide for the netting of payments by the counterparties, the full notional amount for which the Series is obligated under the swap contract with respect to each swap contract will be accrued on a daily basis and an amount of Segregated Assets having an aggregate market value at least equal to the accrued full notional value will be maintained to cover the transactions in accordance with SEC positions. When the Series sells protection on an individual credit default swap, upon a credit event, the Series may be obligated to pay the cash equivalent value of the asset. Therefore, the cover amount will be the notional value of the underlying credit. With regard to selling protection on an index (CDX), as a practical matter, the Series would not be required to pay the full notional amount of the index; therefore, only the amount owed by the Series, if any, on a daily mark-to-market basis is required as cover.

Credit default swaps involve greater risks than if the Series had invested in the reference obligation directly. In addition to general market risks, credit default swaps are subject to illiquidity risk, counterparty risk and credit risks. A Series will enter into swap agreements only with counterparties deemed creditworthy by the Series' subadviser.

*Dividend Swap  
Agreements*

A dividend swap agreement is a financial instrument where two parties contract to exchange a set of future cash flows at set dates in the future. One party agrees to pay the other the future dividend flow on a stock or basket of stocks in an index, in return for which the other party gives the first call options. Dividend swaps generally are traded over the counter rather than on an exchange.

*Inflation Swap  
Agreements*

Inflation swap agreements are contracts in which one party agrees to pay the cumulative percentage increase in a price index (e.g., the Consumer Price Index with respect to CPI swaps) over the term of the swap (with some lag on the inflation index), while the other pays a compounded fixed rate. Inflation swap agreements may be used by a Series to hedge the inflation risk associated with non-inflation indexed investments, thereby creating "synthetic" inflation-indexed investments. One factor that may lead to changes in the values of inflation swap agreements is a change in real interest rates, which are tied to the relationship between nominal interest rates and the rate of

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inflation. If nominal interest rates increase at a faster rate than inflation, real interest rates may rise, which may lead to a decrease in value of an inflation swap agreement.

*Total Return Swap  
Agreements*

“Total return swap” is the generic name for any non-traditional swap where one party agrees to pay the other the “total return” of a defined underlying asset, usually in return for receiving a stream of cash flows based upon an agreed rate. A total return swap may be applied to any underlying asset but is most commonly used with equity indices, single stocks, bonds and defined portfolios of loans and mortgages. A total return swap is a mechanism for the user to accept the economic benefits of asset ownership without utilizing the balance sheet. The other leg of the swap, which is often LIBOR, is spread to reflect the non-balance sheet nature of the product. Total return swaps can be designed with any underlying asset agreed between the two parties. No notional amounts are exchanged with total return swaps.

*Variance and  
Correlation Swap  
Agreements*

Variance swap agreements are contracts in which two parties agree to exchange cash payments based on the difference between the stated level of variance and the actual variance realized on an underlying asset or index. “Actual variance” as used here is defined as the sum of the square of the returns on the reference asset or index (which in effect is a measure of its “volatility”) over the length of the contract term. In other words, the parties to a variance swap can be said to exchange actual volatility for a contractually stated rate of volatility. Correlation swap agreements are contracts in which two parties agree to exchange cash payments based on the differences between the stated and the actual correlation realized on the underlying equity securities within a given equity index. “Correlation” as used here is defined as the weighted average of the correlations between the daily returns of each pair of securities within a given equity index. If two assets are said to be closely correlated, it means that their daily returns vary in similar proportions or along similar trajectories. A Series may enter into variance or correlation swaps in an attempt to hedge equity market risk or adjust exposure to the equity markets.

**Equity Securities**

The Series may invest in equity securities. Equity securities include common stocks, preferred stocks and preference stocks; securities such as bonds, warrants or rights that are convertible into stocks; and depositary receipts for those securities.

Common stockholders are the owners of the company issuing the stock and, accordingly, usually have the right to vote on various corporate governance matters such as mergers. They are not creditors of the company, but rather, in the event of liquidation of the company, would be entitled to their pro rata shares of the company’s assets after creditors (including fixed income security holders) and, if applicable, preferred stockholders are paid. Preferred stock is a class of stock having a preference over common stock as to dividends or upon liquidation. A preferred stockholder is a shareholder in the company and not a creditor of the company as is a holder of the company’s fixed income securities. Dividends paid to common and preferred stockholders are distributions of the earnings or other surplus of the company and not interest payments, which are expenses of the company. Equity securities owned by the Series may be traded in the over-the-counter market or on a securities exchange and may not be traded every day or in the volume typical of securities traded on a major U.S. national securities exchange. As a result, disposition by the Series of a portfolio security to meet redemptions by shareholders or otherwise may require the Series to sell the security at less than the reported value of the security, to sell during periods when disposition is not desirable, or to make many small sales over a

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lengthy period of time. The market value of all securities, including equity securities, is based upon the market's perception of value and not necessarily the book value of an issuer or other objective measure of a company's worth.

Stock values may fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions. Historically, common stocks have provided greater long-term returns and have entailed greater short-term risks than other types of securities. Smaller or newer issuers may be more likely to realize more substantial growth or suffer more significant losses. Investments in these companies can be both more volatile and more speculative. Fluctuations in the value of equity securities in which a Series invests will cause the NAV of the Series to fluctuate.

***Securities of Small  
and Mid  
Capitalization  
Companies***

While small and medium-sized issuers in which a Series invests may offer greater opportunities for capital appreciation than larger market capitalization issuers, investments in such companies may involve greater risks and thus may be considered speculative. For example, smaller companies may have limited product lines, markets or financial resources, or they may be dependent on a limited management group. In addition, many small and mid-capitalization company stocks trade less frequently and in smaller volume, and may be subject to more abrupt or erratic price movements, than stocks of larger companies. The securities of small and mid-capitalization companies may also be more sensitive to market changes than the securities of larger companies. When a Series invests in small or mid-capitalization companies, these factors may result in above-average fluctuations in the NAV of the Series' shares. Therefore, a Series investing in such securities should be considered as a long-term investment and not as a vehicle for seeking short-term profits. Similarly, an investment in a Series solely investing in such securities should not be considered a complete investment program.

Market capitalizations of companies in which the Series invest are determined at the time of purchase.

***Unseasoned  
Companies***

As a matter of operating policy, each Series may invest to a limited extent in securities of unseasoned companies and new issues. The Adviser regards a company as unseasoned when, for example, it is relatively new to, or not yet well established in, its primary line of business. Such companies generally are smaller and younger than companies whose shares are traded on the major stock exchanges. Accordingly, their shares are often traded over-the-counter and their share prices may be more volatile than those of larger, exchange-listed companies. Generally, the Series will not invest more than 5% of its total assets in securities of any one company with a record of fewer than three years' continuous operation (including that of predecessors).

**Foreign Investing**

The Series may invest in a broad range of securities of foreign issuers, including equity, debt and convertible securities and foreign government securities. The Series may purchase the securities of issuers from various countries, including countries commonly referred to as "emerging markets." The Series may also invest in domestic securities denominated in foreign currencies.

Investing in the securities of foreign companies involves special risks and considerations not typically associated with investing in U.S. companies. These include differences in accounting, auditing and financial reporting standards, generally higher commission rates on foreign portfolio transactions, the possibility of expropriation or confiscatory taxation, adverse changes in investment or exchange control regulations, political instability which could affect U.S.

investments in foreign countries, and potential restrictions on the flow of international capital. Foreign issuers may become subject to sanctions imposed by the United States or another country, which could result in the immediate freeze of the foreign issuers' assets or securities. The imposition of such sanctions could impair the market value of the securities of such foreign issuers and limit a Series' ability to buy, sell, receive or deliver the securities. Additionally, dividends payable on foreign securities may be subject to foreign taxes withheld prior to distribution. Foreign securities often trade with less frequency and volume than domestic securities and therefore may exhibit greater price volatility. Changes in foreign exchange rates will affect the value of those securities which are denominated or quoted in currencies other than the U.S. dollar. Many of the foreign securities held by a Series will not be registered with, nor will the issuers thereof be subject to the reporting requirements of, the SEC. Accordingly, there may be less publicly available information about the securities and about the foreign company or government issuing them than is available about a domestic company or government entity. Moreover, individual foreign economies may differ favorably or unfavorably from the United States economy in such respects as growth of Gross National Product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payment positions. Finally, the Series may encounter difficulty in obtaining and enforcing judgments against issuers of foreign securities.

Securities of U.S. issuers denominated in foreign currencies may be less liquid and their prices more volatile than securities issued by domestic issuers and denominated in U.S. dollars. In addition, investing in securities denominated in foreign currencies often entails costs not associated with investment in U.S. dollar-denominated securities of U.S. issuers, such as the cost of converting foreign currency to U.S. dollars, higher brokerage commissions, custodial expenses and other fees. Non-U.S. dollar denominated securities may be subject to certain withholding and other taxes of the relevant jurisdiction, which may reduce the yield on the securities to the Series and which may not be recoverable by the Series or their investors.

The Trust may use an eligible foreign custodian in connection with its purchases of foreign securities and may maintain cash and cash equivalents in the care of a foreign custodian. The amount of cash or cash equivalents maintained in the care of eligible foreign custodians will be limited to an amount reasonably necessary to effect the Trust's foreign securities transactions. The use of a foreign custodian invokes considerations which are not ordinarily associated with domestic custodians. These considerations include the possibility of expropriations, restricted access to books and records of the foreign custodian, inability to recover assets that are lost while under the control of the foreign custodian, and the impact of political, social or diplomatic developments.

Settlement procedures relating to the Series' investments in foreign securities and to the Series' foreign currency exchange transactions may be more complex than settlements with respect to investments in debt or equity securities of U.S. issuers, and may involve certain risks not present in the Series' domestic investments. For example, settlement of transactions involving foreign securities or foreign currency may occur within a foreign country, and a Series may be required to accept or make delivery of the underlying securities or currency in conformity with any applicable U.S. or foreign restrictions or regulations, and may be required to pay any fees, taxes or charges associated with such delivery. Such investments may also involve the risk that an entity involved in the settlement may not meet its obligations. Settlement procedures in many foreign countries are less established than those in the United States, and some foreign country

settlement periods can be significantly longer than those in the United States.

***Depository Receipts***

Each Series permitted to hold foreign securities may also hold ADRs, ADSs, GDRs and EDRs. ADRs and ADSs typically are issued by an American bank or trust company and evidence ownership of underlying securities issued by a foreign corporation. EDRs, which are sometimes referred to as CDRs, are issued in Europe typically by foreign banks and trust companies and evidence ownership of either foreign or domestic securities. GDRs are similar to EDRs and are designed for use in several international financial markets. Generally, ADRs and ADSs in registered form are designed for use in United States securities markets and EDRs in bearer form are designed for use in European securities markets. For purposes of a Series' investment policies, its investments in ADRs, ADSs, GDRs and EDRs will be deemed to be investments in the underlying foreign securities.

Depository Receipts may be issued pursuant to sponsored or unsponsored programs. In sponsored programs, an issuer has made arrangements to have its securities traded in the form of Depository Receipts. In unsponsored programs, the issuer may not be directly involved in the creation of the program. Although regulatory requirements with respect to sponsored and unsponsored programs are generally similar, in some cases it may be easier to obtain financial information from an issuer that has participated in the creation of a sponsored program. Accordingly, there may be less information available regarding issuers of securities underlying unsponsored programs and there may not be a correlation between such information and the market value of the Depository Receipts. For purposes of the Series' investment policies, investments in Depository Receipts will be deemed to be investments in the underlying securities. Thus, a Depository Receipt representing ownership of common stock will be treated as common stock.

Depository Receipts are generally subject to the same sort of risks as direct investments in a foreign country, such as currency risk, political and economic risk, and market risk, because their values generally depend on the performance of a foreign security denominated in its home currency. (The risks of foreign investing are addressed above in this section of the SAI under the heading "Foreign Investing.") In addition to risks associated with the underlying portfolio of securities, receipt holders also must consider credit standings of the custodians and broker/dealer sponsors. The receipts are not registered with the SEC and qualify as Rule 144A securities which may make them more difficult and costly to sell. (For information about Rule 144A securities, see "Illiquid and Restricted Securities" in this section of the SAI.)

***Emerging Market Securities***

The Series may invest in countries or regions with relatively low gross national product per capita compared to the world's major economies, and in countries or regions with the potential for rapid economic growth (emerging markets). Emerging markets will include any country: (i) having an "emerging stock market" as defined by the International Finance Corporation; (ii) with low-to-middle-income economies according to the World Bank; (iii) listed in World Bank publications as developing; or (iv) determined by the adviser to be an emerging market as defined above.

Certain emerging market countries are either comparatively underdeveloped or are in the process of becoming developed and may consequently be economically dependent on a relatively few or closely interdependent industries. A high proportion of the securities of many emerging market issuers may also be held by a limited number of large investors trading significant blocks of securities. While a Series' subadviser will strive to be sensitive to publicized

reversals of economic conditions, political unrest and adverse changes in trading status, unanticipated political and social developments may affect the values of the Series' investments in such countries and the availability of additional investments in such countries.

The risks of investing in foreign securities may be intensified in the case of investments in emerging markets. Securities of many issuers in emerging markets may be less liquid and more volatile than securities of comparable domestic issuers. Emerging markets also have different clearance and settlement procedures, and in certain markets there have been times when settlements have been unable to keep pace with the volume of securities transactions, making it difficult to conduct such transactions. Delays in settlement could result in temporary periods when a portion of the assets of a Series is uninvested and no return is earned thereon. The inability of a Series to make intended security purchases due to settlement problems could cause the Series to miss attractive investment opportunities. Inability to dispose of portfolio securities due to settlement problems could result either in losses to the Series due to subsequent declines in value of portfolio securities or, if a Series has entered into a contract to sell the security, in possible liability to the purchaser. Securities prices in emerging markets can be significantly more volatile than in the more developed nations of the world, reflecting the greater uncertainties of investing in less established markets and economies. In particular, countries with emerging markets may have relatively unstable governments, present the risk of nationalization of businesses, restrictions on foreign ownership, or prohibitions of repatriation of assets, and may have less protection of property rights than more developed countries.

Certain emerging markets may require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, a country could impose temporary restrictions on foreign capital remittances, whether because deterioration occurs in an emerging market's balance of payments or for other reasons. The Series could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Series of any restrictions on investments.

Investments in certain foreign emerging market debt obligations may be restricted or controlled to varying degrees. These restrictions or controls may at times preclude investment in certain foreign emerging market debt obligations and increase the expenses of the Series.

***Foreign Currency  
Transactions***

When investing in securities denominated in foreign currencies, the Series will be subject to the additional risk of currency fluctuations. An adverse change in the value of a particular foreign currency as against the U.S. dollar, to the extent that such change is not offset by a gain in other foreign currencies, will result in a decrease in the Series' assets. Any such change may also have the effect of decreasing or limiting the income available for distribution. Foreign currencies may be affected by revaluation, adverse political and economic developments, and governmental restrictions. Further, no assurance can be given that currency exchange controls will not be imposed on any particular currency at a later date.

As a result of its investments in foreign securities, a Series may receive interest or dividend payments, or the proceeds of the sale or redemption of such securities, in the foreign currencies in which such securities are denominated. In that event, the Series may convert such currencies into dollars at the then current exchange rate. Under certain circumstances, however, such as where the Series'

subadviser believes that the applicable rate is unfavorable at the time the currencies are received or the Series' subadviser anticipates, for any other reason, that the exchange rate will improve, the Series may hold such currencies for an indefinite period of time.

In addition, a Series may be required to receive delivery of the foreign currency underlying forward foreign currency contracts it has entered into. This could occur, for example, if an option written by the Series is exercised or the Series is unable to close out a forward contract. A Series may hold foreign currency in anticipation of purchasing foreign securities.

A Series may also elect to take delivery of the currencies' underlying options or forward contracts if, in the judgment of the Series' subadviser, it is in the best interest of the Series to do so. In such instances as well, the Series may convert the foreign currencies to dollars at the then current exchange rate, or may hold such currencies for an indefinite period of time.

While the holding of currencies will permit a Series to take advantage of favorable movements in the applicable exchange rate, it also exposes the Series to risk of loss if such rates move in a direction adverse to the Series' position. Such losses could reduce any profits or increase any losses sustained by the Series from the sale or redemption of securities, and could reduce the dollar value of interest or dividend payments received. In addition, the holding of currencies could adversely affect the Series' profit or loss on currency options or forward contracts, as well as its hedging strategies.

When a Series effects foreign currency exchange transactions on a spot (i.e., cash) basis at the spot rate prevailing in the foreign exchange market, the Series incurs expenses in converting assets from one currency to another. A Series may also effect other types of foreign currency exchange transactions, which have their own risks and costs. For information about such transactions, please see "Foreign Currency Forward Contracts, Futures and Options" under "Derivatives" in this section of the SAI.

***Foreign Investment Companies***

Some of the countries in which the Series may invest may not permit, or may place economic restrictions on, direct investment by outside investors. Investments in such countries may be permitted only through foreign government-approved or -authorized investment vehicles, which may include other investment companies. These funds may also invest in other investment companies that invest in foreign securities. Investing through such vehicles may involve frequent or layered fees or expenses and may also be subject to limitation under the 1940 Act. As a shareholder of another investment company, the Series would bear, along with other shareholders, its pro rata portion of the other investment company's expenses, including advisory fees. Those expenses would be in addition to the advisory and other expenses that the Series bears directly in connection with its own operations. For additional information, see "Mutual Fund Investing" in this section of the SAI.

***Privatizations***

The governments of some foreign countries have been engaged in programs of selling part or all of their stakes in government owned or controlled enterprises ("privatizations"). Privatizations may offer opportunities for significant capital appreciation. In certain foreign countries, the ability of foreign entities such as the Series to participate in privatizations may be limited by local law, or the terms on which a Series may be permitted to participate may be less advantageous than those for local investors. There can be no assurance that foreign governments will continue to sell companies

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currently owned or controlled by them or that privatization programs will be successful.

**Funding Agreements**

Each Series may invest in funding agreements, which are insurance contracts between an investor and the issuing insurance company. For the issuer, they represent senior obligations under an insurance product. For the investor, and from a regulatory perspective, these agreements are treated as securities. These agreements, like other insurance products, are backed by claims on the general assets of the issuing entity and rank on the same priority level as other policy holder claims. Funding agreements typically are issued with a one-year final maturity and a variable interest rate, which may adjust weekly, monthly, or quarterly. Some agreements carry a seven-day put feature. A funding agreement without this feature is considered illiquid and will therefore be subject to the Series' limitations on investments in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.) Funding agreements are regulated by the state insurance board of the state where they are executed.

**Guaranteed  
Investment  
Contracts**

Each Series may invest in GICs issued by U.S. and Canadian insurance companies. A GIC requires the investor to make cash contributions to a deposit fund of an insurance company's general account. The insurance company then makes payments to the investor based on negotiated, floating or fixed interest rates. A GIC is a general obligation of the issuing insurance company and not a separate account. The purchase price paid for a GIC becomes part of the general assets of the insurance company, and the contract is paid from the insurance company's general assets. Generally, a GIC is not assignable or transferable without the permission of the issuing insurance company, and an active secondary market in GICs does not currently exist. Therefore, these investments may be deemed to be illiquid, in which case they will be subject to the Series' limitations on investments in illiquid securities. (See "Illiquid and Restricted Securities" in this section of the SAI.)

**Illiquid and  
Restricted Securities**

Each Series may invest up to 15% of its net assets in securities that are considered illiquid. Historically, illiquid securities have included securities subject to contractual or legal restrictions on resale because they have not been registered under the 1933 Act ("restricted securities"), securities that are otherwise not readily marketable, such as over-the-counter options, and repurchase agreements not entitling the holder to payment of principal in seven days. Such securities may offer higher yields than comparable publicly traded securities, and they also may incur higher risks.

Repurchase agreements, reverse repurchase agreements and time deposits that do not provide for payment to the Series within seven days after notice or which have a term greater than seven days are deemed illiquid securities for this purpose unless such securities are variable amount master demand notes with maturities of nine months or less or unless the Series' subadviser has determined that an adequate trading market exists for such securities or that market quotations are readily available.

The Series may purchase Rule 144A securities sold to institutional investors without registration under the 1933 Act and commercial paper issued in reliance upon the exemption in Section 4(a)(2) of the 1933 Act, for which an institutional market has developed. Institutional investors depend on an efficient institutional market in which the unregistered security can be readily resold or on the issuer's ability to honor a demand for repayment of the unregistered security.

Although the securities described in this section generally will be considered illiquid, a security's contractual or legal restrictions on resale to the general public or to certain institutions may not be indicative of the liquidity of the security and therefore these securities may be determined to be liquid in accordance with guidelines established by the Board. The Trustees have delegated to each Series' subadviser the day-to-day determination of the liquidity of such securities in the respective Series' portfolio, although they have retained oversight and ultimate responsibility for such determinations. Although no definite quality criteria are used, the Trustees have directed the subadvisers to consider such factors as (i) the nature of the market for a security (including the institutional private resale markets); (ii) the terms of these securities or other instruments allowing for the disposition to a third party or the issuer thereof (e.g. certain repurchase obligations and demand instruments); (iii) availability of market quotations; and (iv) other permissible factors. The Trustees monitor implementation of the guidelines on a periodic basis.

If illiquid securities exceed 15% of a Series' net assets after the time of purchase, the Series will take steps to reduce in an orderly fashion its holdings of illiquid securities. Because illiquid securities may not be readily marketable, the relevant Series' subadviser may not be able to dispose of them in a timely manner. As a result, the Series may be forced to hold illiquid securities while their price depreciates. Depreciation in the price of illiquid securities may cause the NAV of the Series holding them to decline. A security that is determined by a Series' subadviser to be liquid may subsequently revert to being illiquid if not enough buyer interest exists.

Restricted securities ordinarily can be sold by the Series in secondary market transactions to certain qualified investors pursuant to rules established by the SEC, in privately negotiated transactions to a limited number of purchasers or in a public offering made pursuant to an effective registration statement under the 1933 Act. When registration is required, the Series may be obligated to pay all or part of the registration expenses and a considerable time may elapse between the decision to sell and the sale date. If, during such period, adverse market conditions were to develop, the Series might obtain a less favorable price than the price which prevailed when it decided to sell.

Restricted securities will be priced at fair value as determined in good faith by the Trustees or their delegate.

## **Leverage**

Each Series may employ investment techniques that create leverage, either by using borrowed capital to increase the amount invested, or investing in instruments, including derivatives, where the investment loss can exceed the original amount invested. Certain investments or trading strategies that involve leverage can result in losses that greatly exceed the amount originally invested.

The SEC takes the position that transactions that have a leveraging effect on the capital structure of a mutual fund or are economically equivalent to borrowing can be viewed as constituting a form of borrowing by the fund for purposes of the 1940 Act. These transactions can include buying and selling certain derivatives (such as futures contracts); selling (or writing) put and call options; engaging in sale-buybacks; entering into firm-commitment and stand-by commitment agreements; engaging in when-issued, delayed-delivery, or forward-commitment transactions; and other similar trading practices (additional discussion about a number of these transactions can be found throughout this section of the SAI). As a result, when a Series enters into such transactions the transactions may be subject

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	<p>to the same requirements and restrictions as borrowing. (See “Borrowing” below for additional information.)</p> <p>The following are some of the Series’ permitted investment techniques that are generally viewed as creating leverage for the Series.</p>	
<b><i>Borrowing</i></b>	<p>A Series’ ability to borrow money is limited by its investment policies and limitations, by the 1940 Act, and by applicable exemptions, no-action letters, interpretations, and other pronouncements issued from time to time by the SEC and its staff or any other regulatory authority with jurisdiction. Under the 1940 Act, a Series is required to maintain continuous asset coverage (that is, total assets including borrowings, less liabilities exclusive of borrowings) of 300% of the amount borrowed, with an exception for borrowings not in excess of 5% of the Series’ total assets made for temporary or emergency purposes. Any borrowings for temporary purposes in excess of 5% of the Series’ total assets must maintain continuous asset coverage. If the 300% asset coverage should decline as a result of market fluctuations or for other reasons, a Series may be required to sell some of its portfolio holdings within three days (excluding Sundays and holidays) to reduce the debt and restore the 300% asset coverage, even though it may be disadvantageous from an investment standpoint to sell securities at that time.</p> <p>Borrowing will tend to exaggerate the effect on net asset value of any increase or decrease in the market value of a Series’ portfolio. Money borrowed will be subject to interest costs that may or may not be recovered by earnings on the securities purchased. A Series also may be required to maintain minimum average balances in connection with a borrowing or to pay a commitment or other fee to maintain a line of credit; either of these requirements would increase the cost of borrowing over the stated interest rate.</p>	<p>No Series may borrow money, except (i) in amounts not to exceed one-third of the value of the Series’ total assets (including the amount borrowed) from banks, and (ii) up to an additional 5% of its total assets from banks or other lenders for temporary purposes. For purposes of this restriction, (a) investment techniques such as margin purchases, short sales, forward commitments, and roll transactions, (b) investments in instruments such as futures contracts, swaps, and options, and (c) short-term credits extended in connection with trade clearances and settlement shall not constitute borrowing.</p> <p>The Rampart Enhanced Core Equity Series may not borrow money except from banks for temporary purposes.</p>
<b><i>Mortgage “Dollar-Roll” Transactions</i></b>	<p>Each Series may enter into mortgage “dollar-roll” transactions pursuant to which it sells mortgage-backed securities for delivery in the future and simultaneously contracts to repurchase substantially similar securities on a specified future date. During the roll period, the Series forgoes principal and interest paid on the mortgage-backed securities. The Series is compensated for the lost interest by the difference between the current sales price and the lower price for the future purchase (often referred to as the “drop”) as well as by the interest earned on, and gains from, the investment of the cash proceeds of the initial sale. The Series may also be compensated by receipt of a commitment fee. If the income and capital gains from the Series’ investment of the cash from the initial sale do not exceed the income, capital appreciation and gain or loss that would have been realized on the securities sold as part of the dollar roll, the use of this technique will diminish the investment performance of the Series compared with what the performance would have been without the use of the dollar roll.</p>	

Dollar-roll transactions involve the risk that the market value of the securities the Series is required to purchase may decline below the agreed upon repurchase price of those securities. If the broker-dealer to whom the Series sells securities becomes insolvent, the Series' right to purchase or repurchase securities may be restricted. Successful use of dollar rolls may depend upon the Series' subadviser's ability to correctly predict interest rates and prepayments. There is no assurance that dollar rolls can be successfully employed.

***Reverse Repurchase Agreements***

Reverse repurchase agreements are transactions in which the Series sells a security and simultaneously commits to repurchase that security from the buyer, such as a bank or broker-dealer, at an agreed-upon price on an agreed-upon future date. The resale price in a reverse repurchase agreement reflects a market rate of interest that is not related to the coupon rate or maturity of the sold security. For certain demand agreements, there is no agreed-upon repurchase date and interest payments are calculated daily, often based upon the prevailing overnight repurchase rate.

Generally, a reverse repurchase agreement enables the Series to recover for the term of the reverse repurchase agreement all or most of the cash invested in the portfolio securities sold and to keep the interest income associated with those portfolio securities. Such transactions are only advantageous if the interest cost to the Series of the reverse repurchase transaction is less than the cost of obtaining the cash otherwise. In addition, interest costs on the money received in a reverse repurchase agreement may exceed the return received on the investments made by the Series with those monies. Using reverse repurchase agreements to earn additional income involves the risk that the interest earned on the invested proceeds is less than the expense of the reverse repurchase agreement transaction.

Because reverse repurchase agreements are considered borrowing under the 1940 Act, while a reverse repurchase agreement is outstanding, the Series will maintain cash and appropriate liquid assets in a segregated custodial account to cover its obligation under the agreement. A Series will enter into reverse repurchase agreements only with parties that the Series' subadviser deems creditworthy, but such investments are still subject to the risks of leverage discussed above.

***Money Market Instruments***

Each Series may invest in money market instruments, which are high-quality short-term investments. The types of money market instruments most commonly acquired by the Series are discussed below, although each Series is also permitted to invest in other types of money market instruments to the extent consistent with the Series' investment limitations and restrictions.

***Banker's Acceptances***

A banker's acceptance is a time draft drawn on a commercial bank by a borrower usually in connection with an international commercial transaction (to finance the import, export, transfer or storage of goods). The borrower, as well as the bank, is liable for payment, and the bank unconditionally guarantees to pay the draft at its face amount on the maturity date. Most acceptances have maturities of six months or less and are traded in secondary markets prior to maturity.

***Certificates of Deposit***

Certificates of deposit are generally short-term, interest-bearing negotiable certificates issued by banks or savings and loan associations against funds deposited in the issuing institution. They generally may be withdrawn on demand but may be subject to early withdrawal penalties which could reduce the Series' yield. Deposits subject to early withdrawal penalties or that mature in more than

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<b>Commercial Paper</b>	seven days are treated as illiquid securities if there is no readily available market for the securities.  Commercial paper refers to short-term, unsecured promissory notes issued by corporations to finance short-term credit needs. Commercial paper is usually sold on a discount basis and has a maturity at the time of issuance not exceeding nine months.	
<b>Obligations of Foreign Banks and Foreign Branches of U.S. Banks</b>	The money market instruments in which the Series may invest include negotiable certificates of deposit, bankers' acceptances and time deposits of foreign branches of U.S. banks, foreign banks and their non-U.S. branches (Eurodollars), U.S. branches and agencies of foreign banks (Yankee dollars), and wholly-owned banking-related subsidiaries of foreign banks. For the purposes of each Series' investment policies with respect to money market instruments, obligations of foreign branches of U.S. banks and of foreign banks are obligations of the issuing bank and may be general obligations of the parent bank. Such obligations, however, may be limited by the terms of a specific obligation and by government regulation. As with investment in non-U.S. securities in general, investments in the obligations of foreign branches of U.S. banks and of foreign banks may subject a Series to investment risks that are different in some respects from those of investments in obligations of domestic issuers.	Although a Series typically will acquire obligations issued and supported by the credit of U.S. or foreign banks having total assets at the time of purchase of \$1 billion or more, this \$1 billion figure is not an investment policy or restriction of any Series. For the purposes of calculation with respect to the \$1 billion figure, the assets of a bank will be deemed to include the assets of its U.S. and non-U.S. branches.
<b>Time Deposits</b>	Time deposits are deposits in a bank or other financial institution for a specified period of time at a fixed interest rate for which a negotiable certificate is not received.	
<b>U.S. Government Obligations</b>	Securities issued or guaranteed as to principal and interest by the United States Government include a variety of Treasury securities, which differ only in their interest rates, maturities, and times of issuance. Treasury bills have maturities of one year or less. Treasury notes have maturities of one to ten years, and Treasury bonds generally have maturities of greater than ten years.  Agencies of the United States Government which issue or guarantee obligations include, among others, Export-Import Bank of the United States, Farmers Home Administration, Federal Housing Administration, GNMA, Maritime Administration, Small Business Administration and The Tennessee Valley Authority. Obligations of instrumentalities of the United States Government include securities issued or guaranteed by, among others, FNMA, Federal Home Loan Banks, FHLMC, Federal Intermediate Credit Banks, Banks for Cooperatives, and the U.S. Postal Service. Some of these securities are supported by the full faith and credit of the U.S. Government, others are supported by the right of the issuer to borrow from the Treasury, while still others are supported only by the credit of the instrumentality. There is no guarantee that the U.S. Government will provide financial support to its agencies or instrumentalities, now or in the future, if it is not obligated to do so by law. Accordingly, although these securities have historically involved little risk of loss of principal if held to maturity, they may involve more risk than securities backed by the full faith and credit of the U.S. Government because the Series must look principally to the agency or instrumentality issuing or guaranteeing the securities for repayment and may not be able to	

**Mutual Fund  
Investing**

assert a claim against the United States if the agency or instrumentality does not meet its commitment.

Each Series is authorized to invest in the securities of other investment companies subject to the limitations contained in the 1940 Act.

Investment companies in which the Series may invest may include ETFs. An ETF is an investment company classified as an open-end investment company or unit investment trust that is traded similarly to a publicly traded company. Most ETFs seek to achieve the same return as a particular market index. That type of ETF is similar to an index fund in that it will primarily invest in the securities of companies that are included in a selected market index. An index-based ETF will invest in all of the securities included in the index, a representative sample of the securities included in the index, or other investments expected to produce returns substantially similar to that of the index. Other types of ETFs include leveraged or inverse ETFs, which are ETFs that seek to achieve a daily return that is a multiple or an inverse multiple of the daily return of a securities index. An important characteristic of these ETFs is that they seek to achieve their stated objectives on a daily basis, and their performance over longer periods of time can differ significantly from the multiple or inverse multiple of the index performance over those longer periods of time. ETFs also include actively managed ETFs that pursue active management strategies and publish their portfolio holdings on a frequent basis.

In connection with the management of its daily cash positions, each Series may invest in securities issued by investment companies that invest in short-term debt securities (which may include municipal obligations that are exempt from Federal income taxes) and that seek to maintain a \$1.00 NAV per share.

In certain countries, investments by the Series may only be made through investments in other investment companies that, in turn, are authorized to invest in the securities that are issued in such countries. (See "Foreign Investment Companies" under "Foreign Investing" in this section of the SAI.)

Under the 1940 Act, a Series generally may not own more than 3% of the outstanding voting stock of an investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in the securities of investment companies. In some instances, a Series may invest in an investment company in excess of these limits; for instance, with respect to investments in money market funds or investments made pursuant to exemptive rules adopted and/or orders granted by the SEC. The SEC has adopted exemptive rules to permit funds of funds to exceed these limits when complying with certain conditions, which differ depending upon whether the funds in which a fund of funds invests are affiliated or unaffiliated with the fund of funds. Many ETFs have obtained exemptive relief from the SEC to permit unaffiliated funds to invest in the ETF's shares beyond the statutory limitations discussed above, subject to certain conditions. The Series may rely on these exemptive rules and/or orders to invest in affiliated or unaffiliated mutual funds and/or unaffiliated ETFs. In addition to this, the Trust has obtained exemptive relief permitting the Series to exceed the limitations with respect to investments in affiliated and unaffiliated funds that are not themselves funds of funds, subject to certain conditions.

The risks associated with investing in other investment companies generally reflect the risks of owning shares of the underlying securities in which those investment companies invest, although lack of liquidity in an investment company could result in its value being more volatile than the underlying portfolio of securities. For purposes of complying

with investment policies requiring a Series to invest a percentage of its assets in a certain type of investments (e.g., stocks of small capitalization companies), the Series generally will look through an investment company in which it invests, to categorize the investment company in accordance with the types of investments the investment company holds.

Certain investment companies in which the Series may invest may be considered commodity pools under the CEA and applicable CFTC regulations. If a Series invests in such an investment company, the Series will be required to treat some or all of its holding of the investment company's shares as a commodity interest for the purposes of determining whether the Series is qualified to claim exclusion or exemption from regulation by the CFTC. (See "Commodity Interests" in this section of the SAI for additional information regarding the implications to the Series of investing in commodity interests.)

Investors in each Series should recognize that when a Series invests in another investment company, the Series will bear its pro rata portion of the other investment company's expenses, including advisory fees, in addition to the expenses the Series bears directly in connection with its own operations.

**Real Estate  
Investment Trusts  
(REITs)**

Each Series may invest in REITs. REITs pool investors' funds for investment primarily in income producing commercial real estate or real estate related loans. A REIT is not taxed on income distributed to shareholders if it complies with several requirements relating to its organization, ownership, assets, and income and a requirement that it distribute to its shareholders at least 90% of its taxable income (other than net capital gains) for each taxable year.

REITs can generally be classified as follows:

- Equity REITs, which invest the majority of their assets directly in real property and derive their income primarily from rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value.
- Mortgage REITs, which invest the majority of their assets in real estate mortgages and derive their income primarily from interest payments.
- Hybrid REITs, which combine the characteristics of both equity REITs and mortgage REITs.

REITs are structured similarly to closed-end investment companies in that they are essentially holding companies. An investor should realize that by investing in REITs indirectly through the Series, he will bear not only his proportionate share of the expenses of the Series, but also, indirectly, similar expenses of the underlying REITs. (See "Mutual Fund Investing" in this section of the SAI.)

Selecting REITs requires an evaluation of the merits of each type of asset a particular REIT owns, as well as regional and local economics. Due to the proliferation of REITs in recent years and the relative lack of sophistication of certain REIT managers, the quality of REIT assets has varied significantly. The risks associated with REITs are similar to those associated with the direct ownership of real estate. These include declines in the value of real estate, risks related to general and local economic conditions, dependence on management skill, cash flow dependence, possible lack of availability of long-term mortgage funds, over-building, extended vacancies of properties, decreased occupancy rates and increased competition, increases in property taxes and operating expenses, changes in neighborhood values and the appeal of the properties to tenants and changes in interest rates.

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Description and Risks

Series-Specific Limitations

Equity REITs may be affected by changes in the value of the underlying properties they own, while mortgage REITs may be affected by the quality of any credit extended. Further, equity and mortgage REITs are dependent upon management skills and generally are not diversified. Equity and mortgage REITs are also subject to potential defaults by borrowers, self-liquidation, and the possibility of failing to qualify for tax-free status of income under the Code and failing to maintain exemption from the 1940 Act. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, investment in REITs could cause the Series to possibly fail to qualify as a regulated investment company. (See the "Dividends, Distributions and Taxes" section of the SAI.)

**Repurchase Agreements**

Each Series may enter into repurchase agreements by which the Series purchases portfolio securities subject to the seller's agreement to repurchase them at a mutually agreed-upon time and price. The repurchase price may be higher than the purchase price, the difference being income to the Series, or the purchase and repurchase price may be the same, with interest payable to the Series at a stated rate together with the repurchase price on repurchase. In either case, the income to the Series is unrelated to the interest rate on the security.

A repurchase agreement must be collateralized by obligations that could otherwise be purchased by the Series (except with respect to maturity), and these must be maintained by the seller in a segregated account for the Series. The value of such collateral will be monitored throughout the term of the repurchase agreement in an attempt to ensure that the market value of the collateral always equals or exceeds the repurchase price (including accrued interest). If the value of the collateral dips below such repurchase price, additional collateral will be requested and, when received, added to the account to maintain full collateralization.

Repurchase agreements will be entered into with commercial banks, brokers and dealers considered by the relevant Series' subadviser to be creditworthy. However, the use of repurchase agreements involves certain risks such as default by, or insolvency of, the other party to the transaction. The Series also might incur disposition costs in connection with liquidating the underlying securities or enforcing its rights.

Typically, repurchase agreements are in effect for one week or less, but they may be in effect for longer periods of time.

Repurchase agreements of more than seven days' duration are subject to each Series' limitation on investments in illiquid securities, which means that no more than 15% of the market value of a Series' total assets may be invested in repurchase agreements with a maturity of more than seven days and in other illiquid securities.

**Securities Lending**

Subject to certain investment restrictions, each Series may, subject to the Trustees' and Trust Treasurer's approval, lend securities from its portfolio to brokers, dealers and financial institutions deemed creditworthy and receive, as collateral, cash or cash equivalents which at all times while the loan is outstanding will be maintained in amounts equal to at least 100% of the current market value of the loaned securities. Any cash collateral will be invested in short-term securities that will increase the current income of the Series lending its securities. A Series will have the right to regain record ownership of loaned securities to exercise beneficial rights such as voting rights and subscription rights. While a securities loan is outstanding, the Series is to receive an amount equal to any dividends, interest or other distributions with respect to the loaned securities. A Series may pay reasonable fees to persons unaffiliated with the Trust for services in arranging such loans.

Even though securities lending usually does not impose market risks on the lending Series, as with any extension of credit, there are risks of delay in recovery of the loaned securities and in some cases loss of rights in the collateral should the borrower of the securities fail financially. In addition, the value of the collateral taken as security for the securities loaned may decline in value or may be difficult to convert to cash in the event that a Series must rely on the collateral to recover the value of the securities. Moreover, if the borrower of the securities is insolvent, under current bankruptcy law, the Series could be ordered by a court not to liquidate the collateral for an indeterminate period of time. If the borrower is the subject of insolvency proceedings and the collateral held might not be liquidated, the result could be a material adverse impact on the liquidity of the lending Series.

No Series will lend securities having a value in excess of 33 1/3% of its assets, including collateral received for loaned securities (valued at the time of any loan).

### **Short Sales**

Each Series may sell securities short as part of its overall portfolio management strategies involving the use of derivative instruments and to offset potential declines in long positions in similar securities. A short sale is a transaction in which a Series sells a security it does not own or have the right to acquire, or that it owns but does not wish to deliver, in anticipation that the market price of that security will decline. A short sale is “against the box” to the extent the Series contemporaneously owns, or has the right to obtain at no added cost, securities identical to those sold short. All other short sales are commonly referred to as “naked” short sales.

When a Series makes a short sale, the broker-dealer through which the short sale is made must borrow the security sold short and deliver it to the party purchasing the security. The Series is required to make a margin deposit in connection with such short sales; the Series may have to pay a fee to borrow particular securities and will often be obligated to pay over any dividends and accrued interest on borrowed securities. If the price of the security sold short increases between the time of the short sale and the time the Series covers its short position, the Series will incur a loss; conversely, if the price declines, the Series will realize a capital gain. Any gain will be decreased, and any loss increased, by the transaction costs described above. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged.

If a Series sells securities short against the box, it may protect unrealized gains, but will lose the opportunity to profit on such securities if the price rises. If a Series engages in naked short sales, the Series’ risk of loss could be as much as the maximum attainable price of the security (which could be limitless) less the price paid by the Series for the security at the time it was borrowed.

When a Series sells securities short, to the extent required by applicable law and regulation the Series will “cover” the short sale, which generally means that the Series will segregate any asset, including equity securities and non-investment-grade debt so long as the asset is liquid, unencumbered and marked to market daily, equal to the market value of the securities sold short, reduced by any amount deposited as margin. Alternatively, the Series may “cover” a short sale by (a) owning the underlying securities, (b) owning securities currently convertible into the underlying securities at an exercise price equal to or less than the current market price of the underlying securities, or (c) owning a purchased call option on the

<u>Investment Technique</u>	<u>Description and Risks</u>	<u>Series-Specific Limitations</u>
<b>Special Situations</b>	<p>underlying securities with an exercise price equal to or less than the price at which the underlying securities were sold short.</p> <p>Each Series may invest in special situations that the Series' subadviser believes present opportunities for capital growth. Such situations most typically include corporate restructurings, mergers, and tender offers.</p> <p>A special situation arises when, in the opinion of the Series' subadviser, the securities of a particular company will, within a reasonably estimable period of time, be accorded market recognition at an appreciated value solely by reason of a development particularly or uniquely applicable to that company and regardless of general business conditions or movements of the market as a whole. Developments creating special situations might include, among others, the following: liquidations, reorganizations, recapitalizations, mergers, or tender offers; material litigation or resolution thereof; technological breakthroughs; and new management or management policies. Although large and well-known companies may be involved, special situations often involve much greater risk than is inherent in ordinary investment securities.</p>	
<b>Temporary Investments</b>	<p>When business or financial conditions warrant, each Series may assume a temporary defensive position by investing in money-market instruments, including obligations of the U.S. Government and its agencies and instrumentalities, obligations of foreign sovereigns, other debt securities, commercial paper including bank obligations, certificates of deposit (including Eurodollar certificates of deposit) and repurchase agreements. (See "Money Market Instruments" in this section of the SAI for more information about these types of investments.)</p> <p>For temporary defensive purposes, during periods in which a Series' subadviser believes adverse changes in economic, financial or political conditions make it advisable, the Series may reduce its holdings in equity and other securities and may invest up to 100% of its assets in certain short-term (less than twelve months to maturity) and medium-term (not greater than five years to maturity) debt securities and in cash (U.S. dollars, foreign currencies, or multicurrency units). The short-term and medium-term debt securities in which a Series may invest for temporary defensive purposes will be those that the Series' subadviser believes to be of high quality (i.e., subject to relatively low risk of loss of interest or principal). If rated, these securities will be rated in one of the three highest rating categories by rating services such as Moody's or S&amp;P (i.e., rated at least A).</p>	
<b>Warrants or Rights to Purchase Securities</b>	<p>Each Series may invest in or acquire warrants or rights to purchase equity or fixed income securities at a specified price during a specific period of time. A Series will make such investments only if the underlying securities are deemed appropriate by the Series' subadviser for inclusion in the Series' portfolio. Included are warrants and rights whose underlying securities are not traded on principal domestic or foreign exchanges. Warrants and stock rights are almost identical to call options in their nature, use and effect except that they are issued by the issuer of the underlying security, rather than an option writer, and they generally have longer expiration dates than call options. (See "Options" in this section of the SAI for information about call options.)</p> <p>Bonds with warrants attached to purchase equity securities have many characteristics of convertible bonds and their prices may, to some degree, reflect the performance of the underlying stock. However, unlike convertible securities and preferred stocks, warrants</p>	<p>Each of the Duff &amp; Phelps International Series and the Rampart Enhanced Core Equity Series may invest up to 5% of its net assets in warrants and stock rights, but no more than 2% of its net assets in warrants and stock rights not listed on the NYSE.</p>

do not pay a fixed dividend. Bonds also may be issued with warrants attached to purchase additional fixed income securities at the same coupon rate. A decline in interest rates would permit a Series holding such warrants to buy additional bonds at the favorable rate or to sell the warrants at a profit. If interest rates rise, the warrants would generally expire with no value.

A Series may purchase put warrants and call warrants whose values vary depending on the change in the value of one or more specified securities indices ("index warrants"). Index warrants are generally issued by banks or other financial institutions and give the holder the right, at any time during the term of the warrant, to receive upon exercise of the warrant a cash payment from the issuer based on the value of the underlying index at the time of exercise. In general, if the value of the underlying index rises above the exercise price of the index warrant, the holder of a call warrant will be entitled to receive a cash payment from the issuer upon exercise based on the difference between the value of the index and the exercise price of the warrant; if the value of the underlying index falls, the holder of a put warrant will be entitled to receive a cash payment from the issuer upon exercise based on the difference between the exercise price of the warrant and the value of the index. The holder of a warrant would not be entitled to any payments from the issuer at any time when, in the case of a call warrant, the exercise price is greater than the value of the underlying index or, in the case of a put warrant, the exercise price is less than the value of the underlying index. If a Series were not to exercise an index warrant prior to its expiration, then the Series would lose the amount of the purchase price paid by it for the warrant.

A Series will normally use index warrants in a manner similar to its use of options on securities indices. The risks of the Series' use of index warrants are generally similar to those relating to its use of index options. (See "Options" in this section of the SAI for information about index options.) Unlike most index options, however, index warrants are issued in limited amounts and are not obligations of a regulated clearing agency, but are backed only by the credit of the bank or other institution which issues the warrant. Also, index warrants generally have longer terms than index options. Although a Series will normally invest only in exchange-listed warrants, index warrants are not likely to be as liquid as certain index options backed by a recognized clearing agency. In addition, the terms of index warrants may limit a Series' ability to exercise the warrants at such time, or in such quantities, as the Series would otherwise wish to do.

**When-Issued and  
Delayed Delivery  
Transactions**

Each Series may purchase securities on a when-issued or forward commitment basis. These transactions are also known as delayed delivery transactions. (The phrase "delayed delivery" is not intended to include purchases where a delay in delivery involves only a brief period required by the selling party solely to locate appropriate certificates and prepare them for submission for clearance and settlement in the customary way.) Delayed delivery transactions involve a commitment by the Series to purchase or sell securities at a future date (ordinarily up to 90 days later). The price of the underlying securities (usually expressed in terms of yield) and the date when the securities will be delivered and paid for (the settlement date) are fixed at the time the transaction is negotiated. When-issued purchases and forward commitments are negotiated directly with the selling party.

When-issued purchases and forward commitments enable the Series 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. For example, in periods of rising interest rates and falling bond prices, the Series might sell debt securities it owns on a forward commitment basis to limit its exposure to falling prices. In

periods of falling interest rates and rising prices, the Series might sell securities it owns and purchase the same or similar securities on a when-issued or forward commitment basis, thereby obtaining the benefit of currently higher yields. The Series will not enter into such transactions for the purpose of leverage.

The value of securities purchased on a when-issued or forward commitment basis and any subsequent fluctuations in their value will be reflected in the Series' NAV starting on the first business day after the date of the agreement to purchase the securities. The Series will be subject to the rights and risks of ownership of the securities on the agreement date. However, the Series will not earn interest on securities it has committed to purchase until they are paid for and received. A seller's failure to deliver securities to the Series could prevent the Series from realizing a price or yield considered to be advantageous and could cause the Series to incur expenses associated with unwinding the transaction.

When a Series makes a forward commitment to sell securities it owns, the proceeds to be received upon settlement will be included in the Series' assets. Fluctuations in the market value of the underlying securities will not be reflected in the Series' NAV as long as the commitment to sell remains in effect. Settlement of when-issued purchases and forward commitment transactions generally takes place up to 90 days after the date of the transaction, but the Series may agree to a longer settlement period.

The Series will make commitments to purchase securities on a when-issued basis or to purchase or sell securities on a forward commitment basis only with the intention of completing the transaction and actually purchasing or selling the securities. If deemed advisable as a matter of investment strategy, however, a Series may dispose of or renegotiate a commitment after it is entered into. A Series also may sell securities it has committed to purchase before those securities are delivered to the Series on the settlement date. The Series may realize a capital gain or loss in connection with these transactions.

When a Series purchases securities on a when-issued or forward-commitment basis, the Series will specifically designate on its accounting records securities having a value (determined daily) at least equal to the amount of the Series' purchase commitments. These procedures are designed to ensure that each Series will maintain sufficient assets at all times to cover its obligations under when-issued purchases and forward commitments.

## **INVESTMENT LIMITATIONS**

### **Fundamental Investment Limitations**

The Trust's fundamental policies as they affect any Series cannot be changed without the approval of a vote of a majority of the outstanding shares of such Series, which is the lesser of (i) 67% or more of the voting securities of such Series present at a meeting if the holders of more than 50% of the outstanding voting securities of such Series are present or represented by proxy or (ii) more than 50% of the outstanding voting securities of such Series. A proposed change in fundamental policy or investment objective will be deemed to have been effectively acted upon by any Series if a majority of the outstanding voting securities of that Series votes for the approval of the proposal as provided above, notwithstanding (1) that such matter has not been approved by a majority of the outstanding securities of any other Series affected by such matter and (2) that such matter has not been approved by a majority of the outstanding voting securities of the Trust.

- (1) A Series may not, with respect to 75% of its total assets, purchase securities of an issuer (other than the U.S. Government, its agencies, instrumentalities or authorities or repurchase agreements collateralized by U.S. Government securities and other investment companies), if: (a) such purchase would, at the time, cause more than 5% of the Series' total assets, taken at market value, to be invested in the securities of such issuer; or (b) such purchase would, at the time, result in more than 10% of the outstanding voting securities of such issuer being held by the Series.

- (2) A Series may not purchase securities in a given industry if, after giving effect to the purchase, more than 25% of its total assets would be invested in the securities of one or more issuers conducting business activities in the same industry (excluding the U.S. Government or its agencies or instrumentalities). This restriction does not apply to the Duff & Phelps Real Estate Securities Series. In addition, the Strategic Allocation Series may invest more than 25% of its assets in the banking industry. This prohibition shall not apply to the purchase of investment company shares by the Rampart Equity Trend Series.
- (3) A Series may not issue senior securities in contravention of the 1940 Act. Activities permitted by SEC exemptive orders or staff interpretations shall not be deemed prohibited by this restriction.
- (4) A Series may not borrow money, except (i) in amounts not to exceed one third of the value of the Series' total assets (including the amount borrowed) from banks, and (ii) up to an additional 5% of its total assets from banks or other lenders for temporary purposes. For purposes of this restriction, (a) investment techniques such as margin purchases, short sales, forward commitments, and roll transactions, (b) investments in instruments such as futures contracts, swaps, and options, and (c) short-term credits extended in connection with trade clearances and settlement shall not constitute borrowing.
- (5) A Series may not underwrite the securities issued by other persons, except to the extent that, in connection with the disposition of portfolio securities, a Series may be deemed to be an underwriter under the applicable law.
- (6) A Series may not purchase or sell real estate, except that a Series may (i) acquire or lease office space for its own use, (ii) invest in securities of issuers that invest in real estate or interests therein, (iii) invest in mortgage-related securities and other securities that are secured by real estate or interests therein, or (iv) hold and sell real estate acquired by the Series as a result of the ownership of securities.
- (7) A Series may not lend securities or make any other loans if, as a result, more than 33 1/3% of its total assets would be lent to other parties, except that a Series may purchase debt securities, may enter into repurchase agreements, may lend portfolio securities and may acquire loans, loan participations and assignments (both funded and unfunded) and other forms of debt instruments.
- (8) A Series may not purchase or sell commodities or commodity contracts, except a Series may purchase and sell derivatives (including, but not limited to, options, futures contracts and options on futures contracts) whose value is tied to the value of a financial index or a financial instrument or other asset (including, but not limited to, securities indices, interest rates, securities, currencies and physical commodities).

### **Non-Fundamental Investment Limitations**

Additional investment limitations adopted by each Series, which may be changed without shareholder approval, are as follows:

#### **Duff & Phelps International Series**

The Series may invest up to 5% of its net assets in warrants and stock rights, but no more than 2% of its net assets in warrants and stock rights not listed on the NYSE. (See "Warrants or Rights to Purchase Securities" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

The Series also may hedge its foreign currency exchange rate risk by engaging in currency financial futures and options transactions. (See "Foreign Currency Forward Contracts, Futures and Options" under "Derivatives" and "Foreign Currency Transactions" under "Foreign Investing" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

The Series may invest in nonconvertible fixed income securities of non-U.S. issuers when the Series' subadviser believes that such securities are appropriate for the achievement of the Series' investment objective. The nonconvertible fixed income securities may consist of: corporate notes, bonds, debentures and other securities (such as Euro-currency instruments) of non-U.S. issuers that are rated within the three highest rating categories of rating services or, if unrated, are deemed by the adviser to be of comparable credit quality; and securities issued by foreign governments and supranational agencies (such as the World Bank). (See "Debt Investing" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

#### **Duff & Phelps Real Estate Securities Series**

The Series will not invest in real estate directly, but only in securities issued by real estate companies. (See "Real Estate Investment Trusts (REITs)" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.) However, the portfolio may be subject to risks similar to those associated with the direct ownership of

real estate because of its policy of concentrating in the securities of companies in the real estate industry. These include declines in the value of real estate, risks related to general and local economic conditions, dependence on management skill, cash flow dependence, possible lack of availability of long-term mortgage trusts, overbuilding, extended vacancies of properties, decreased occupancy rates and increased competition, increases in property taxes and operating expenses, changes in neighborhood values and the appeal of the properties to tenants and changes in interest rates.

The Series may invest in debt securities rated BBB or better by Standard & Poor's or Baa or better by Moody's or, if not rated, judged to be of comparable quality as determined by the Series' subadviser. (See "Ratings" under "Debt Investing" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.) In choosing debt securities for purchase by the Series, the Series' subadviser will employ the same analytical and valuation techniques utilized in managing the equity portion of the Series holdings and will invest in debt securities only of companies that satisfy the Series' subadviser's investment criteria.

**Newfleet Multi-Sector Intermediate Bond Series**

The Series may only purchase a call option to terminate a previously written call option. (See "Options" under "Derivative Investments" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

**Rampart Enhanced Core Equity Series**

The Series may invest up to 5% of its net assets in warrants and stock rights, but no more than 2% of its net assets in warrants and stock rights not listed on the NYSE. (See "Warrants or Rights to Purchase Securities" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

**Strategic Allocation Series**

Immediately after entering into an opening option position, the total value of all open option positions based on exercise price will not exceed 10% of the Series' total assets. (See "Options" under "Derivative Investments" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

In addition to the traditional investment techniques for purchasing and selling and engaging in trading, the Series may enter into financial futures and options contracts. (See "Futures Contracts and Options on Futures Contracts" and "Options" under "Derivative Investments" in the "More Information About Series Investment Strategies and Related Risks" section of this SAI.)

**Application of Investment Limitations**

Except as otherwise noted, if any percentage restriction described above for a Series is adhered to at the time of investment, a subsequent increase or decrease in the percentage resulting from a change in the value of the Series' assets will not constitute a violation of the restriction. The investment restrictions listed above are not intended to prevent any Series from investing all of its assets in other registered investment companies except as provided by the 1940 Act and the rules promulgated thereunder.

**MANAGEMENT OF THE TRUST**

**Trustees and Officers**

The Board is responsible for the overall supervision of the Trust and performs the various duties imposed on Trustees by the 1940 Act and Delaware statutory trust law. The Board is responsible for the overall supervision of the Series, including establishing the Series' policies, general supervision and review of their investment activities. The officers, who administer the Series' daily operations, are appointed by the Board and generally are employees of the Adviser or one of its affiliates. The current Trustees and officers of the Trust performing a policy-making function and their affiliations and principal occupations for the past five years are set forth below. The Trust has no employees.

Unless otherwise noted, the address of each individual is 100 Pearl Street, Hartford, CT 06103. There is no stated term of office for Trustees or officers of the Trust.

### Independent Trustees\*

Name and Year of Birth	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Trustee During Past 5 Years
Thomas J. Brown YOB: 1945	Served since 2011.	86	Retired.	Trustee (since 2017), Virtus Asset Trust (25 portfolios); Trustee (since 2016), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios), and Virtus Alternative Solutions Trust (3 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: 1961	Served since 2016.	90	Retired.	Trustee (since 2017), Virtus Asset Trust (25 portfolios); Trustee (since 2016), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios), Virtus Variable Insurance Trust (9 portfolios) and Virtus Alternative Solutions Trust (3 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).
Roger A. Gelfenbien YOB: 1943	Served since 2000.	86	Retired.	Trustee (since 2017), Virtus Asset Trust (25 portfolios); Trustee (since 2016), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios) and Virtus Alternative Solutions Trust (3 portfolios); Trustee (since 2000), Virtus Variable Insurance Trust (9 portfolios); and Director (1999 to 2017), USAllianz Variable Insurance Product Trust (42 portfolios).

Name and Year of Birth	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Trustee During Past 5 Years
Harris, Sidney E. YOB: 1949	Served since 2017.	86	Professor and Dean Emeritus (since April 2015), Professor (1997 to 2014), Dean (1997 to 2004), J. Mack Robinson College of Business, Georgia State University.	Trustee (since 2017), Virtus Asset Trust (25 portfolios), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios), Virtus Variable Insurance Trust (9 portfolios) and Virtus Alternative Solutions Trust (3 portfolios); Trustee (since 2013), KIPP Metro Atlanta; Trustee (since 1999) Total System Services, Inc.; Trustee (2004 to 2017), RidgeWorth Funds; Trustee (2012 to 2017), International University of the Grand Bassam; and Trustee (2011 to 2015), Genspring Family Offices, LLC.
John R. Mallin YOB: 1950	Served since 1999.	86	Partner/Attorney (since 2003), McCarter & English LLP (law firm) Real Property Practice Group; and Member (since 2014), Counselors of Real Estate.	Trustee (since 2017), Virtus Asset Trust (25 portfolios); Trustee (since 2016), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios), and Virtus Alternative Solutions Trust (3 portfolios); Director (since 2013), Horizons, Inc. (non-profit); and Trustee (since 1999), Virtus Variable Insurance Trust (9 portfolios).
Hassell H. McClellan YOB: 1945	Served since 2008.	86	Retired (since 2013). Professor (1984 to 2013), Wallace E. Carroll School of Management, Boston College.	Chairperson of the Board (since 2017) and Trustee (since 2000), John Hancock Fund Complex (collectively, 227 portfolios); Trustee (since 2017), Virtus Asset Trust (25 portfolios); Trustee (since 2016), Virtus Alternative Solutions Trust (3 portfolios); Trustee (since 2015), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios) and Virtus Retirement Trust (10 portfolios); Director (since 2010), Barnes Group, Inc. (diversified global components manufacturer and logistical services company); and Trustee (since 2008), Virtus Variable Insurance Trust (9 portfolios).

Name and Year of Birth	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Trustee	Principal Occupation(s) During Past 5 Years	Other Directorships Held by Trustee During Past 5 Years
McDaniel, Connie D. YOB: 1958	Served since 2017.	86	Retired. Vice President, Chief of Internal Audit, Corporate Audit Department (2009 to 2013); Vice President Global Finance Transformation (2007 to 2009); Vice President and Controller (1999 to 2007), The Coca-Cola Company.	Trustee (since 2017), Virtus Asset Trust (25 portfolios), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios), Virtus Retirement Trust (10 portfolios), Virtus Variable Insurance Trust (9 portfolios) and Virtus Alternative Solutions Trust (3 portfolios); Trustee (since 2014), Total System Services, Inc.; and Trustee (2005 to 2017), RidgeWorth Funds.
Philip R. McLoughlin YOB: 1946	Served since 2003.	94	Retired.	Director and Chairman (since 2016), Virtus Total Return Fund Inc. and Virtus Global Dividend & Income Fund Inc.; Director and Chairman (since 2014) Duff & Phelps Select Energy MLP Fund Inc.; Trustee and Chairman (since 2013), Virtus Alternative Solutions Trust (3 portfolios); Trustee and Chairman (since 2011), Virtus Global Multi-Sector Income Fund; 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); Trustee (since 1993) and Chairman (since 2002), Virtus Retirement Trust (10 portfolios); Trustee (since 1996) and Chairman (since 2002), Virtus Equity Trust (11 portfolios); Trustee (since 1999) and Chairman (since 2002), Virtus Opportunities Trust (28 portfolios); and Trustee (since 1989) and Chairman (since 2002), Virtus Asset Trust (25 portfolios).

<u>Name and Year of Birth</u>	<u>Length of Time Served</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Trustee During Past 5 Years</u>
Geraldine M. McNamara YOB: 1951	Served since 2015.	90	Retired.	Trustee (since 2016), Virtus Alternative Solutions Trust (3 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); Trustee (since 2002), Virtus Asset Trust (25 portfolios); and Trustee (since 2001), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios) and Virtus Retirement Trust (10 portfolios).
Oates, James M. YOB: 1946	Served since 2016.	90	Managing Director (since 1994), Wydown Group (consulting firm).	Director (since 2016), Virtus Global Dividend & Income Fund Inc. and Virtus Total Return Fund; Trustee (since 2016), Virtus Variable Insurance Trust (9 portfolios); Director (since 2014), Duff & Phelps Select Energy MLP Fund Inc.; Trustee (since 2013), Virtus Alternative Solutions Trust (3 portfolios); Trustee (since 2011), Virtus Global Multi-Sector Income Fund; Trustee (since 2005) and Chairperson (2005 to 2017), John Hancock Fund Complex (227 portfolios); Trustee (since 2005), Virtus Asset Trust (25 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); Trustee (since 2000), Virtus Opportunities Trust (28 portfolios); Chairman and Director (1999 to 2014), Connecticut River Bank; Director (since 1996), Stifel Financial; and Trustee (since 1996), Virtus Equity Trust (11 portfolios) and Virtus Retirement Trust (10 portfolios).

<u>Name and Year of Birth</u>	<u>Length of Time Served</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Trustee During Past 5 Years</u>
Segerson, Richard E. YOB: 1946	Served since 2016.	86	Retired.	Trustee (since 2016), Virtus Alternative Solutions Trust (3 portfolios) and Virtus Variable Insurance Trust (9 portfolios); Trustee (since 2005), Virtus Asset Trust (25 portfolios); Trustee (since 2000), Virtus Opportunities Trust (28 portfolios); and Trustee (since 1996) Virtus Equity Trust (11 portfolios) and Virtus Retirement Trust (10 portfolios).

\* Those Trustees listed as “Independent Trustees” are not “interested persons” of the Trust, as that term is defined in the 1940 Act.

#### Interested Trustee

<u>Name and Year of Birth</u>	<u>Length of Time Served</u>	<u>Number of Portfolios in Fund Complex Overseen by Trustee</u>	<u>Principal Occupation(s) During Past 5 Years</u>	<u>Other Directorships Held by Trustee During Past 5 Years</u>
George R. Aylward** YOB: 1964	President since 2010; Trustee since 2012.	92	Director, President and Chief Executive Officer (since 2008), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; and various senior officer positions with Virtus affiliates (since 2005).	Chairman and Trustee (since 2015), Virtus ETF Trust II (2 funds); Director, President and Chief Executive Officer (since 2014), Duff & Phelps Select Energy MLP Fund Inc.; Trustee and President (since 2013), Virtus Alternative Solutions Trust (3 portfolios); Director (since 2013), Virtus Global Funds, PLC (3 portfolios); Trustee (since 2012) and President (since 2010), Virtus Variable Insurance Trust (9 portfolios); Trustee, President and Chief Executive Officer (since 2011), Virtus Global Multi-Sector Income Fund; Director, President and Chief Executive Officer (since 2006), Virtus Global Dividend & Income Fund Inc. and Virtus Total Return Fund Inc.; and Trustee and President (since 2006) and Executive Vice President (2004 to 2006), Virtus Asset Trust (25 portfolios), Virtus Equity Trust (11 portfolios), Virtus Opportunities Trust (28 portfolios) and Virtus Retirement Trust (10 portfolios).

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

### Officers of the Trust Who Are Not Trustees

Name, Address and Year of Birth	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years
Batchelar, Peter YOB: 1970	Senior Vice President (since 2017), Vice President (2008 to 2017).	Senior Vice President (since 2017) and Vice President (2008 to 2017), Product Development, Virtus Investment Partners, Inc. and/or certain of its subsidiaries; Senior Vice President (since 2017) Virtus Asset Trust and Virtus Retirement Trust; Senior Vice President (since 2017) and Vice President (2008 to 2017), Virtus Equity Trust and Virtus Opportunities Trust; Senior Vice President (since 2017) and Vice President (2010 to 2017), Virtus Variable Insurance Trust; Senior Vice President (since 2017), Virtus Total Return Fund Inc. and Virtus Global Dividend & Income Fund Inc.; Senior Vice President (since 2017) and Vice President (2016 to 2017), Virtus Global Multi-Sector Income Fund and Duff & Phelps Select Energy MLP Fund Inc.; and Senior Vice President (since 2017) and Vice President (2008 to 2017), Virtus Alternative Solutions Trust.
W. Patrick Bradley YOB: 1972	Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2011 to 2013), and Chief Financial Officer and Treasurer (since 2004).	Executive Vice President, Fund Services (since 2016), and 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), and 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 Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust and Virtus Retirement Trust; Executive Vice President (since 2016), Senior Vice President (2013 to 2016), Vice President (2012 to 2013) and Treasurer and Chief Financial Officer (since 2010), Virtus Total Return 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), and Chief Financial Officer and Treasurer (since 2011), Virtus Global Multi-Sector Income Fund; Executive Vice President (since 2016), Senior Vice President (2014 to 2016), Chief Financial Officer and Treasurer (since 2014), Duff & Phelps Select Energy MLP Fund Inc.; 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 (2013 to 2016), and Chief Financial Officer and Treasurer (since 2013), Virtus Alternative Solutions Trust.

Name, Address and Year of Birth	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years
Carr, Kevin J. YOB: 1954	Senior Vice President (since 2017), Assistant Secretary (since 2013), Vice President, Chief Legal Officer, Counsel and Secretary (2010 to 2013).	Vice President and Senior Counsel (2017 to Present), Senior Vice President (2009 to 2017), 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 Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust and Virtus Retirement Trust; Senior Vice President (2013 to 2014), Vice President (2012 to 2013), Secretary and Chief Legal Officer (2005 to 2013), and Assistant Secretary (2013 to 2014 and since 2017), Virtus Total Return Fund Inc. and Virtus Global Dividend & Income Fund Inc.; Senior Vice President (since 2017), Assistant Secretary (since 2013), Vice President, Chief Legal Officer, Counsel and Secretary (2010 to 2013), Virtus Variable Insurance Trust; Senior Vice President (2013 to 2014), Vice President (2011 to 2013), and Assistant Secretary (since 2011), Virtus Global Multi-Sector Income Fund; Assistant Secretary (since 2015), Duff & Phelps Select Energy MLP Fund Inc.; Senior Vice President (since 2017) and Assistant Secretary (since 2013), Virtus Alternative Solutions Trust; Secretary (since 2015), ETFis Series Trust I; and Secretary (since 2015), Virtus ETF Trust II.
Nancy J. Engberg YOB: 1956	Senior Vice President (since 2017), Vice President and Chief Compliance Officer (2011 to 2017), and Chief Compliance Officer (since 2011).	Senior Vice President (since 2017), Vice President (2008 to 2017) 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; Senior Vice President (since 2017), Vice President (2011 to 2017) and Chief Compliance Officer (since 2011), Virtus Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust and Virtus Retirement Trust; Senior Vice President (since 2017), Vice President (2010 to 2017) and Chief Compliance Officer (since 2011), Virtus Variable Insurance Trust; Senior Vice President (since 2017), Vice President (2011 to 2017) and Chief Compliance Officer (since 2011), Virtus Global Multi-Sector Income Fund; Senior Vice President (since 2017), Vice President (2012 to 2017) and Chief Compliance Officer (since 2012), Virtus Total Return Fund Inc. and Virtus Global Dividend & Income Fund Inc.; Senior Vice President (since 2017), Vice President (2013 to 2017) and Chief Compliance Officer (since 2013), Virtus Alternative Solutions Trust; Senior Vice President (since 2017), Vice President (2014 to 2017) and Chief Compliance Officer (since 2014), Duff & Phelps Select Energy MLP Fund Inc.; Chief Compliance Officer (since 2015), ETFis Series Trust I; and Chief Compliance Officer (since 2015), Virtus ETF Trust II.
Jennifer Fromm YOB: 1973	Vice President, Chief Legal Officer and Secretary (since 2013).	Vice President (since 2016) and Senior Counsel (since 2007), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; Vice President (since 2017) and Assistant Secretary (since 2008), Virtus Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust and Virtus Retirement Trust; Vice President, Chief Legal Officer, and Secretary of Virtus Variable Insurance Trust (since 2013); and Vice President, Chief Legal Officer, and Secretary (since 2013), Virtus Alternative Solutions Trust.
Short, Julia R. YOB: 1972	Senior Vice President (since 2017).	Senior Vice President, Product Development (since 2017), Virtus Investment Partners, Inc. and/or certain of its subsidiaries; Senior Vice President (since 2017), Virtus Alternative Solutions Trust, Virtus Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust, Virtus Retirement Trust and Virtus Variable Insurance Trust; and Managing Director, Product Manager, RidgeWorth Investments (2004 to 2017).

Name, Address and Year of Birth	Position(s) Held with the Trust and Length of Time Served	Principal Occupation(s) During Past 5 Years
Francis G. Waltman YOB: 1962	Executive Vice President (since 2013), and Senior Vice President (2010 to 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 Asset Trust, Virtus Equity Trust, Virtus Opportunities Trust and Virtus Retirement Trust; Executive Vice President (since 2013), and Senior Vice President (2010 to 2013), Virtus Variable Insurance Trust; Executive Vice President (since 2013), and Senior Vice President (2011 to 2013), Virtus Global Multi-Sector Income Fund; Executive Vice President (since 2014), Duff & Phelps Select Energy MLP Fund Inc.; Director (since 2013), Virtus Global Funds PLC; and Executive Vice President (since 2013), Virtus Alternative Solutions Trust.

**Leadership Structure and the Board of Trustees**

The Board is currently composed of twelve trustees, including eleven Independent Trustees. In addition to four regularly scheduled meetings per year, the Board holds special meetings either in person or via telephone to discuss specific matters that may require consideration prior to the next regular meeting. As discussed below, the Board has established several standing committees to assist the Board in performing its oversight responsibilities, and each such committee has a chairperson. The Board may also designate working groups or ad hoc committees as it deems appropriate.

The Board has appointed Mr. McLoughlin, an Independent Trustee, to serve in the role of Chairman. The Chairman’s primary role is to participate in the preparation of the agenda for meetings of the Board and the identification of information to be presented to the Board with respect to matters to be acted upon by the Board. The Chairman also presides at all meetings of the Board and between meetings generally acts as a liaison with the Trust’s service providers, officers, legal counsel, and the other Trustees. The Chairman may perform such other functions as may be requested by the Board from time to time. Except for any duties specified herein or pursuant to the Trust’s Agreement and Declaration of Trust or By-laws, or as assigned by the Board, the designation of Chairman does not impose on such Independent Trustee any duties, obligations or liability that is greater than the duties, obligations or liability imposed on such person as a member of the Board, generally.

The Board believes that this leadership structure is appropriate because it allows the Board to exercise informed and independent judgment over matters under its purview, and it allocates areas of responsibility among committees or working groups of Trustees and the full Board in a manner that enhances effective oversight. Mr. McLoughlin previously served as the Chairman and Chief Executive Officer of the company that is now Virtus; however, he is now an Independent Trustee due to (a) the fact that Virtus is no longer affiliated with The Phoenix Companies, Inc. (which was its parent company when Mr. McLoughlin retired), and (b) the passage of time. As a result of this balance, it is believed that Mr. McLoughlin has the ability to provide independent oversight of the Trust’s operations within the context of his detailed understanding of the perspective of the Adviser and the Trust’s other service providers. The Board therefore considers leadership by Mr. McLoughlin as enhancing the Board’s ability to provide effective independent oversight of the Trust’s operations and meaningful representation of the shareholders’ interests.

The Board also believes that having a super-majority of Independent Trustees is appropriate and in the best interest of the Series’ shareholders. Nevertheless, the Board also believes that having an interested person serve on the Board brings corporate and financial viewpoints that are, in the Board’s view, crucial elements in its decision-making process. In addition, the Board believes that Mr. Aylward, who is currently the Chairman and President of the Adviser, and the President and Chief Executive Officer of Virtus, and serves in various executive roles with other affiliates of the Adviser who provide services to the Trust, provides the Board with the Adviser’s perspective in managing and sponsoring the Series as well as the perspective of other service providers to the Trust. The leadership structure of the Board may be changed at any time and in the discretion of the Board, including in response to changes in circumstances or the characteristics of the Trust.

The Board has established several standing committees to oversee particular aspects of the Series’ management. The members of each Committee are set forth below:

***The Audit Committee***

The Audit Committee is responsible for overseeing the Series’ accounting and auditing policies and practices. The Audit Committee reviews the Series’ financial reporting procedures, their system of internal control, the independent audit process, and the Series’ procedures for monitoring compliance with investment restrictions and applicable laws and

regulations and with the Code of Ethics. The Audit Committee is composed entirely of Independent Trustees; its members are Thomas J. Brown, Chairperson, Donald C. Burke, Roger A. Gelfenbien, Connie D. McDaniel and Richard E. Segerson. The Audit Committee met four times during the Trust's last fiscal year.

#### ***The Compliance Committee***

The Compliance Committee is responsible for overseeing the Series' compliance matters. The Compliance Committee oversees and reviews (1) information provided by the Series' officers, including the Series' CCO, the Series' investment adviser and other principal service providers, and others as appropriate; (2) the codes of ethics; (3) whistleblower reports; (4) cybersecurity programs; and (5) distribution programs. The Compliance Committee is composed entirely of Independent Trustees; its members are Hassell H. McClellan, Chairperson, Sidney E. Harris, John R. Mallin, Geraldine M. McNamara, and James M. Oates. The Compliance Committee met four times during the Trust's last fiscal year.

#### ***The Executive Committee***

The function of the Executive Committee is to serve as a delegate of the full Board, as well as act on behalf of the Board when it is not in session, subject to limitations as set by the Board. The Executive Committee is composed entirely of Independent Trustees; its members are Philip R. McLoughlin, Chairperson, Thomas J. Brown, Hassell H. McClellan and James M. Oates. The Executive Committee did not meet during the Trust's last fiscal year.

#### ***The Governance and Nominating Committee***

The Governance and Nominating Committee is responsible for developing and maintaining governance principles applicable to the Series, for nominating individuals to serve as Trustees, including as Independent Trustees and annually evaluating the Board and Committees. The Governance and Nominating Committee is composed entirely of Independent Trustees; its members are James M. Oates, Chairperson, Philip R. McLoughlin and Geraldine M. McNamara. The Governance and Nominating Committee met five times during the Trust's last fiscal year.

The Governance and Nominating Committee considers candidates for trusteeship and makes recommendations to the Board with respect to such candidates. There are no specific required qualifications for trusteeship. The committee considers all relevant qualifications of candidates for trusteeship, such as industry knowledge and experience, financial expertise, current employment and other board memberships, and whether the candidate would be qualified to be considered an Independent Trustee. The Board believes that having among its members a diversity of viewpoints, skills and experience and a variety of complementary skills enhances the effectiveness of the Board in its oversight role. The committee considers the qualifications of candidates for trusteeship in this context.

The Board has adopted a policy for consideration of Trustee nominees recommended by shareholders. With regards to such policy, an individual contractholder submitting a nomination must hold for at least two full years 5% of the shares of a Series of the Trust, among other qualifications and restrictions. Any Contract Owner nominee recommendations should be sent to the attention of the committee in care of the Trust's Secretary, and should include biographical information, including business experience for the past ten years and a description of the qualifications of the proposed nominee, along with a statement from the proposed nominee that he or she is willing to serve and meets the requirements to be an Independent Trustee, if applicable. Shareholder nominees for Trustee will be given the same consideration as any candidate provided the nominee meets certain minimum requirements.

#### **Information about Each Trustee's Qualification, Experience, Attributes or Skills**

In addition to the information set forth above, the following provides further information about each Trustee's specific experience, qualifications, attributes or skills. The information in this section should not be understood to mean that any of the Trustees is an "expert" within the meaning of the federal securities laws.

#### ***George R. Aylward***

In addition to his positions with the Trust, Mr. Aylward is a Director and the President and Chief Executive Officer of Virtus, the ultimate parent company of the Adviser. He also holds various executive positions with the Adviser, certain Series' subadvisers, the Distributor and the Administrator to the Trust, and various of their affiliates, and previously held such positions with the former parent company of Virtus. He therefore has experience in all aspects of the development and management of registered investment companies, and the handling of various financial, staffing, regulatory and operational issues. Mr. Aylward is a certified public accountant and holds an MBA, and he also serves as an officer and director/trustee of several open-end and closed-end funds managed by the Adviser and its affiliates.

#### ***Thomas J. Brown***

Mr. Brown, currently retired, was employed in senior business and accounting roles with financial services companies for over twenty-five years, and he has over sixteen years of experience as a director/trustee of unaffiliated funds. Mr. Brown is also a trustee of several open-end funds managed by the Adviser.

**Donald C. Burke**

Mr. Burke, currently retired, has extensive experience with mutual funds, including as president and Chief Executive Officer of a major fund complex, and subsequently as an independent trustee of another major fund complex. He also has extensive knowledge of the utility industry, derived from his service on the board of a public company involved in the production, transmission and distribution of energy. He is also a director/trustee of several open-end and closed-end funds managed by the Adviser and its affiliates.

**Roger A. Gelfenbien**

Mr. Gelfenbien, currently retired, was employed as an accountant and consultant in the financial services sector for over thirty years, as well as having over eleven years experience with an unaffiliated fund as a director. Mr. Gelfenbien is also a trustee of several open-end funds managed by the Adviser.

**Sidney E. Harris**

Dr. Sidney Harris has extensive knowledge of best practices in executive management, familiarity with international business practices and expertise in corporate strategy implementation, risk management, technology, asset management compliance and investments. Dr. Harris is currently Professor and Dean Emeritus at the J. Mack Robinson College of Business at Georgia State University. He has been affiliated with the J. Mack Robinson College of Business since 1997, serving as Professor (1997 to 2014) and Dean (1997 to 2004). Most recently, Dr. Harris was Professor of Computer Information Systems, Management and International Business. Prior to joining Georgia State University, Dr. Harris was Professor (1987 to 1996) and former Dean (1991 to 1996) of the Peter F. Drucker Graduate School of Management at Claremont Graduate University (currently Peter F. Drucker and Masotoshi Ito Graduate School of Management). He served as Independent Trustee of the RidgeWorth Funds Board of Trustees (2004 to 2017) and as Independent Chairman (2007 to 2017). He served as a member of the RidgeWorth Funds Governance and Nominating Committee (2004 to 2017) and Audit Committee (2006 to 2017). Dr. Harris previously served on the Board of Transamerica Investors (1995 to 2005). Dr. Harris is a Director of Total System Services, Inc. He serves on the Board of Directors of KIPP Metro Atlanta and is Chairman of the International University of the Grand-Bassam (IUGB) Foundation.

**John R. Mallin**

Mr. Mallin is a real estate partner and former practice group leader for the Real Property Practice Group at McCarter & English LLP. During his career, he has been involved in all aspects of real estate development and financial transactions related to real estate. Mr. Mallin also has oversight and corporate governance experience as a director, including as a chair, of non-profit entities. Mr. Mallin is also a trustee of several open-end funds managed by the Adviser.

**Hassell H. McClellan**

Mr. McClellan, currently retired, has extensive business experience in advising and consulting with companies to improve the companies' management and operations, as well as serving as a business educator at several colleges. Mr. McClellan also has over twelve years experience as a director of unaffiliated funds. Mr. McClellan is also a trustee of several open-end funds managed by the Adviser.

**Connie D. McDaniel**

Ms. McDaniel, currently retired, has extensive domestic and international business experience, particularly with respect to finance, strategic planning, risk management and risk assessment functions. She is retired from The Coca-Cola Company, where she served as Vice President and Chief of Internal Audit, Corporate Audit Department (2009 to 2013), Vice President, Global Finance Transformation (2007 to 2009), Vice President and Controller (1999 to 2007), and held various management positions (1989 to 1999). While at The Coca-Cola Company, Ms. McDaniel chaired that company's Ethics and Compliance Committee (2009 to 2013) and developed a knowledge of corporate governance matters. Prior to The Coca-Cola Company, she was associated with Ernst & Young (1980 to 1989). Ms. McDaniel served as Independent Trustee of the RidgeWorth Funds Board of Trustees from 2005 to 2017. She was Chairman of the RidgeWorth Funds Audit Committee (2008 to 2017), designated Audit Committee Financial Expert (2007 to 2017) and a member of the RidgeWorth Funds Governance and Nominating Committee (2015 to 2017). Ms. McDaniel is also a Director of Total System Services, Inc. and currently serves as Chair of the Georgia State University Robinson College of Business Board of Advisors.

**Philip R. McLoughlin**

Mr. McLoughlin has an extensive legal, financial and asset management background. In 1971, he joined Phoenix Investment Partners, Ltd. (then, Phoenix Equity Planning Corp.), the predecessor of Virtus Investment Partners, Inc., as Assistant Counsel with responsibility for various compliance and legal functions. During his tenure, Mr. McLoughlin

assumed responsibility for most functions in the firm's advisory, broker-dealer and fund management operations, and eventually ascended to the role of President. Mr. McLoughlin then served as General Counsel, and later Chief Investment Officer, of Phoenix Mutual Life Insurance Company, the parent company of Phoenix Investment Partners. Among other functions, he served as the senior management liaison to the boards of directors of the insurance company's mutual funds and closed-end funds, and had direct oversight responsibility for the funds' portfolio managers. In 1994, Mr. McLoughlin was named Chief Executive Officer of Phoenix Investment Partners, and continued in that position, as well as Chief Investment Officer of Phoenix Mutual Life Insurance Company, until his retirement in 2002.

#### ***Geraldine M. McNamara***

Ms. McNamara was an executive at U.S. Trust Company of New York for 24 years, where she rose to the position of Managing Director. Her responsibilities at U.S. Trust included the oversight of U.S. Trust's personal banking business. In addition to her managerial and banking experience, Ms. McNamara has experience in advising individuals on their personal financial management, which has given her an enhanced understanding of the goals and expectations that individual investors may have. Ms. McNamara is also a trustee of several open-end and closed-end funds managed by the Adviser and its affiliates.

#### ***James M. Oates***

Mr. Oates was instrumental in the founding of a private global finance, portfolio management and administration company, and he has also served in executive and director roles for various types of financial services companies. As a senior officer and director of investment management companies, Mr. Oates has experience in investment management. He also previously served as chief executive officer of two banks, and holds an MBA. Mr. Oates also has experience as a director of other publicly traded companies and has served for a number of years as the Chairman of the Board of a large family of mutual funds unaffiliated with the Trust. Mr. Oates is also a director/trustee of several open-end and closed-end funds managed by the Adviser and its affiliates.

#### ***Richard E. Segerson***

Mr. Segerson has served in financial and other executive roles with various operating companies, including serving as the Chief Financial Officer, Controller and Chief Operating Officer of such entities. These roles have provided him with an understanding of financial and operational issues, as has his experience as a public accountant. Mr. Segerson also has over 30 years of experience serving as a trustee to various mutual funds, and he holds an MBA. Mr. Segerson also has served for a number of years as the Managing Director of a family office, providing wealth management services to individuals. This experience enhances his understanding of the perspective of individual fund shareholders. Mr. Segerson is also a trustee of several other open-end funds managed by the Adviser.

The Board believes that, collectively, the Trustees have the appropriate experience, qualifications, attributes and skills, which allow the Board to operate effectively in governing the Trust and protecting the interests of shareholders. Common attributes to all Trustees are their ability to review, evaluate, question and discuss information provided to them (and to request additional information), to interact effectively with VIA, the subadvisers, the Administrator, the Distributor, and other service providers, the Trust's Chief Financial Officer, Chief Compliance Officer ("CCO"), Chief Legal Officer and the Trust's independent registered public accounting firm.

#### **Board Oversight of Risk Management**

As a registered investment company, the Trust is subject to a variety of risks, including investment risks, financial risks, compliance risks and regulatory risks. As part of its overall activities, the Board oversees the management of the Trust's risk management structure by the Trust's Adviser, Administrator, Distributor, Transfer Agent officers and others. The responsibility to manage the Series' risk management structure on a day-to-day basis is subsumed within the other responsibilities of these parties.

The Board considers risk management issues as part of its general oversight responsibilities throughout the year at regular meetings of the Board and its committees, and within the context of any ad hoc communications with the Trust's service providers and officers. The Trust's Adviser, subadvisers, Distributor, Administrator, officers and legal counsel prepare regular reports to the Board that address certain investment, valuation, compliance and other matters, and the Board as a whole or its committees may also receive special written reports or presentations on a variety of risk issues at the request of the Board, a committee, the Chairman or a senior officer.

The Board, through its Investment Performance Committee, receives regular written reports describing and analyzing the investment performance of the Series. In addition, the portfolio managers of the Series and senior management of the Series' subadvisers meet with the Board periodically to discuss portfolio performance and answer the Board's

questions with respect to portfolio strategies and risks. To the extent that a Series changes a principal investment strategy, the Board generally is consulted in advance with respect to such change.

The Board receives regular written reports from the Trust's Chief Financial Officer that enable the Board to monitor the number of fair valued securities in the Series' portfolios, the reasons for the fair valuation and the methodology used to arrive at the fair value. Such reports also include information concerning illiquid securities within the Series' portfolios. The Board and/or the Audit Committee may also review valuation procedures and pricing results with the Series' independent auditors in connection with the review of the results of the audit of the Series' year-end financial statements.

The Board also receives regular compliance reports prepared by the compliance staff of the Adviser and meets regularly with the Trust's CCO to discuss compliance issues, including compliance risks. As required under applicable rules, the Independent Trustees meet regularly in executive session with the CCO, and the CCO prepares and presents an annual written compliance report to the Board. The CCO, as well as the compliance staff of the Adviser and Virtus, provide the Board with reports on their examinations of functions and processes within the Adviser and the subadvisers that affect the Series. The Board also adopts compliance policies and procedures for the Trust and approves such procedures for the Trust's service providers. The compliance policies and procedures are specifically designed to detect and prevent violations of the federal securities laws.

In its annual review of the Series' advisory, subadvisory and underwriting agreements, the Board reviews information provided by the Adviser, the Series' subadvisers and the Distributor relating to their operational capabilities, financial conditions and resources. The Board may also discuss particular risks that are not addressed in its regular reports and processes.

The Board recognizes that it is not possible to identify all of the risks that may affect the Series or to develop processes and controls to eliminate or mitigate their occurrence or effects. The Board periodically reviews the effectiveness of its oversight of the Series, and the processes and controls in place to limit identified risks. The Board may, at any time and in its discretion, change the manner in which it conducts its risk oversight role.

#### **Trustees' Series Holdings as of December 31, 2017**

As of December 31, 2017, none of the Trustees or officers directly own shares of the Series. As of December 31, 2017, the Trustees and officers as a group owned variable contracts that entitled them to give voting instructions with respect to less than 1% of the outstanding shares of the Trust.

#### **Trustee Compensation**

Trustees who are not employed by the Adviser or its affiliates receive an annual retainer and fees and expenses for attendance at Board and Committee meetings. Officers and employees of the Adviser of the Series who are interested persons are compensated for their services by the Adviser of the Series, or an affiliate of the Adviser of the Series, and receive no compensation from the Series. The Trust does not have any retirement plan for its Trustees.

For the Trust's fiscal year ended December 31, 2017, the current Trustees received the following compensation:

	<u>Aggregate Compensation from Trust</u>	<u>Total Compensation From Trust and Fund Complex Paid to Trustees</u>
<b><u>Independent Trustees</u></b>		
Thomas J. Brown	\$8,301	\$268,681 (87 funds)
Donald C. Burke	\$7,518	\$334,059 (91 funds)
Roger A. Gelfenbien	\$7,518	\$243,681 (87 funds)
Sidney E. Harris*	\$3,200	\$136,086 (87 funds)
John R. Mallin	\$7,518	\$243,681 (87 funds)
Hassell H. McClellan	\$9,396	\$303,681 (87 funds)
Connie D. McDaniel*	\$2,769	\$117,825 (87 funds)
Philip R. McLoughlin	\$14,090	\$700,181 (95 funds)
Geraldine M. McNamara	\$8,770	\$374,059 (91 funds)
James M. Oates	\$7,988	\$396,181 (91 funds)
Richard E. Segerson	\$7,518	\$243,681 (87 funds)
<b><u>Interested Trustee</u></b>		
George R. Aylward	None	None

\* Became a Trustee effective July 17, 2017.

A deferred compensation plan is available to the Trustees. Neither the Trust nor any affiliates provide additional compensation with respect to this deferred compensation plan. Under this deferred compensation plan, the following trustees have deferred compensation in 2017 as follows:

Mr. Brown — \$9,138

Mr. Gelfenbien — \$4,137

Mr. Mallin — \$8,274

Mr. McClellan — \$8,899

Mr. McLoughlin — \$3,106

### **Code of Ethics**

The Trust, its Adviser, subadvisers and Distributor have each adopted a Code of Ethics pursuant to Rule 17j-1 under the 1940 Act. Personnel subject to the Codes of Ethics may purchase and sell securities for their personal accounts, including securities that may be purchased, sold or held by the Series, subject to certain restrictions and conditions. Generally, personal securities transactions are subject to preclearance procedures, reporting requirements and holding period rules. The Codes also restrict personal securities transactions in private placements, initial public offerings and securities in which a Series has a pending order. The Trust has also adopted a Senior Management Code of Ethics as required by Section 406 of the Sarbanes-Oxley Act of 2002.

### **Proxy Voting Policies**

The Trust has adopted a Policy Regarding Proxy Voting (the "Policy") stating the Trust's intention for the Series to exercise stock ownership rights with respect to portfolio securities in a manner that is reasonably anticipated to further the best economic interests of shareholders of the Series. The Series or their voting delegates will endeavor to analyze and vote all proxies that are likely to have financial implications, and where appropriate, to participate in corporate governance, shareholder proposals, management communications and legal proceedings. The Series or their voting delegates must also identify potential or actual conflicts of interest in voting proxies and must address any such conflict of interest in accordance with the Policy.

In the absence of a specific direction to the contrary from the Board, the Adviser or the subadviser that is managing a Series is responsible for voting proxies for such Series, or for delegating such responsibility to a qualified, independent organization engaged by the Adviser or respective subadviser to vote proxies on its behalf. The applicable voting party will vote proxies in accordance with the Policy or its own policies and procedures, which must be reasonably designed to further the best economic interests of the affected Series shareholders. Because the Policy and the applicable voting party's policies and procedures used to vote proxies for the Series both are designed to further the best economic interests of the affected Series shareholders, they are not expected to conflict with one another although the types of factors considered by the applicable voting party under its own policies and procedures may be in addition to or different from the ones listed below for the Policy.

The Policy specifies the types of factors to be considered when analyzing and voting proxies on certain issues when voting in accordance with the Policy, including, but not limited to:

- Anti-takeover measures – the overall long-term financial performance of the target company relative to its industry competition.
- Corporate Governance Matters—tax and economic benefits of changes in the state of incorporation; dilution or improved accountability associated with changes in capital structure.
- Contested elections – the qualifications of all nominees; independence and attendance record of board and key committee members; entrenchment devices in place that may reduce accountability.
- Stock Option and Other Management Compensation Issues—executive pay and spending on perquisites, particularly in conjunction with sub-par performance and employee layoffs.
- Shareholder proposals – whether the proposal is likely to enhance or protect shareholder value; whether identified issues are more appropriately or effectively addressed by legal or regulatory changes; whether the issuer has already appropriately addressed the identified issues; whether the proposal is unduly burdensome or prescriptive; whether the issuer's existing approach to the identified issues is comparable to industry best practice.

The Series and their voting delegates seek to avoid actual or perceived conflicts of interest of Series shareholders, on the one hand, and those of the Adviser, subadviser, other voting delegate, Distributor, or any affiliated person of the Series, on the other hand.

Depending on the type and materiality, the Board or its delegates may take the following actions, among others, in addressing any material conflicts of interest that arise with respect to voting (or directing voting delegates to vote): (i) rely on the recommendations of an established, independent third party proxy voting vendor; (ii) vote pursuant to the recommendation of the proposing delegate; (iii) abstain; (iv) where two or more delegates provide conflicting requests, vote shares in proportion to the assets under management of each proposing delegate; (v) vote shares in the same proportion as the vote of all other shareholders of such issuer; or (vi) the Adviser may vote proxies where the subadviser has a direct conflict of interest. The Policy requires each Adviser/subadviser that is a voting delegate to notify the Chief Compliance Officer of the Trust (or, in the case of a subadviser, the Chief Compliance Officer of the Adviser) of any actual or potential conflict of interest that is identified, and provide a recommended course of action for protecting the best interests of the affected Series' shareholders. No Adviser/subadviser or other voting delegate may waive any conflict of interest or vote any conflicted proxies without the prior written approval of the Board (or the Executive Committee thereof) or the Chief Compliance Officer of the Trust.

The Policy further imposes certain record-keeping and reporting requirements on each Adviser/subadviser or other voting delegate.

Information regarding how the Series voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 will be available, no later than August 31 of each year, free of charge by calling, toll-free, 800.243.1574, or on the SEC's Web site at [www.sec.gov](http://www.sec.gov).

Following is information about the policies and procedures followed by each subadviser to the Series in voting proxies for their respective Series.

***Duff & Phelps International Series, Duff & Phelps Real Estate Securities Series and Strategic Allocation Series (international equity portion)***

Duff & Phelps has adopted pre-determined proxy voting guidelines (the "Guidelines") in an effort to ensure shares are voted in the best interests of its clients and the value of the investment, and to address any real or perceived conflicts of interest in proxy voting. The Guidelines allow Duff & Phelps to utilize a qualified, non-affiliated third party vendor to assist in the review of proxy proposals and making of voting recommendations on behalf of clients consistent with the Guidelines and Duff & Phelps' clients' proxy voting guidelines including the Policy, or as determined to be in the best economic interest of Duff & Phelps' clients.

Duff & Phelps has procedures in place to address conflicts of interest or potential conflicts of interest relating to proxy proposals. Generally, where the Guidelines outline a voting position, either as for or against such proxy proposal, voting will be according to either the Guidelines or the third party vendor's policies. When the Guidelines outline a voting position to be determined on a case-by-case basis, or the Guidelines do not list them, then Duff & Phelps will choose to vote the proxy according to either the voting recommendation of a non-affiliated third party vendor or pursuant to client direction. The method selected will depend on the facts and circumstances of each situation as well as requirements of applicable law.

Duff & Phelps may choose not to vote proxies in certain situations or for certain accounts, such as when:

- it deems the cost of voting to exceed any anticipated benefit to client;
- a proxy is received for a security it no longer manages due to the entire position being sold; or
- exercising voting rights could restrict the ability of the portfolio manager to freely trade the security.

Duff & Phelps may also not be able to vote proxies for any client account that participates in securities lending programs or UMA/MDP.

A complete copy of Duff & Phelps' current Proxy Voting Policies, Procedures and Guidelines may be obtained by sending a written request to Duff & Phelps Investment Management Co., Attn: Compliance, 200 S. Wacker Drive, Suite 500, Chicago, Illinois 60606.

***KAR Capital Growth Series, KAR Small-Cap Growth Series, KAR Small-Cap Value Series and Strategic Allocation Series (domestic equity portion)***

KAR has adopted and implemented policies and procedures that it believes are reasonably designed to ensure that proxies are voted in the best interest of its clients including the Series, in accordance with its fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The principles for voting proxies are as follows:

1. The firm votes all proxies to, in its opinion, maximize shareholder value, which is defined as long-term value through dividend and price appreciation. In addition, the firm's investment philosophy is to purchase "Quality" companies for the portfolios of its clients. One of the four main criteria for "Quality" is excellence in management. Hence, the firm tends to vote non-shareholder-value issues in alignment with management's recommendations, if there is no conflict with shareholder value. For example, "Poison Pills" and other anti-takeover measures are not supported, even if recommended by management.
2. To assist in analyzing proxies, KAR subscribes to Institutional Shareholder Services ("ISS"), an unaffiliated third party corporate governance research service that provides in-depth analyses of shareholder meeting agendas and vote recommendations. KAR fully reviews and approves the ISS Proxy Voting Guidelines and follows their recommendations on most issues brought to a shareholder vote. In special circumstances, where a KAR research analyst or portfolio manager believes that any ISS recommendation would be to the detriment of its investment clients, KAR will override an ISS recommendation. Two members of KAR's Risk and Compliance Committee can approve an override. Additionally, KAR utilizes ISS to vote proxies on its behalf, per the guidelines discussed above.
3. Absent any special circumstance, ISS Proxy Voting Guidelines are followed when voting proxies.
4. KAR can occasionally be subject to conflicts of interest in the voting of proxies because of business or personal relationships it maintains with persons having an interest in the outcome of specific votes. KAR and its employees can also occasionally have business or personal relationships with other proponents of proxy proposals, participants in proxy contests, corporate directors, or candidates for directorships. If, at any time, the responsible voting parties become aware of any type of potential conflict of interest relating to a particular proxy proposal, they will promptly report such conflict to KAR's Chief Compliance Officer. Conflicts of interest are handled in various ways depending on the type and materiality.

KAR's Proxy Voting Policy and the ISS Proxy Voting Guidelines are posted on the public section of KAR's website, [www.kayne.com](http://www.kayne.com).

#### ***Newfleet Multi-Sector Intermediate Bond Series and Strategic Allocation Series (fixed income portion)***

Although the nature of Newfleet's portfolios is such that ballots are rarely required, Newfleet has adopted pre-determined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of its clients and the value of the investment. Under the Guidelines, Newfleet sometimes delegates to a non-affiliated third party vendor the responsibility to review proxy proposals and make voting recommendations on behalf of Newfleet. Newfleet may also vote a proxy contrary to the Guidelines if it determines that such action is in the best interest of its clients including the Series.

A complete copy of Newfleet's current Proxy Voting Policies & Procedures is available by sending a written request to Newfleet Asset Management, LLC, Attn: Compliance Department, 100 Pearl Street, Hartford, CT 06103. Email requests may be sent to: [Laura.Krajewski@virtus.com](mailto:Laura.Krajewski@virtus.com).

#### ***Rampart Enhanced Core Equity Series and Rampart Equity Trend Series***

Rampart has adopted proxy voting policies, procedures and guidelines ("Guidelines") in an effort to ensure proxies are voted in the best interests of its clients and the value of the investment, and to address any real or perceived conflicts of interest in proxy voting. Proxies of the Series will be voted subject to the Series' Policy and, to the extent applicable, in accordance with any resolutions or other instructions approved by authorized persons of the Series. Any Rampart representative identifying a conflict of interest in voting a proxy is required to immediately report the conflict of interest to Rampart's CCO who will determine a course of action.

Rampart's Guidelines allow Rampart to utilize a qualified, non-affiliated third party vendor to review proxies and make voting recommendations on behalf of Rampart's clients consistent with the Guidelines.

Rampart may choose not to vote proxies in certain situations or for certain accounts, such as but not limited to the following:

- When Rampart deems the cost of voting would exceed any anticipated benefit to the respective client(s);
- When a proxy is received for a security Rampart no longer manages (i.e., Rampart has previously sold the entire position); and/or
- When the exercise of voting rights could restrict the ability of an account's portfolio manager to freely trade the security.

A complete copy of Rampart's Proxy Voting Guidelines is available by sending a written request to Rampart Investment Management Company, LLC, Attn: Chief Compliance Officer, 100 Pearl Street, Hartford, CT 06103. Email requests may be sent to: james.sena@virtus.com.

### CONTROL PERSONS AND PRINCIPAL HOLDERS OF SECURITIES

As of April 4, 2018, the persons who owned of record, or were known by the Trust to control and/or own beneficially, 5% or more of the outstanding shares of any class of the Series included in this SAI are shown in Appendix B—Control Persons and Principal Shareholders.

### INVESTMENT ADVISORY AND OTHER SERVICES

#### Investment Adviser

The investment adviser to each of the Series is Virtus Investment Advisers, Inc., located at 100 Pearl Street, Hartford, Connecticut 06103. VIA, an indirect, wholly-owned subsidiary of Virtus, acts as the investment adviser for over 50 mutual funds and as adviser to institutional clients. VIA has acted as an investment adviser for over 80 years. As of December 31, 2017, VIA had approximately \$29.2 billion in assets under management.

VIA began serving as investment adviser to the Trust in November 2010 and currently serves as investment adviser to each of the Series. Prior to November 5, 2010, Phoenix Variable Advisers, Inc. served as investment adviser to each of the Series, except Rampart Equity Trend Series, which commenced operation on February 14, 2011.

#### Investment Advisory Agreement and Expense Limitation Agreement

The investment advisory agreement, approved by the Board, provides that the Trust will bear all costs and expenses (other than those specifically referred to as being borne by the Adviser) incurred in the operation of the Trust. Such expenses include, but shall not be limited to, all expenses incurred in the operation of the Trust and any public offering of its shares, including, among others, interest, taxes, brokerage fees and commissions, fees of Trustees who are not employees of VIA or any of its affiliates, expenses of Trustees, and shareholders' meetings, expenses of printing and mailing proxy soliciting material, expenses of the insurance premiums for fidelity and other coverage, expenses of the repurchase and redemption of shares, expenses of the issue and sale of shares (to the extent not borne by VP Distributors under its agreement with the Trust), association membership dues, charges of custodians, transfer agents, dividend disbursing agents and financial agents, and bookkeeping, auditing and legal expenses. The Trust will also pay the fees and bear the expense of registering and maintaining the registration of the Trust and its shares with the SEC and registering or qualifying its shares under state or other securities laws and the expense of preparing and mailing prospectuses and reports to shareholders. If authorized by the Board, the Trust will also pay for extraordinary expenses and expenses of a non-recurring nature which may include, but shall not be limited to, the reasonable cost of any reorganization or acquisition of assets and the cost of legal proceedings to which the Trust is a party.

Each Series will pay expenses incurred in its own operation and will also pay a portion of the Trust's general administration expenses allocated on the basis of the asset values of the respective Series.

For managing, or directing the management of, the investments of each Series, VIA is entitled to a fee, payable monthly, at the following annual rates:

Series	Management Fees		
Rampart Equity Trend Series	1.00%		
	<b>First \$250 million</b>	<b>Next \$250 million</b>	<b>Over \$500 million</b>
Duff & Phelps International Series	0.75%	0.70%	0.65%
KAR Capital Growth Series	0.70%	0.65%	0.60%
Newfleet Multi-Sector Intermediate Bond Series	0.50%	0.45%	0.40%
Rampart Enhanced Core Equity Series	0.70%	0.65%	0.60%
Strategic Allocation Series	0.55%	0.50%	0.45%
	<b>First \$1 billion</b>	<b>Next \$1 billion</b>	<b>Over \$2 billion</b>
Duff & Phelps Real Estate Securities Series	0.75%	0.70%	0.65%
	<b>First \$1 billion</b>	<b>\$1+ billion</b>	
KAR Small-Cap Growth Series	0.85%	0.80%	
		<b>\$400 million to \$1 billion</b>	<b>Over \$1 billion</b>
KAR Small-Cap Value Series	0.90%	0.85%	0.80%

VIA has contractually agreed to reimburse expenses of the Series until at least April 30, 2019, to the extent that total operating expenses, (excluding certain expenses, such as front-end or contingent deferred sales charges, taxes,

leverage expenses interest, brokerage commissions, expenses incurred in connection with any merger or reorganization, unusual or infrequently occurring expenses (such as litigation), acquired fund fees and expenses, and dividend expenses, if any) exceed the maximum total operating expenses of the Series' average net assets (the "expense caps") listed in the chart below.

<u>Series</u>	<u>Class</u>	<u>Expense Cap</u>
Duff & Phelps International Series	Class A	1.18%
	Class I	0.93%
Duff & Phelps Real Estate Securities Series	Class A	1.16%
	Class I	0.91%
KAR Capital Growth Series	Class A	1.03%
KAR Small-Cap Growth Series	Class A	1.19%
	Class I	0.94%
KAR Small-Cap Value Series	Class A	1.20%
Newfleet Multi-Sector Intermediate Bond Series	Class A	0.94%
	Class I	0.69%
Rampart Enhanced Core Equity Series	Class A	0.98%
Rampart Equity Trend Series	Class A	1.70%
	Class I	1.45%
Strategic Allocation Series	Class A	0.98%

The Adviser also may, at its discretion, from time to time pay for other Series expenses from its own assets, or reduce the management fee of a Series in excess of that required. Any fee reimbursed and/or any Series expense absorbed by the Adviser pursuant to an agreed upon expense cap shall be reimbursed by the Series to the Adviser, if so requested by the Adviser, provided the aggregate amount of the Series' current operating expense for such fiscal year does not exceed the applicable limitation on Series expenses. The Adviser will split any such recapture of waived advisory fees with the respective Subadviser in any instance where the Subadviser's fee was based on the net advisory fee.

The investment advisory agreement also provides that the Adviser shall not be liable to the Trust or to any shareholder of the Trust for any error of judgment or mistake of law or for any loss suffered by the Trust or by any shareholder of the Trust in connection with the matters to which the agreement relates, except a loss resulting from willful misfeasance, bad faith, gross negligence or reckless disregard on the part of such Adviser in the performance of its duties thereunder.

Provided it has been approved by a vote of the majority of the outstanding shares of a Series of the Trust which is subject to its terms and conditions, the investment advisory agreement continues from year to year with respect to such Series so long as (1) such continuance is approved at least annually by the Board or by a vote of the majority of the outstanding shares of such Series and (2) the terms and any renewal of the agreement with respect to such Series have been approved by the vote of a majority of the Trustees who are not parties to the agreement or interested persons, as that term is defined in the 1940 Act, of the Trust or the Adviser, cast in person at a meeting called for the purpose of voting on such approval. On sixty days' written notice and without penalty the agreement may be terminated as to the Trust or as to a Series by the Board or by the Adviser and may be terminated as to a Series by a vote of the majority of the outstanding shares of such Series. The Agreement automatically terminates upon its assignment (within the meaning of the 1940 Act). The agreement provides that upon its termination, or at the request of the Adviser, the Trust will eliminate all reference to Virtus from its name, and will not thereafter transact business in a name using the word Virtus.

#### **Adviser Affiliates**

George Aylward, Jennifer Fromm and Frank Waltman, each serve as an officer of the Trust and as an officer and/or director of the Adviser. The other principal executive officers and directors of the Adviser are: Michael Angerthal, Executive Vice President, Chief Financial Officer and a Director; Mark Flynn, Executive Vice President, General Counsel and Assistant Clerk; David Fusco, Vice President and Chief Compliance Officer and David Hanley, Senior Vice President and Treasurer.

#### **Advisory Fees**

The following table shows the dollar amount of fees payable to VIA for its services with respect to each Series, the amount of fees waived and/or expenses reimbursed by VIA, if any, and the actual fee received by VIA for the past three fiscal years. For services to the Series during the fiscal years ended December 31, 2015, 2016 and 2017 the Adviser received fees of \$6,239,417, \$5,600,542 and \$6,012,251, respectively, under the investment advisory agreements in effect. Of these totals, the Adviser received fees from each Series as follows:

Fund	Gross Advisory Fee (\$)			Advisory Fee Waived and/or Expenses Reimbursed (\$)			Net Advisory Fee (\$)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Duff & Phelps International Series	1,808,096	1,416,075	1,362,677	(264,753)	(126,423)	(53,959)	1,543,343	1,289,652	1,308,718
Duff & Phelps Real Estate Securities Series	725,243	640,759	596,596	(105,185)	(72,310)	(36,925)	620,058	568,449	559,671
KAR Capital Growth Series	1,517,308	1,360,173	1,464,092	(375,275)	(274,912)	(212,257)	1,142,033	1,085,261	1,251,835
KAR Small-Cap Growth Series	509,343	492,558	610,262	(125,681)	(100,040)	(81,847)	383,662	392,518	528,415
KAR Small-Cap Value Series	925,055	820,963	834,814	(218,738)	(171,549)	(134,404)	706,317	649,414	700,410
Newfleet Multi-Sector Intermediate Bond Series	733,367	667,253	668,885	(126,410)	(85,445)	(35,935)	606,957	581,808	632,950
Rampart Enhanced Core Equity Series	886,483	712,576	748,128	(299,915)	(206,576)	(195,845)	586,568	506,000	552,283
Rampart Equity Trend Series	202,688	59,787	40,273	(100,697)	(12,708)	(15,427)	101,991	47,079	24,846
Strategic Allocation Series	717,697	584,228	530,186	(169,209)	(103,867)	(77,063)	548,488	480,361	453,123

### **Subadvisers and Subadvisory Agreements**

VIA has entered into subadvisory agreements with respect to each Series. Each subadvisory agreement provides that VIA will delegate to the respective subadviser the performance of certain of its investment management services under the Investment Advisory Agreement with respect to each of the Series for which that subadviser provides subadvisory services. Each subadviser furnishes at its own expense the office facilities and personnel necessary to perform such services. VIA remains responsible for the supervision and oversight of each subadviser's performance. Each subadvisory agreement will continue in effect from year to year if specifically approved by the Trustees, including a majority of the Independent Trustees.

### ***Duff & Phelps — Duff & Phelps International Series, Duff & Phelps Real Estate Securities Series and Strategic Allocation Series (international equity portion)***

Duff & Phelps is located at 200 S. Wacker Drive, Suite 500, Chicago, IL 60606. Duff & Phelps is an indirect, wholly-owned subsidiary of Virtus and an affiliate of VIA. Duff & Phelps acts as adviser and subadviser to open- and closed-end funds and as investment adviser to institutions and individuals. As of December 31, 2017, Duff & Phelps had approximately \$10.2 billion in assets under management on a discretionary basis.

For its services as subadviser, VIA pays Duff & Phelps the following annual subadvisory fee rates:

Series	Subadvisory Fee
Duff & Phelps International Series	50% of the net advisory fee
Duff & Phelps Real Estate Securities Series	50% of the net advisory fee
Strategic Allocation Series (international equity portion)	50% of the net advisory fee

### ***KAR — KAR Capital Growth Series, Small-KAR Cap Growth Series, KAR Small-Cap Value Series and Strategic Allocation Series (domestic equity portion)***

KAR is located at 1800 Avenue of the Stars, Los Angeles, CA 90067. KAR is a wholly-owned indirect subsidiary of Virtus and an affiliate of VIA. KAR also serves as subadviser for other mutual funds. As of December 31, 2017, KAR had approximately \$18.9 billion in assets under management.

For its services as subadviser, VIA pays KAR the following annual subadvisory fee rates:

Series	Subadvisory Fee
KAR Capital Growth Series	50% of the net advisory fee
KAR Small-Cap Growth Series	50% of the net advisory fee
KAR Small-Cap Value Series	50% of the net advisory fee
Strategic Allocation Series (domestic equity portion)	50% of the net advisory fee

### ***Newfleet — Newfleet Multi-Sector Intermediate Bond Series and Strategic Allocation Series (fixed income portion)***

Newfleet is located at 100 Pearl Street, Hartford, CT 06103. Newfleet is an indirect, wholly-owned subsidiary of Virtus and an affiliate of VIA. Newfleet acts as subadviser to open- and closed-end funds and as investment adviser to institutions and individuals. As of December 31, 2017, Newfleet had approximately \$12.1 billion in assets under management.

For its services as a subadviser, VIA pays Newfleet the following annual subadvisory fee rates.

Series	Subadvisory Fee
Newfleet Multi-Sector Intermediate Bond Series	50% of the net advisory fee
Strategic Allocation Series	50% of the net advisory fee (fixed income assets only)

### **Rampart — Rampart Enhanced Core Equity Series**

Rampart is located at 100 Pearl Street, 9th Floor, Hartford, CT 06103, with its primary investment office at 1540 Broadway New York, NY 10036. Rampart is a wholly owned indirect subsidiary of Virtus and an affiliate of VIA. Rampart has been an investment adviser since 1983 and provides investment management services to mutual funds, institutional and high net worth investors. As of December 31, 2017, Rampart had approximately \$1.9 billion in assets under management.

For its services as a subadviser, VIA pays Rampart the following annual subadvisory fee rates.

Series	Subadvisory Fee
Rampart Enhanced Core Equity Series	50% of the net advisory fee
Rampart Equity Trend Series	50% of the net advisory fee

### **Subadvisory Fees**

The following table shows the dollar amount of fees payable to each subadviser for managing the applicable Series for the fiscal years ended December 31, 2015, 2016 and 2017.

Series	Gross Subadvisory Fee (\$)			Subadvisory Fee Waived and/or Expenses Reimbursed (\$)			Net Subadvisory Fee (\$)		
	2015	2016	2017	2015	2016	2017	2015	2016	2017
Duff & Phelps International Series	647,339	708,037	681,338	27,492	63,211	26,980	619,847	644,826	654,358
Duff & Phelps Real Estate Securities Series	362,621	320,380	298,298	52,575	36,173	18,463	310,046	284,207	279,835
KAR Capital Growth Series	758,654	680,087	732,047	184,647	137,456	103,138	574,007	542,631	628,909
KAR Small-Cap Growth Series	254,672	246,279	305,131	62,841	50,020	40,923	191,831	196,259	264,208
KAR Small-Cap Value Series	462,527	410,481	417,407	109,369	85,775	67,113	353,158	324,706	350,294
Newfleet Multi-Sector Intermediate Bond Series	299,894	333,626	334,442	63,205	42,722	17,974	236,689	290,904	316,468
Rampart Enhanced Core Equity Series	443,242	356,288	374,064	149,958	104,788	97,922	293,284	251,500	276,142
Rampart Equity Trend Series	99,466	8,949	6,506	20,139	2,352	3,218	79,327	6,597	3,288
Strategic Allocation Series (fixed income portion)	115,747	117,454	102,764	34,685	21,065	15,036	81,062	96,389	87,728
Strategic Allocation Series (equity portion)*	211,925	123,427	N/A	49,919	27,944	N/A	162,006	95,483	N/A
Strategic Allocation Series (domestic equity portion)*	N/A	36,403	122,114	N/A	2,099	18,006	N/A	34,304	104,108
Strategic Allocation Series (international equity* portion)	N/A	14,860	40,215	N/A	824	5,895	N/A	14,036	34,320

\* Effective September 7, 2016, Duff & Phelps became subadviser for Strategic Allocation Series' international equity portion and KAR became subadviser for Strategic Allocation Series' domestic equity portion. Additionally, effective September 7, 2016, the Series' subadviser for Strategic Allocation Series equity portion, Euclid Advisors LLC ("Euclid"), was removed as subadviser. All subadvisory fees paid on the equity portion of the Series' assets prior to September 7, 2016 were paid to Euclid.

### **Administrator**

Virtus Fund Services, LLC, a wholly-owned subsidiary of Virtus and an affiliate of the Adviser, is the administrator of the Trust. Each Series pays the Administrator fees on net assets based on the combined aggregate average daily net assets across each Series, at the following annual rates plus out of pocket expenses.

First \$15 billion	0.10%
\$15+ billion to \$30 billion	0.095%

\$30+ billion to \$50 billion	0.09%
Greater than \$50 billion	0.085%

For purposes of applying the fee breakpoints, the Trust's average net assets may be aggregated with average net assets of certain other funds in the Virtus Mutual Funds for which Virtus Fund Services acts as administrator.

The following table shows the dollar amount of fees paid to the Administrator for the fiscal years ended December 31, 2015, 2016 and 2017, for its administrative services with respect to each Series.

Series	2015	2016	2017
Duff & Phelps International Series	\$241,483	\$188,417	\$175,927
Duff & Phelps Real Estate Securities Series	\$ 96,699	\$ 85,260	\$ 77,040
KAR Capital Growth Series	\$216,173	\$193,895	\$202,430
KAR Small-Cap Growth Series	\$ 59,923	\$ 57,809	\$ 69,472
KAR Small-Cap Value Series	\$102,784	\$ 91,007	\$ 88,842
Newfleet Multi-Sector Intermediate Bond Series	\$146,673	\$133,166	\$129,532
Rampart Enhanced Core Equity Series	\$126,640	\$101,565	\$103,491
Rampart Equity Trend Series	\$ 19,197	\$ 59,787	\$ 3,904
Strategic Allocation Series	\$119,616	\$ 99,735	\$ 93,345

### **Sub-administrative and Accounting Agent**

The Trust has entered into an agreement with BNY Mellon, 301 Bellevue Parkway, Wilmington, DE 19809, pursuant to which BNY Mellon acts as sub-administrative and accounting agent of the Trust. For its services in this capacity, BNY Mellon receives a fee based on the average net assets across all funds within the Virtus Mutual Funds. In addition to the asset-based fee, BNY Mellon is entitled to certain non-material fees, as well as out of pocket expenses.

The following table shows the dollar amount of fees paid to, the amount of fees waived by and the net amount of fees received by the Sub-administrative and Accounting Agent for the fiscal years ended October 31, 2015, 2016 and 2017, for its services with respect to each Fund.

Fund	Sub-administrative Fees (\$)		
	2015	2016	2017
Duff & Phelps International Series	57,561	45,126	51,358
Duff & Phelps Real Estate Securities Series	23,053	20,419	23,222
KAR Capital Growth Series	51,561	46,440	58,153
KAR Small-Cap Growth Series	14,285	13,850	19,638
KAR Small-Cap Value Series	24,504	21,801	26,370
Newfleet Multi-Sector Intermediate Bond Series	34,967	31,895	38,821
Rampart Enhanced Core Equity Series	30,127	24,329	30,236
Rampart Equity Trend Series	4,575	1,429	1,011
Strategic Allocation Series	28,518	23,886	61,414

### **Distributor**

VP Distributors, a broker-dealer registered with FINRA, an indirect, wholly-owned subsidiary of Virtus and an affiliate of the Adviser and certain subadvisers, serves as distributor of the Series' shares. The principal office of VP Distributors is located at 100 Pearl Street, Hartford, Connecticut 06103. George R. Aylward, Kevin J. Carr, Nancy J. Engberg and Francis G. Waltman, each serve as an officer of the Trust and as an officer for the Distributor.

The Trust and VP Distributors have entered into an underwriting agreement under which VP Distributors has agreed to use its best efforts to find purchasers for Trust shares and the Trust has granted to VP Distributors the exclusive right to purchase from the Series and resell, as principal, shares needed to fill unconditional orders for Series shares. For its services under the underwriting agreement, VP Distributors may receive payments from the Trust pursuant to the Distribution Plan pursuant to Rule 12b-1 under the 1940 Act (the "Distribution Plan") described below.

The Trust's Underwriting Agreement was approved by the Board at a Board meeting held on July 27, 2010, and was effective on November 5, 2010. The Underwriting Agreement will remain in effect from year to year provided the Distribution Agreement's continuance is approved annually by (i) a majority of the Trustees who are not parties to such agreement or "interested persons" (as defined in the 1940 Act) of the Trust or a Series and, if applicable, who have no direct or indirect financial interest in the operation of the Distribution Plan or any such related agreement and (ii) either by vote of a majority of the Trustees or a majority of the outstanding voting securities (as defined in the 1940 Act) of the Trust.

### **Custodian**

BNY Mellon, 2 Hanson Place, Brooklyn, NY 11217, serves as the custodian (the “Custodian”) of the Series’ assets. The Custodian designated by the Board holds the securities in the Series’ portfolios and other assets for safe keeping. The Custodian does not and will not participate in making investment decisions for the Series. The Trust has authorized the Custodian to appoint one or more sub-custodians for the assets of the Series held outside the United States. The securities and other assets of each Series are held by its Custodian or any sub-custodian separate from the securities and assets of each other Series.

### **Securities Lending**

None of the Series in this SAI participated in the securities lending program for the most recently completed fiscal year.

### **Transfer Agent**

Under a Transfer Agent Agreement, BNY Mellon acts as transfer agent to the Trust, and as such, performs certain administrative functions related to recording the purchase and redemption of Trust shares and serving as dividend paying agent. For these services, BNY Mellon receives a flat rate from the Series, plus per account fees and certain out-of-pocket charges.

### **Legal Counsel to the Trust and the Independent Trustees**

Sullivan & Worcester, LLP, 1666 K Street, NW, Washington, DC 20006, acts as legal counsel to the Trust and its Independent Trustees and reviews certain legal matters for the Trust in connection with the shares offered by the Prospectus.

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

PricewaterhouseCoopers LLP serves as the independent registered public accounting firm for the Trust. PwC audits the Trust’s annual financial statements and expresses an opinion thereon. The independent registered public accounting firm also provides other accounting and tax-related services as requested by the Trust from time to time. PwC’s business address is Two Commerce Square, Suite 1800, 2001 Market Street, Philadelphia, PA 19103.

## **DISTRIBUTION PLAN**

The Trust has adopted Distribution Plan for the Class A shares of the Series, to compensate the Distributor for the services it provides and for the expenses it bears under the underwriting agreement. The Distribution Plan provides that the Trust, on behalf of each Series, may pay the Distributor annually up to 0.25% of the average daily net assets of the Class A Shares of a Series attributable to its shares in respect to activities primarily intended to result in the sale of shares of the Series. Under the terms of the Distribution Plan and the related Underwriting Agreement, each Series is authorized to make payments monthly to the Distributor that may be used to pay or reimburse entities providing distribution and shareholder servicing with respect to the shares of the Series for such entities’ fees or expenses incurred or paid in that regard. The Distribution Plan is of a type known as a “compensation” plan because payments are made for services rendered to the Trust with respect to shares of the Series regardless of the level of expenditures by the Distributor. The Trustees will, however, take into account such expenditures for purposes of reviewing operations under the Distribution Plan and in connection with their annual consideration of the Distribution Plan’s renewal. Expenditures under the Distribution Plan may include, without limitation: (a) transmitting of prospectuses, statements of additional information, any supplements thereto, proxy statements and shareholder reports for prospective Contract owners with respect to the shares of the Series; (b) those relating to the development, preparation, printing and mailing of advertisements, sales literature and other promotional materials describing and/or relating to the shares of the Series; (c) holding seminars and sales meetings designed to promote the distribution of shares of the Series; (d) obtaining information and providing explanations to wholesale and retail distributors of contracts regarding Series investment objectives and policies and other information about the Series, including the performance of the Series; (3) training sales personnel regarding the shares of the Series; and (f) financing any other activity that the Distributor determines is primarily intended to result in the sale of shares of the Series.

For the fiscal years ended December 31, 2015, 2016 and 2017, the Series paid fees under the Distribution Plan (known as “12b-1 fees”) in the amount of \$2,822,250, \$2,395,194 and \$2,433,152, respectively. The Rule 12b-1 payments were used for (1) compensation to dealers, \$3,721,314 (2) compensation to sales personnel, \$2,461,138; (3) advertising costs, \$190,380; (4) printing and mailing of prospectuses to other than current shareholders, \$32,232; and (5) other, \$46,659.

The Distribution Plan and any Rule 12b-1 related agreement that is entered into by the Trust or the Distributor in connection with the Distribution Plan will continue in effect for a period of more than one year only so long as

continuance is specifically approved at least annually by vote of a majority of the Trust's Board, and of a majority of the Independent Trustees, cast in person at a meeting called for the purpose of voting on the Distribution Plan or any Rule 12b-1 related agreement. In addition, the Distribution Plan and any Rule 12b-1 related agreement may be terminated as to shares of a Series at any time, without penalty, by vote of a majority of the outstanding shares of that Series, or by vote of a majority of the Independent Trustees. The Distribution Plan also provides that it may not be amended to increase materially the amount that may be spent for distribution of shares of any Series without the approval of shareholders of Class A Shares of that Series.

The Plan requires that at least quarterly the Board review a written report with respect to the amounts expended under the Plan and the purposes for which such expenditures were made. While the Plan is in effect, the Trust will be required to commit the selection and nomination of candidates for Independent Trustees to the discretion of other Independent Trustees.

The following table shows Rule 12b-1 fees paid by the Series to VP Distributors for the years ended December 31, 2015, 2016 and 2017. The Rule 12b-1 Fees were primarily used to compensate insurance companies for services that they provided.

Series	Rule 12b-1 Fees Paid (\$)		
	2015	2016	2017
Duff & Phelps International Series	603,471	471,813	453,991
Duff & Phelps Real Estate Securities Series	241,399	213,179	198,356
KAR Capital Growth Series	541,896	485,776	522,890
KAR Small-Cap Growth Series	149,191	144,328	176,137
KAR Small-Cap Value Series	256,960	228,045	231,893
Newfleet Multi-Sector Intermediate Bond Series	366,140	333,057	331,959
Rampart Enhanced Core Equity Series	316,601	254,492	267,189
Rampart Equity Trend Series	47,552	14,648	9,743
Strategic Allocation Series	299,040	249,856	240,994

No interested person of the Trust and no Trustee who is not an interested person of the Trust, as that term is defined in the 1940 Act, had any direct or indirect financial interest in the operation of the Distribution Plan or related agreements.

FINRA regards certain distribution fees as asset-based sales charges subject to FINRA sales load limits. FINRA's maximum sales charge rule may require the Board to suspend distribution fees or amend the Distribution Plan.

## PORTFOLIO MANAGERS

### Other Accounts Managed by Portfolio Managers and Potential Conflicts of Interest

As described in each Series' prospectuses, the portfolio manager(s) who are responsible for the Series are

Series	Portfolio Manager(s)
Duff & Phelps International Series	Frederick A. Brimberg
Duff & Phelps Real Estate Securities Series	Geoffrey P. Dybas Frank J. Haggerty, Jr.
KAR Capital Growth Series	Doug Foreman
KAR Small-Cap Growth Series	Todd Bailey Jon Christensen
KAR Small-Cap Value Series	Julie Kutasov Craig Stone
Newfleet Multi-Sector Intermediate Bond Series	David L. Albrycht
Rampart Enhanced Core Equity Series	Michael Davis Brendan R. Finneran Robert F. Hofeman Jr. Warun Kumar

Series	Portfolio Manager(s)
Rampart Equity Trend Series	Michael Davis Brendan R. Finneran Robert F. Hofeman Jr Warun Kumar
Strategic Allocation Series	David L. Albrycht Frederick A. Brimberg Doug Foreman Stephen H. Hooker

There may be certain inherent conflicts of interest that arise in connection with the portfolio managers' management of a Series' investments and the investments of any other accounts they manage. The Board has adopted on behalf of the Series policies and procedures designed to address any such conflicts of interest to ensure that all transactions are executed in the best interest of the Series' shareholders. Each subadviser is required to certify its compliance with these procedures to the Board on a quarterly basis. There have been no material compliance issues with respect to any of these policies and procedures during the Series' most recent fiscal year.

The following table provides information as of December 31, 2017, regarding all accounts managed by the portfolio managers and portfolio management team members for each of the Series as named in the prospectus. In the table, Registered Investment Companies include all open and closed-end mutual funds. Pooled Investment Vehicles (PIVs) include, but are not limited to, securities of issuers exempt from registration under Section 3(c) of the Investment Company Act, such as private placements and hedge funds. Other accounts would include, but are not limited to, individual managed accounts, separate accounts, institutional accounts, pension funds, collateralized bond obligations and collateralized debt obligations. The portfolio managers managing the Series may also manage or be members of management teams for certain Virtus Mutual Funds or other similar accounts.

#### Other Accounts (No Performance Based Fees)

Portfolio Manager	Registered Investment Companies		Other Pooled Investment Vehicles (PIVs)		Other Accounts	
	Number of Accounts	Total Assets	Number of Accounts	Total Assets	Number of Accounts	Total Assets
David L. Albrycht	18	\$10.6 billion	2	\$108 million	0	N/A
Todd Beiley <sup>(1)</sup>	4	\$2.73 billion	2	\$31 million	625	\$5.07 billion
Frederick A. Brimberg	5	\$298 million	0	0	112	\$68.9 million
Jon Christensen <sup>(1)</sup>	2	\$2.85 billion	2	\$31 million	644	\$5.28 billion
Michael Davis	8	\$1.2 billion	0	N/A	166	\$660 million
Geoffrey P. Dybas	4	\$1.18 billion	1	\$25.6 million	13	\$811 million
Brendan R. Finneran	8	\$1.2 billion	0	N/A	166	\$660 million
Doug Foreman <sup>(1)</sup>	6	\$1.18 billion	0	N/A	177	\$239 million
Frank J. Haggerty, Jr.	4	\$1.18 billion	1	\$25.6 million	13	\$811 million
Robert F. Hofeman, Jr.	8	\$1.2 billion	0	N/A	166	\$660 million
Stephen H. Hooker	3	\$272 million	0	N/A	2	\$39.3 million
Warun Kumar	9	\$1.25 billion	0	N/A	166	\$660 million
Julie Kutasov <sup>(1)</sup>	4	\$917 million	1	\$70 million	392	\$4.54 billion
Craig Stone <sup>(1)</sup>	6	\$1.37 billion	1	\$70 million	484	\$4.86 billion

(1) These investment professionals function as a team and are not segregated along product lines or by client type. The portfolio managers work on all core equity products and the data shown for these managers reflects firm-level numbers of accounts and assets under management segregated by vehicle type.

#### Other Accounts with Performance Based Fees

Portfolio Manager	Registered Investment Companies		Other Pooled Investment Vehicles (PIVs)		Other Accounts	
	Number of Accounts	Total Assets	Number of Accounts	Total Assets	Number of Accounts	Total Assets
David L. Albrycht	2	\$262 million	0	N/A	0	N/A
Geoffrey P. Dybas	0	N/A	0	N/A	1	\$181 million
Frank J. Haggerty, Jr.	0	N/A	0	N/A	1	\$181 million
Stephen H. Hooker	1	\$87.2 million	0	N/A	0	N/A

## ***Description of any Potential Material Conflicts of Interest***

### ***Duff & Phelps, KAR, Newfleet and Rampart***

There may be certain inherent conflicts of interest that arise in connection with the portfolio managers' management of a Series' investments and the investments of any other accounts they manage. Such conflicts could include the aggregation of orders for all accounts managed by a particular portfolio manager, the allocation of purchases across all such accounts, the allocation of IPOs and any soft dollar arrangements that the Subadviser may have in place that could benefit the Series and/or such other accounts. In certain cases, other accounts managed by the same portfolio manager may compensate the Subadviser based on the performance of the portfolio held by that account. The existence of such performance-based fee may create additional conflicts of interest for the portfolio manager in the allocation of management time, resources and investment opportunities. The Board has adopted on behalf of the Series policies and procedures designed to address any such conflicts of interest to ensure that all transactions are executed in the best interest of the Series' shareholders. Each subadviser is required to certify its compliance with these procedures to the Board on a quarterly basis. There have been no material compliance issues with respect to any of these policies and procedures during the Series' most recent fiscal year. Additionally, any conflicts of interest between the investment strategies of a Series and the investment strategies of other accounts managed by portfolio managers are not expected to be material since portfolio managers generally manage funds and other accounts having similar investment strategies.

## **Portfolio Manager Compensation**

### ***Duff & Phelps, KAR, Newfleet and Rampart***

Virtus Investment Partners, Inc. and its affiliated investment management firms, including Duff & Phelps, KAR, Newfleet and Rampart (collectively "Virtus"), believe that the firm's compensation program is adequate and competitive to attract and retain high-caliber investment professionals. Investment professionals at Virtus receive a competitive base salary, an incentive bonus opportunity and a benefit package. Certain professionals who supervise and manage others also participate in a management incentive program reflecting their personal contribution and team performance. Certain key individuals also have the opportunity to take advantage of a Long-Term Incentive Compensation program, including potential awards of Virtus restricted stock units ("RSUs") with a multi-year vesting, subject to Virtus board approval, and opportunities to defer their compensation and reduce tax implications.

Following is a more detailed description of the compensation structure.

*Base Salary.* Each portfolio manager is paid a fixed base salary, which is determined by Virtus and is designed to be competitive in light of the individual's experience and responsibilities. Virtus management uses compensation survey results of investment industry compensation conducted by an independent third party in evaluating competitive market compensation for its investment management professionals.

*Incentive Bonus.* Incentive bonus pools are based upon individual firm profits and in some instances overall Virtus profitability. The short-term incentive payment is generally paid in cash, but a portion may be made in Virtus RSUs. Individual payments are assessed using comparisons of actual investment performance compared with specific peer group or index measures established at the beginning of each calendar year. Performance of the funds/accounts managed is measured over one-, three- and five-year periods. Generally, an individual manager's participation is based on the performance of each fund/account managed as weighted roughly by total assets in each of these funds/accounts. In certain instances comparison of portfolio risk factors to peer or index risk factors, as well as achievement of qualitative goals, may also be components of the individual payment potential.

The Performance Incentive Plan applicable to some portfolio managers varies from the description above. For instance, plans applicable to certain portfolio managers (i) may have an override based upon revenues generated, (ii) may contain a component that is based on the profitability of the management division with which the portfolio manager is associated, or (iii) may contain a guaranteed payout.

*Other benefits.* Portfolio managers are also eligible to participate in broad-based plans offered generally to employees of Virtus and its affiliates, including 401(k), health and other employee benefit plans.

## **Portfolio Manager Series Ownership**

None of the Portfolio Managers own shares in any of the Series they manage.

## **BROKERAGE ALLOCATION AND OTHER PRACTICES**

In effecting transactions for the Series, the applicable subadviser (throughout this section, "Subadviser") adheres to the Trust's policy of seeking best execution and price, determined as described below, except to the extent it is permitted to pay higher brokerage commissions for "brokerage and research services" as defined herein. The determination of what

may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations including, without limitation, the overall direct net economic result to the Series (involving both price paid or received and any commissions and other costs paid), the efficiency with which the transaction is effected, the ability to effect the transaction at all where a large block is involved, availability of the broker to stand ready to execute possibly difficult transactions in the future and the financial strength and stability of the broker. Such considerations are judgmental and are weighed by the Subadviser in determining the overall reasonableness of brokerage commissions paid by the Series.

The Subadviser may cause a Series to pay a broker an amount of commission for effecting a securities transaction in excess of the amount of commission which another broker or dealer would have charged for effecting that transaction if the Subadviser determines in good faith that such amount of commission is reasonable in relation to the value of the brokerage and research services provided by such broker. As provided in Section 28(e) of the Securities Exchange Act of 1934, “brokerage and research services” include advising as to the value of securities, the advisability of investing in, purchasing or selling securities, the availability of securities or purchasers or sellers of securities; furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts, and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement). Brokerage and research services provided by brokers to the Series are considered to be in addition to and not in lieu of services required to be performed by each Subadviser under its contract with the Trust and may benefit both the Series and other accounts of the Subadviser. Conversely, brokerage and research services provided by brokers to other accounts of the Subadviser may benefit the Series.

If the securities in which a particular Series invests are traded primarily in the over-the-counter market, where possible the Series will deal directly with the dealers who make a market in the securities involved unless better prices and executions are available elsewhere. Such securities may be purchased directly from the issuer. Bonds and money market instruments are generally traded on a net basis and do not normally involve either brokerage commissions or transfer taxes.

The Trust has Board-approved policies and procedures reasonably designed to prevent (i) the Subadvisers’ personnel responsible for the selection of broker-dealers to effect fund portfolio securities transactions from taking into account, in making those decisions, a broker-dealer’s promotion or sales efforts, and (ii) the Trust, its Adviser, Subadvisers and Distributor from entering into any agreement or other understanding under which the Series direct brokerage transactions or revenue generated by those transactions to a broker-dealer to pay for distribution of Series shares. These policies and procedures are designed to prevent the Trust from entering into informal arrangements to direct portfolio securities transactions to a particular broker.

The Trust has adopted a policy governing the execution of aggregated advisory client orders (“bunching policy”) in an attempt to lower commission costs on a per-share and per-dollar basis. According to the bunching policy, a Subadviser shall aggregate transactions unless it believes in its sole discretion that such aggregation is inconsistent with its duty to seek best execution (which shall include the duty to seek best price) for the Series. No advisory account of the Subadviser is to be favored over any other account and each account that participates in an aggregated order is expected to participate at the average share price for all transactions of the Subadviser in that security on a given business day, with all transaction costs share pro rata based on the Series’ participation in the transaction. If the aggregated order is filled in its entirety, it shall be allocated among the Subadviser’s accounts in accordance with the allocation order, and if the order is partially filled, it shall be allocated pro rata based on the allocation order. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the allocation order if all accounts of the Subadviser whose orders are allocated receive fair and equitable treatment and the reason for such different allocation is explained in writing and is approved in writing by the Subadviser’s compliance officer in accordance with applicable policies and procedures. If an aggregated order is partially filled and allocated on a basis different from that specified in the allocation order, no account that is benefited by such different allocation may intentionally and knowingly effect any purchase or sale for a reasonable period following the execution of the aggregated order that would result in it receiving or selling more shares than the amount of shares it would have received or sold had the aggregated order been completely filled. The Board will review the bunching policy from time to time as it deems appropriate.

The following table shows aggregate amount of brokerage commissions paid by each Series. This information is for the past three fiscal years.

Series	Aggregate Amount of Brokerage Commissions (\$)		
	2015	2016	2017
Duff & Phelps International Series	235,762	365,765	408,044

Series	Aggregate Amount of Brokerage Commissions (\$)		
	2015	2016	2017
Duff & Phelps Real Estate Securities Series	20,275	24,788	15,806
KAR Capital Growth Series	55,096	73,612	47,884
KAR Small-Cap Growth Series	26,675	22,352	23,495
KAR Small-Cap Value Series	42,175	45,435	26,895
Newfleet Multi-Sector Intermediate Bond Series	—	780	29
Rampart Enhanced Core Equity Series	122,219	146,143	230,710
Rampart Equity Trend Series	14,161	2,397	698
Strategic Allocation Series	70,006	76,312	22,557

In fiscal years December 31, 2015, 2016 and 2017, no brokerage commissions were paid by the funds to any affiliate of the Funds, the Adviser or the Distributor, or to any affiliate of any affiliate of the Funds, the Adviser or the Distributor. Brokerage commissions of \$776,118 paid during the fiscal period ended December 31, 2017, were paid on portfolio transactions aggregating \$579,113,251 executed by brokers who provided research and other statistical information.

Investment decisions for the Trust are made independently from those of the other investment companies or accounts advised by the Subadvisers. It may frequently happen that the same security is held in the portfolio of more than one fund or account. Simultaneous transactions are inevitable when several funds or accounts are managed by the same investment adviser, particularly when the same security is suited for the investment objectives of more than one fund or account. When two or more funds or accounts advised by a Subadviser are simultaneously engaged in the purchase or sale of the same security, the transactions are allocated among the funds or accounts in a manner equitable to each fund or account. It is recognized that in some cases this system could have a detrimental effect on the price or volume of the security as far as the Series are concerned. In other cases, however, it is believed that the ability of the Series to participate in volume transactions will produce better executions for the Series. It is the opinion of the Board of the Trust that the desirability of utilizing each Subadviser as an investment adviser to the Series outweighs the disadvantages that may be said to exist from simultaneous transactions.

**Securities of Regular Broker-Dealers.** The Series are required to identify the securities of their regular brokers or dealers (as defined in Rule 10b-1 under the 1940 Act) or their parent companies held by the Series as of the close of their most recent fiscal year. During the fiscal year ended December 31, 2017, the Series acquired securities of certain of the Series' regular broker dealers or the parents of such firms. The aggregate holdings of the Series of those brokers or dealers as of December 31, 2017 (amounts in thousands) were as follows:

Series	Broker/Dealer	Value (\$)
Duff & Phelps International Series	UBS	6,143
KAR Capital Growth Series	Bank of America LLC	7,943
Newfleet Multi-Sector Intermediate Bond Series	Bank of America LLC	1,323
	Citigroup Global Markets Inc.	659
	Credit Suisse First Boston Corp.	224
	Goldman Sachs & Co.	110
	JPMorgan Chase & Co.	2,290
	Morgan Stanley & Co., Inc.	132
	Wells Fargo & Co.	658
Rampart Enhanced Core Equity Series	Bank of America LLC	1,712
	Citigroup Global Markets Inc.	1,005
	Goldman Sachs & Co.	454
	JPMorgan Chase & Co.	1,866
	Morgan Stanley & Co., Inc.	368
Rampart Equity Trend Series	Bank of America LLC	14
	Citicorp Securities Services Inc.	10
	Goldman Sachs & Co.	22
	JPMorgan Chase & Co.	19
	Morgan Stanley & Co., Inc.	18
	Wells Fargo & Co.	13
Strategic Allocation Series	Bank of America LLC	1,898
	Citigroup Global Markets Inc.	500

Series	Broker/Dealer	Value (\$)
	Citicorp Securities Services Inc.	141
	Credit Suisse First Boston Corp.	41
	Goldman Sachs & Co.	323
	HSBC Securities	135
	JPMorgan Chase & Co.	1,718
	Morgan Stanley & Co., Inc.	426
	Wells Fargo & Co.	351
	UBS	460

A Series need only disclose information about an issuer that derived more than 15% of its gross revenues from the business of a broker, a dealer, an underwriter, or an investment adviser during its most recent fiscal year.

During the fiscal year ended December 31, 2017, certain Series directed brokerage transactions to brokers for proprietary and third party research services. The amount of such transactions and related commissions were as follows:

Series	Research Commission Transactions (\$)	Research Commissions (\$)
Duff & Phelps International Series	154,123,127	407,676
Duff & Phelps Real Estate Securities Series	1,758,084	4,512
KAR Capital Growth Series	37,496,453	29,201
KAR Small-Cap Growth Series	4,727,292	10,587
KAR Small-Cap Value Series	7,196,717	15,293
Strategic Allocation Series	12,265,072	17,536

## PURCHASE, REDEMPTION AND PRICING OF SHARES

### Purchase of Shares

The Series do not offer their shares to the general public but instead offer shares only to the separate accounts of participating insurance companies. The Trust has entered into an agreement with the insurance company sponsor of each separate account (participation agreement) setting forth the terms and conditions pursuant to which the insurance company will purchase and redeem shares of the Series. For information concerning the purchase of shares of the separate accounts, see the variable contract prospectus.

### Redemption of Shares

The Trust will redeem any shares presented by the shareholder accounts for redemption. The accounts' policies on when and whether to buy or redeem Trust shares are described in the contract prospectuses.

At the discretion of the Trustees, the Trust may, to the extent consistent with state and federal law, make payment for shares of a particular Series repurchased or redeemed in whole or in part in securities or other assets of such Series taken at current values. Should payment be made in securities, the shareholder accounts may incur brokerage costs in converting such securities to cash.

The right of redemption may be suspended or the payment date postponed for more than seven days only for any period during which trading on the NYSE is closed for other than customary weekend and holiday closings, or when trading on the NYSE is restricted, as determined by the SEC, for any period when an emergency (as defined by rules of the SEC) exists, or during any period when the SEC has, by order, permitted such suspension. In case of a suspension of the right of redemption, the shareholders may withdraw requests for redemption of shares prior to the next determination of NAV after the suspension has been terminated or they will receive payment of the NAV so determined.

The shareholder accounts may receive more or less than was paid for the shares, depending on the NAV of the shares at the time they are repurchased or redeemed.

### Pricing of Shares

The NAV per share of each class of each Series generally is determined as of the close of regular trading (normally 4:00 PM eastern time) on days when the NYSE is open for trading. A Series will not calculate its NAV per share class on days when the NYSE is closed for trading.

The NYSE will be closed on the following observed national holidays: New Year's Day, Martin Luther King, Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Since the Series do not price securities on weekends or United States national holidays, the NAV of a Series' foreign assets may be significantly affected on days when the investor may not be able to purchase or sell shares of the Series. The NAV per share of a Series is determined by adding the values of all securities and other assets of the Series, subtracting liabilities, and dividing by the total number of outstanding shares of the Series. Assets and liabilities are determined in accordance with generally accepted accounting principles and applicable rules and regulations of the SEC. The total liability allocated to a class, plus that class's distribution fee and any other expenses allocated solely to that class, are deducted from the proportionate interest of such class in the assets of the Series, and the resulting amount of each is divided by the number of shares of that class outstanding to produce the NAV per share.

A security that is listed or traded on more than one exchange generally is valued at the official closing price on the exchange representing the principal exchange for such security. Because of the need to obtain prices as of the close of trading on various exchanges throughout the world, the calculation of NAV may not take place for any Series which invests in foreign securities contemporaneously with the determination of the prices of the majority of the portfolio securities of such Series. The foreign currency exchange rate used to price the currency in which foreign securities are denominated is generally the 4 p.m. Eastern Time spot rate. If at any time a Series has investments where market quotations are not readily available or are determined not to be reliable indicators of the value of the securities priced, such investments are valued at the fair value thereof as determined in good faith in accordance with policies and procedures approved by the Board.

Security valuation procedures for each Series, which include nightly price variance as well as back-testing such as bi-weekly unchanged price, monthly secondary source and transaction analysis, have been approved by the Board. All internally fair valued securities are approved by a valuation committee (the "Valuation Committee") appointed by the Board. The Valuation Committee is comprised of certain Trust officers and/or representatives of the Adviser and/or Administrator as identified to the Board. All internally fair valued securities, referred to below, 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 any model inputs and any changes to the model when applicable. Internal fair valuations are reviewed by the Board at least quarterly.

Each Series utilizes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 – quoted prices in active markets for identical securities
- 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)

The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

A description of the valuation techniques applied to a Series' 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 a Series calculates its NAV that may impact the value of securities traded in these non-U.S. markets. In such cases the Series fair value 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, 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 which 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 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 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 (OTC) 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 their closing NAV each business day and are categorized as Level 1 in the hierarchy.

Short-term notes having a remaining maturity of 60 days or less are valued at amortized cost, which approximates market, and are generally categorized as Level 2 in the hierarchy.

### **DIVIDENDS, DISTRIBUTIONS AND TAXES**

The following discussion of the federal tax status of the Series is a general and abbreviated summary based on tax laws and regulations in effect on the date of this statement of additional information. The discussion reflects changes made by the law informally known as the "Tax Cuts and Jobs Act," signed by the President on December 22, 2017. Tax law is subject to change by legislative, administrative or judicial action. In addition, recent changes to the Code have given rise to a number of new provisions, and further guidance is expected over the coming months and years.

#### **Qualification as a Regulated Investment Company**

Each Series is treated as a separate taxpayer for federal income tax purposes. The Trust intends for each Series to elect to be treated as a regulated investment company under Subchapter M of Chapter 1 of the Code and to qualify as a regulated investment company each year. If a Series: (1) continues to qualify as a regulated investment company, and (2) distributes to its shareholders at least 90% of its investment company taxable income (including for this purpose its net ordinary investment income and realized net short-term capital gains) and 90% of its tax-exempt interest income (reduced by certain expenses) (the "90% distribution requirement"), which the Trust intends each Series to do, then under the provisions of Subchapter M of the Code the Series should have little or no liability for federal income taxes. In particular, a Series will not be subject to federal income tax on the portion of its investment company taxable income and net capital gain (*i.e.*, realized net long-term capital gain in excess of realized net short-term capital loss) it distributes to shareholders (or treats as having been distributed to shareholders).

Each Series generally will endeavor to distribute (or treat as deemed distributed) to shareholders all of its investment company taxable income and its net capital gain, if any, for each taxable year so that it will not incur federal income taxes on its earnings.

A Series must meet several requirements to maintain its status as a regulated investment company. These requirements include the following:

1. at least 90% of its gross income for each taxable year must be derived from:
  - a. dividends, interest, payments with respect to securities loans, gains from the sale or disposition of stock or securities (including gains from related investments in foreign currencies), and other income (including gains from options, futures or forward contracts) derived with respect to its business of investing in such stock, securities, or currencies, and
  - b. net income derived from an interest in a "qualified publicly traded partnership," and
2. at the close of each quarter of the Series' taxable year:
  - a. at least 50% of the value of the Series' total assets must consist of cash, cash items, securities of other regulated investment companies, U.S. Government securities and other securities generally limited in respect to any one issuer to 5% of the value of the Series' assets and to not more than 10% of the outstanding voting securities of any issuer, and
  - b. the Series must not invest more than 25% of its total assets in the securities (other than U.S. Government

securities or the securities of other regulated investment companies) of any one issuer, the securities (other than the securities of other regulated investment companies) of two or more issuers that are controlled by the Series and that are engaged in the same or similar trades or businesses or related trades or businesses, or the securities of one or more “qualified publicly traded partnerships.”

### ***Distributions to Avoid Federal Excise Tax***

A regulated investment company generally must distribute in each calendar year an amount equal to at least the sum of: (1) 98% of its ordinary taxable income for the year, (2) 98.2% of its capital gain net income for the 12 months ended on October 31 of that calendar year, and (3) any ordinary income or net capital gain income not distributed for prior years (the “excise tax avoidance requirements”). To the extent that a regulated investment company fails to do this, it is subject to a 4% nondeductible federal excise tax on undistributed earnings. However, the excise tax does not apply to a regulated investment company whose only shareholders during the year are segregated asset accounts of life insurance companies supporting variable life insurance contracts or variable annuity contracts, certain qualified trusts, or other regulated investment companies, or parties that contributed in aggregate \$250,000 or less in seed money to the Series. The Trust intends that each Series will either qualify for this exception or will make sufficient distributions each year to satisfy the excise tax avoidance requirements.

### ***Section 817(h) Diversification Requirements***

Each Series also intends to comply with Section 817(h) of the Code and the regulations issued thereunder, which impose certain investment diversification requirements on life insurance companies’ separate accounts that are used to support variable life insurance contracts and variable annuity contracts. A separate account may meet these requirements by investing solely in the shares of a regulated investment company registered under the 1940 Act as an open-end management investment company (such as the Series) provided that such regulated investment company satisfies the diversification requirements (as well as certain other requirements) of Section 817(h) of the Code and the regulations issued thereunder. These requirements are in addition to the diversification requirements of subchapter M and the 1940 Act, and may affect the securities in which a Series may invest. In order to comply with future requirements of Section 817(h) of the Code (or related provisions of the Code), a Series may be required, for example, to alter its investment objectives.

The Section 817(h) requirements place certain limitations on the assets of each separate account (or underlying regulated investment company) that may be invested in securities of a single issuer. Specifically, the regulations provide that, except as permitted by a “safe harbor” described below, as of the end of each calendar quarter, or within 30 days thereafter:

- no more than 55% of a Series’ total assets may be represented by any one investment
- no more than 70% by any two investments
- no more than 80% by any three investments
- no more than 90% by any four investments

The Section 817(h) requirements provide, as a safe harbor, that a separate account (or underlying regulated investment company) will be treated as being adequately diversified if the diversification requirements under subchapter M are satisfied and no more than 55% of the value of the account’s total assets are cash and cash items, government securities, and securities of other regulated investment companies. For purposes of Section 817(h) of the Code, all securities of the same issuer, all interests in the same real property project, and all interests in the same commodity are treated as a single investment. In addition, each U.S. Government agency or instrumentality is treated as a separate issuer.

### ***Compliance with Applicable Requirements***

If for any taxable year a Series fails to qualify as a regulated investment company or fails to satisfy the 90% distribution requirement, then all of its taxable income becomes subject to federal, and possibly state, income tax at regular corporate rates (without any deduction for distributions to its shareholders). In addition, if for any taxable year a Series fails to qualify as a regulated investment company, or fails to comply with the diversification (or other) requirements of Section 817(h) of the Code and the regulations thereunder, owners of variable life insurance contracts and variable annuity contracts who have indirectly invested in the Series might be taxed currently on the investment earnings under their contracts and thereby lose the benefit of tax deferral. Accordingly, compliance with the above requirements is carefully monitored by the Series’ investment adviser, subadvisers and administrator, and each Series intends to comply with these requirements as they exist or as they may be modified from time to time. Compliance with the tax

requirements described above may result in lower total return for a Series than would otherwise be the case, because, to comply with the above requirements, the investments utilized (and the time at which such investments are entered into and closed out) may be different from what the Series' investment adviser and subadvisers might otherwise select.

### ***Investments in Foreign Securities***

Investment income received from sources within foreign countries, or capital gains earned by a Series investing in securities of foreign issuers, may be subject to foreign income taxes withheld at the source. In this regard, withholding tax rates in countries with which the United States does not have a tax treaty can be as high as 35% or more. The United States has entered into tax treaties with many foreign countries that may entitle a Series to a reduced rate of tax or exemption from tax on this income and gains. The effective rate of foreign tax cannot be determined at this time since the amount of a Series' assets to be invested within various countries is not now known. The Trust intends that each Series will operate so as to qualify for applicable treaty-reduced rates of tax where available.

If a Series acquires stock in certain foreign corporations that receive at least 75% of their annual gross income from passive sources (such as interest, dividends, rents, royalties or capital gain) or hold at least 50% of their total assets in investments producing such passive income ("passive foreign investment companies"), that Series could be subject to federal income tax and additional interest charges on "excess distributions" received from such companies or gain from the sale of stock in such companies, even if all income or gain actually received by the Series is timely distributed to its shareholders. The Series would not be able to pass through to its shareholders any credit or deduction for such a tax. Certain elections may, if available, ameliorate these adverse tax consequences, but any such election requires the applicable Series to recognize taxable income or gain without the concurrent receipt of cash. Any Series that acquires stock in foreign corporations may limit and/or manage its holdings in passive foreign investment companies to minimize its tax liability.

Under limited circumstances, a Series may be required to include in income certain amounts allocated to it as a shareholder of a controlled foreign corporation without receiving a distribution. Those amounts are treated as a dividend to the extent actually distributed by the controlled foreign corporation in the same year and would be included in the Series' investment company taxable income and not taxable to the Series to the extent distributed by the Series as a dividend to its shareholders. Any amount required to be included in the Series' income, but not distributed by the controlled foreign corporation, is not treated as a dividend

Foreign exchange gains and losses realized by a Series in connection with certain transactions involving non-dollar debt securities, certain foreign currency futures contracts, foreign currency option contracts, foreign currency forward contracts, foreign currencies, or payables or receivables denominated in a foreign currency are subject to Code provisions that generally treat such gains and losses as ordinary income and losses and may affect the amount, timing and character of distributions to shareholders. In addition, the Treasury has authority to issue regulations excluding from qualifying income for regulated investment company qualification purposes foreign currency gains (possibly including gains from speculative currency positions or currency derivatives not used for hedging purposes) that are not directly related to a Series' business of investing in stock or securities (or options and futures with respect to stock or securities).

### ***Investments with Original Issue Discount***

Each Series that invests in certain payment-in-kind instruments, zero coupon securities or certain deferred interest securities (and, in general, any other securities with original issue discount or with market discount if the Series elects to include market discount in current income) must accrue income on such investments prior to the receipt of the corresponding cash. However, because each Series must meet the 90% distribution requirement to qualify as a regulated investment company, a Series may have to dispose of its portfolio investments under disadvantageous circumstances to generate cash, or may have to leverage itself by borrowing the cash, to satisfy distribution requirements.

### ***Options, Futures, and Swaps***

A Series' transactions in options contracts and futures contracts are subject to special provisions of the Code that, among other things, may affect the character of gains and losses realized by the Series (that is, may affect whether gains or losses are ordinary or capital), accelerate recognition of income to the Series and defer losses of the Series. These rules (1) could affect the character, amount and timing of distributions to shareholders of a Series, (2) could require the Series to "mark to market" certain types of the positions in its portfolio (that is, treat them as if they were closed out) and (3) may cause the Series to recognize income without receiving cash with which to make distributions in amounts necessary to satisfy the 90% distribution requirement and the excise tax avoidance requirements described above. To mitigate the effect of these rules and prevent disqualification of a Series as a regulated investment company,

the Trust seeks to monitor transactions of each Series, seeks to make the appropriate tax elections on behalf of each Series and seeks to make the appropriate entries in each Series' books and records when the Series acquires any option, futures contract or hedged investment.

The federal income tax rules applicable to interest rate swaps, caps and floors are unclear in certain respects, and a Series may be required to account for these transactions in a manner that, in certain circumstances, may limit the degree to which it may utilize these transactions.

### **Investor Taxation**

Under current law, owners of variable life insurance contracts and variable annuity contracts who are indirectly invested in a Series generally are not subject to federal income tax on Series earnings or distributions or on gains realized upon the sale or redemption of Series shares until they are withdrawn from the contract. For information concerning the federal income tax consequences to the owners of variable life insurance contracts and variable annuity contracts, see the prospectuses for such contracts.

### **PERFORMANCE INFORMATION**

Performance information for the Series (and either class of the Series) may be included in advertisements, sales literature or reports to shareholders or prospective investors. Performance information in advertisements and sales literature may be expressed as a yield of a class of shares and as a total return of a class of shares.

Advertisements, sales literature and other communications may contain information about the Series' and their subadvisers' current investment strategies and management styles. Current strategies and styles may change to allow the Series to respond quickly to changing market and economic conditions. From time to time the Series may include specific portfolio holdings or industries in such communications. To illustrate components of overall performance, each Series may separate its cumulative and average annual returns into income and capital gains components.

Performance information reflects only the performance of a hypothetical investment in each class during the particular time period on which the calculations are based. Performance information should be considered in light of a Series' investment objectives and policies, characteristics and quality of the portfolio, and the market condition during the given time period, and should not be considered as a representation of what may be achieved in the future.

### **FINANCIAL STATEMENTS**

The fiscal year of the Trust ends on December 31. The Trust prepares financial statements at least semiannually, and the participating insurance companies have agreed to send copies of such financial statements to every contract owner or policy owner having an interest in the accounts. An annual report containing financial statements audited by the Trust's independent registered public accounting firm, PricewaterhouseCoopers LLP, will be sent to such contract owners and policy owners each year and is available without charge upon request.

The Series' financial statements for the Trust's fiscal year ended December 31, 2017, appearing in the Series' 2017 Annual Report to Shareholders, are incorporated herein by reference.

## APPENDIX A — DESCRIPTION OF RATINGS

### **Moody's Investors Service, Inc.**

- **Aaa** Bonds that are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as “gilt edge.” Interest payments are protected by a large or exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.
- **Aa** Bonds that are rated Aa are judged to be of high quality by all standards. Together with the Aaa group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuations of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.
- **A** Bonds that are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.
- **Baa** Bonds that are rated Baa are considered as medium grade obligations, *i.e.*, they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Moody's also provides credit ratings for preferred stocks. Preferred stock occupies a junior position to bonds within a particular capital structure.

- **aaa** An issue that is rated “aaa” is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks.
- **aa** An issue that is rated “aa” is considered a high-grade preferred stock. This rating indicates that there is a reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future.
- **a** An issue that is rated “a” is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than in the “aaa” and “aa” classifications, earnings and asset protections are, nevertheless, expected to be maintained at adequate levels.
- **baa** An issue that is rated “baa” is considered to be a medium grade preferred stock, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

Moody's ratings for municipal notes and other short-term loans are designated Moody's Investment Grade (MIG). This distinction is in recognition of the differences between short-term and long-term credit risk. Loans bearing the designation MIG 1 are of the best quality, enjoying strong protection by establishing cash flows of funds for their servicing or by established and broad-based access to the market for refinancing, or both. Loans bearing the designation MIG 2 are of high quality, with margins of protection ample although not so large as in the preceding group. A short term issue having a demand feature (*i.e.*, payment relying on external liquidity and usually payable on demand rather than fixed maturity dates) is differentiated by Moody's with the use of the Symbol VMIG, instead of MIG.

### **Standard & Poor's Corporation**

- **AAA** Bonds rated AAA have the higher rating assigned by Standard & Poor's Corporation. Capacity to pay interest and repay principal is extremely strong.
- **AA** Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the higher rated issues only in small degree.
- **A** Bonds rated A have a very strong capacity to pay interest and repay principal, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than bonds in higher rated categories.
- **BBB** Bonds rated BBB are regarded as having an adequate capacity to pay interest and repay principal. Whereas they normally exhibit adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for bonds in this category than in higher rated categories.

S&P's top ratings for municipal notes issued after July 29, 1984 are SP-1 and SP-2. The designation SP-1 indicates a very strong capacity to pay principal and interest. A "+" is added for those issues determined to possess overwhelming safety characteristics. An "SP-2" designation indicates a satisfactory capacity to pay principal and interest.

Commercial paper rated A-2 or better by S&P is described as having a very strong degree of safety regarding timeliness and capacity to repay. Additionally, as a precondition for receiving an S&P commercial paper rating, a bank credit line and/or liquid assets must be present to cover the amount of commercial paper outstanding at all times.

The Moody's Prime-2 rating and above indicates a strong capacity for repayment of short-term promissory obligations.

### ***Fitch Corporate Bond Ratings***

- **AAA** Bonds rated AAA are considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.
- **AA** Bonds rated AA are considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.
- **A** Bonds rated A are considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.
- **BBB** Bonds rated BBB are considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have an adverse impact on these bonds and, therefore, impair timely payment. The likelihood that the ratings of these bonds will fall below investment grade is higher than for bonds with higher ratings.
- **BB** Bonds rated BB are considered speculative. The obligor's ability to pay interest and repay principal may be affected over time by adverse economic changes. However, business and financial alternatives can be identified which could assist the obligor in satisfying its debt service requirements.
- **B** Bonds rated B are considered highly speculative. While bonds in this class are currently meeting debt service requirements, the probability of continued timely payment of principal and interest reflects the obligor's limited margin of safety and the need for reasonable business and economic activity throughout the life of the issue.
- **CCC** Bonds rated CCC have certain identifiable characteristics, which, if not remedied, may lead to default. The ability to meet obligations requires an advantageous business and economic environment.
- **CC** Bonds rated CC are minimally protected. Default in payment of interest and/or principal seems probable over time.
- **C** Bonds rated C are in imminent default in payment of interest or principal.
- **DDD, DD and D** Bonds rated DDD, DD and D are in actual default of interest and/or principal payments. Such bonds are extremely speculative and should be valued on the basis of their ultimate recovery value in liquidation or reorganization of the obligor. DDD represents the highest potential for recovery on these bonds and D represents the lowest potential for recovery.

Plus (+) and minus (-) signs are used with a rating symbol to indicate the relative position of a credit within the rating categories.

**APPENDIX B — CONTROL PERSONS AND PRINCIPAL SHAREHOLDERS**

**Control Persons**

Phoenix Life Insurance Company ("Phoenix"), PHL Variable Insurance Company ("PHL Variable"), Security Benefit Life Insurance Company ("Security Benefit Life"), Lincoln National Life Insurance Company ("Lincoln Financial"), Jefferson National Life Insurance Co. ("Jefferson National") and The Guardian Insurance & Annuity Company, Inc. ("GIAC") provide variable insurance and annuity products, and are control persons of certain Series of the Trust.

Phoenix (a New York insurance company) and PHL Variable (a Connecticut insurance company) are direct, wholly owned subsidiaries of The Phoenix Companies, Inc. ("PNX"). Jefferson National (a Texas insurance company) is a wholly-owned subsidiary of Jefferson National Financial Corp. Security Benefit Life (a Kansas insurance company) is wholly-owned by Security Benefit Corporation ("Security Benefit"). Lincoln Life (an Indiana insurance company) is wholly-owned by Lincoln National Corporation ("Lincoln National"). GIAC (a Delaware insurance company) is a wholly-owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"). The addresses of these control persons are listed in the table below.

A shareholder owning of record or beneficially more than 25% of a Series' outstanding shares may be considered a control person. That shareholder's vote could have a more significant effect on matters presented at a shareholders' meeting than votes of other shareholders.

**Principal Shareholders**

The following table sets forth information for each class of shares of the Series as of April 4, 2018, with respect to each person who owns of record or is known by the Trust to own of record or beneficially own 5% or more of any class of any Series' outstanding securities, as noted.

Name and Address	Name of Series/Class	Percentage of Class Outstanding
GUARDIAN INSURANCE & ANNUITY CO INC S/A R B - SHARE XXX U/A DTD 03/02/1970 ATTN JAMES NEMETH 3900 BURGESS PL	VIRTUS DUFF & PHELPS INTERNATIONAL SERIES-CLASS A	5.31%
JEFFERSON NATIONAL LIFE INS CO C/O CARLA HIGGS 10350 ORMSBY PARK PL STE 600 LOUISVILLE KY 40223	VIRTUS DUFF & PHELPS REAL ESTATE SECURITIES SERIES-CLASS A	6.12%
	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS A	9.95%
	VIRTUS RAMPART EQUITY TREND SERIES-CLASS A	17.08%
PHL VARIABLE INSURANCE CO PHLVIC C/O PETER HOSNER 31 TECH VALLEY DR EAST GREENBUSH NY 12061-4134	VIRTUS DUFF & PHELPS INTERNATIONAL SERIES-CLASS A	68.05%
	VIRTUS DUFF & PHELPS REAL ESTATE SECURITIES SERIES-CLASS A	52.01%
	VIRTUS KAR CAPITAL GROWTH SERIES-CLASS A	15.79%
	VIRTUS KAR SMALL-CAP GROWTH SERIES-CLASS A	36.17%
	VIRTUS KAR SMALL-CAP VALUE SERIES-CLASS A	58.44%
	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS A	46.71%
	VIRTUS RAMPART ENHANCED CORE EQUITY SERIES-CLASS A	43.26%
VIRTUS STRATEGIC ALLOCATION SERIES-CLASS A	17.05%	
PHOENIX LIFE INSURANCE CO PLIC C/O PETER HOSNER 31 TECH VALLEY DR EAST GREENBUSH NY 12061-4134	VIRTUS DUFF & PHELPS INTERNATIONAL SERIES-CLASS A	30.24%
	VIRTUS DUFF & PHELPS REAL ESTATE SECURITIES SERIES-CLASS A	35.19%
	VIRTUS KAR CAPITAL GROWTH SERIES-CLASS A	84.11%
	VIRTUS KAR SMALL-CAP GROWTH SERIES-CLASS A	63.13%
	VIRTUS KAR SMALL-CAP VALUE SERIES-CLASS A	41.31%
	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS A	31.43%
	VIRTUS RAMPART ENHANCED CORE EQUITY SERIES-CLASS A	56.19%
VIRTUS STRATEGIC ALLOCATION SERIES-CLASS A	82.87%	
SECURITY BENEFIT LIFE VARIABLE ANNUITY ACCOUNT XIV 5801 SW 6TH AVE TOPEKA KS 66636-1001	VIRTUS RAMPART EQUITY TREND SERIES-CLASS A	39.05%
SYMETRA LIFE INSURANCE CO U/A DTD 07/15/2005 ATTN ELIZABETH DAVIS 777 108TH AVE NE STE 1200 BELLEVUE WA 98004-5135	VIRTUS DUFF & PHELPS REAL ESTATE SECURITIES SERIES-CLASS I	35.28%
	VIRTUS KAR SMALL-CAP GROWTH SERIES-CLASS I	89.3%
THE LINCOLN NATIONAL LIFE INSURANCE COMPANY 1300 S CLINTON ST FORT WAYNE IN 46802-3506	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS A	10.45%
	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS I	87.44%
	VIRTUS RAMPART EQUITY TREND SERIES-CLASS A	39.32%
VIRTUS PARTNERS INC ATTN DAVID G HANLEY 100 PEARL ST FL 8 HARTFORD CT 06103-4500	VIRTUS DUFF & PHELPS INTERNATIONAL SERIES-CLASS I	100%
	VIRTUS DUFF & PHELPS REAL ESTATE SECURITIES SERIES-CLASS I	63.75%
	VIRTUS KAR SMALL-CAP GROWTH SERIES-CLASS I	8.57%
	VIRTUS NEWFLEET MULTI-SECTOR FIXED INCOME SERIES-CLASS I	8.96%
	VIRTUS RAMPART EQUITY TREND SERIES-CLASS I	99.96%