

SEMIANNUAL REPORT  
**VIRTUS EQUITY TRUST**



March 31, 2018

Virtus Strategic Allocation Fund

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



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## Virtus Strategic Allocation Fund ("Strategic Allocation Fund")

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

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

### *FORM N-Q INFORMATION*

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

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

## MESSAGE TO SHAREHOLDERS

To My Fellow Shareholders of Virtus Mutual Funds:

I am pleased to present this semiannual report that reviews the performance of your fund for the six months ended March 31, 2018.

Economic growth and strong corporate earnings were driving forces in the U.S. during the period, capped off by the sweeping tax overhaul that was signed into law at year-end. The optimism carried over into the start of 2018. However, with growth heating up, inflation fears caused stock markets to plunge in early February, ushering in the return of volatility after being conspicuously absent throughout 2017. Concerns over a potential global trade war, sparked by tariff talk by the Trump administration, caused markets to remain unsettled. Meanwhile, persistent economic strength moved the Federal Reserve to hike its key interest rate in March from 1.50% to 1.75%, its highest level in nearly a decade.

For the six months ended March 31, 2018, U.S. large-cap stocks, as measured by the S&P 500<sup>®</sup> Index, returned 5.84%, outpacing small-cap stocks, which returned 3.25%, as measured by the Russell 2000<sup>®</sup> Index. Within international equities, emerging markets led their developed peers, with the MSCI Emerging Markets Index (net) up 8.96%, compared with the MSCI EAFE<sup>®</sup> Index (net), which returned 2.63%.

Demand for U.S. Treasuries remained strong, as foreign investors continued to favor their yield advantage and credit quality over many foreign government bonds. The yield on the 10-year Treasury was 2.74% at March 31, 2018, up from 2.33% at September 30, 2017. The broader U.S. fixed income market, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, which tracks Treasuries and other investment-grade debt securities, declined 1.08% for the six months. Non-investment grade bonds also lost ground but to a lesser extent, down 0.39%, as measured by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

Market uncertainty is an ever-present reminder of the importance of portfolio diversification, including exposure to traditional and alternative asset classes. While diversification cannot guarantee a profit or prevent a loss, owning a variety of asset classes may cushion your portfolio against inevitable market fluctuations. Your financial advisor can help you ensure that your portfolio is adequately diversified across asset classes and investment strategies, with a broad array of Virtus Funds available through your fund exchange privileges. These include distinctive equity, fixed income, international, and asset allocation funds managed by Virtus affiliates and select subadvisers. We invite you to learn more about the Virtus family of funds at [Virtus.com](http://Virtus.com).

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

Sincerely,



George R. Aylward  
President, Virtus Mutual Funds

May 2018

*Performance data quoted represents past results. Past performance is no guarantee of future results, and current performance may be higher or lower than the performance shown above.*

**VIRTUS STRATEGIC ALLOCATION FUND**  
**DISCLOSURE OF FUND EXPENSES (Unaudited)**  
**FOR THE SIX-MONTH PERIOD OF OCTOBER 1, 2017 TO MARCH 31, 2018**

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

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

**Actual Expenses**

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

|               | <b>Beginning<br/>Account Value<br/>October 1,<br/>2017</b> | <b>Ending<br/>Account Value<br/>March 31,<br/>2018</b> | <b>Annualized<br/>Expense<br/>Ratio</b> | <b>Expenses<br/>Paid<br/>During<br/>Period*</b> |
|---------------|--|--|---|---|
| Class A ..... | \$1,000.00   | \$1,057.90   | 1.08%                                   | \$5.54  |
| Class C ..... | 1,000.00   | 1,053.70   | 1.85                                    | 9.47  |

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

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

You can find more information about the Fund's expenses in the Financial Statements section that follows.

For additional information on operating expenses and other shareholder costs, refer to the Fund's prospectus.

**VIRTUS STRATEGIC ALLOCATION FUND  
DISCLOSURE OF FUND EXPENSES (Unaudited) (Continued)  
FOR THE SIX-MONTH PERIOD OF OCTOBER 1, 2017 TO MARCH 31, 2018**

**Hypothetical Example for Comparison Purposes**

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

|               | <b>Beginning<br/>Account Value<br/>October 1,<br/>2017</b> | <b>Ending<br/>Account Value<br/>March 31 2018</b> | <b>Annualized<br/>Expense<br/>Ratio</b> | <b>Expenses<br/>Paid<br/>During<br/>Period*</b> |
|---------------|--|---|---|---|
| Class A ..... | \$1,000.00   | \$1,019.55  | 1.08%                                   | \$5.44  |
| Class C ..... | 1,000.00   | 1,015.71  | 1.85                                    | 9.30  |

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

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

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

**VIRTUS STRATEGIC ALLOCATION FUND**  
**KEY INVESTMENT TERMS (Unaudited)**  
**MARCH 31, 2018**

***American Depositary Receipt (“ADR”)***

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

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

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

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

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

***Exchange-Traded Funds (“ETF”)***

An open-end fund that is traded on a stock exchange. Most ETFs have a portfolio of stocks or bonds that track a specific market index.

***Federal Reserve (the “Fed”)***

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

***London Interbank Offered Rate (“LIBOR”)***

A benchmark rate that some of the world’s leading banks charge each other for short-term loans and that serves as the first step to calculating interest rates on various loans throughout the world.

***MSCI EAFE® Index (net)***

The MSCI EAFE® (Europe, Australasia, Far East) Index (net) is a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

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

The MSCI Emerging Markets Index (net) is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis with net dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

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

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

**VIRTUS STRATEGIC ALLOCATION FUND**  
**KEY INVESTMENT TERMS (Unaudited) (Continued)**  
**MARCH 31, 2018**

***Russell 2000® Index***

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

***S&P 500® Index***

The S&P 500® Index is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and it is not available for direct investment.

***Sponsored ADR***

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

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited)**  
**MARCH 31, 2018**

(\$ reported in thousands)

| <u>Asset Allocations</u>   |                    |
|--|--------------------|
| The following table presents the asset allocations within certain sectors as a percentage of total investments as of March 31, 2018. |                    |
| Common Stocks  | 61%                |
| Information Technology   | 20%                |
| Consumer Discretionary   | 12                 |
| Financials   | 8                  |
| All Other Sectors in Common Stocks   | 21                 |
| Corporate Bonds & Notes  | 20                 |
| Financials   | 6                  |
| Consumer Discretionary   | 2                  |
| Energy   | 2                  |
| All Other Sectors in Corporate Bonds and Notes   | 10                 |
| Mortgage-Backed Securities   | 7                  |
| Asset-Backed Securities  | 4                  |
| U.S. Government Securities   | 2                  |
| Leveraged Loans  | 2                  |
| Other (includes Short-Term investment)   | <u>4</u>           |
| Total  | <u><u>100%</u></u> |

|  | <u>PAR VALUE</u> | <u>VALUE</u>  |
|--|------------------|---------------|
| <b>U.S. GOVERNMENT SECURITIES—2.3%</b>                                 |                  |               |
| U.S. Treasury Bond<br>2.500%, 2/15/46                                  | \$ 7,525         | \$ 6,834      |
| U.S. Treasury Note<br>1.125%, 2/28/19                                  | 2,110            | 2,091         |
| 1.625%, 2/15/26  | 2,065            | 1,904         |
| <b>TOTAL U.S. GOVERNMENT SECURITIES<br/>(Identified Cost \$10,729)</b> |                  | <b>10,829</b> |
| <b>MUNICIPAL BONDS—1.0%</b>  |                  |               |
| <b>California—0.4%</b>   |                  |               |
| State of California, Build<br>America Bonds Taxable<br>7.600%, 11/1/40 | 1,275            | <u>1,972</u>  |

|   | <u>PAR VALUE</u> | <u>VALUE</u>  |
|---|------------------|---------------|
| <b>Georgia—0.1%</b>   |                  |               |
| Rockdale County Water &<br>Sewerage Authority<br>Revenue Taxable<br>3.060%, 7/1/24              | \$ 600           | <u>\$ 597</u> |
| <b>New York—0.4%</b>  |                  |               |
| Port Authority of New<br>York & New Jersey,<br>Consolidated Bonds<br>Revenue<br>5.000%, 4/15/57 | 1,560            | <u>1,763</u>  |

See Notes to Financial Statements



**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | PAR VALUE | VALUE        |   | PAR VALUE | VALUE        |
|--|-----------|--------------|---|-----------|--------------|
| <b>Virginia—0.1%</b>   |           |              | <b>Agency (continued)</b>   |           |              |
| City of Bristol, General<br>Obligation Taxable<br>4.210%, 1/1/42       | \$ 640    | \$ 651       | Federal National<br>Mortgage Association<br>Pool #776432,<br>4.000%, 7/1/19 | \$ 2      | \$ 2         |
| <b>TOTAL MUNICIPAL BONDS</b>   |           |              | Pool #254549,<br>6.000%, 12/1/32  | 37        | 41           |
| <b>(Identified Cost \$5,037)</b>                                       |           | <b>4,983</b> | Pool #735061,<br>6.000%, 11/1/34  | 292       | 328          |
| <b>FOREIGN GOVERNMENT SECURITIES—0.9%</b>                              |           |              | Pool #880117,<br>5.500%, 4/1/36   | 4         | 4            |
| Argentine Republic   |           |              | Pool #938574,<br>5.500%, 9/1/36   | 155       | 170          |
| 7.500%, 4/22/26  | 505       | 539          | Pool #310041,<br>6.500%, 5/1/37   | 229       | 259          |
| 5.875%, 1/11/28  | 165       | 155          | Pool #909092,<br>6.000%, 9/1/37   | 14        | 15           |
| 7.625%, 4/22/46  | 195       | 194          | Pool #972569,<br>5.000%, 3/1/38   | 172       | 186          |
| 6.875%, 1/11/48  | 165       | 151          | Pool #909175,<br>5.500%, 4/1/38   | 149       | 165          |
| Dominican Republic   |           |              | Pool #929625,<br>5.500%, 6/1/38   | 178       | 196          |
| 144A, 5.950%, 1/25/27 <sup>(3)</sup>                                   | 565       | 591          | Pool #909220,<br>6.000%, 8/1/38   | 77        | 87           |
| Kingdom of Abu Dhabi   |           |              | Pool #931995,<br>5.000%, 9/1/39   | 196       | 212          |
| 144A,<br>2.500%, 10/11/22 <sup>(3)</sup>                               | 505       | 486          | Pool #931983,<br>5.500%, 9/1/39   | 1,110     | 1,213        |
| Kingdom of Bahrain   |           |              | Pool #AE2496,<br>4.500%, 9/1/40   | 413       | 440          |
| 144A,<br>7.000%, 10/12/28 <sup>(3)</sup>                               | 485       | 467          | Pool #A08769,<br>3.500%, 8/1/42   | 617       | 623          |
| Republic of South Africa   |           |              | Pool #AL3000,<br>3.500%, 12/1/42  | 635       | 640          |
| 4.665%, 1/17/24  | 435       | 437          | Pool #MA2471,<br>3.500%, 12/1/45  | 139       | 140          |
| 4.300%, 10/12/28   | 445       | 416          | Pool #MA2495,<br>3.500%, 1/1/46   | 708       | 710          |
| Republic of Turkey   |           |              | Pool #AS6515,<br>4.000%, 1/1/46   | 361       | 371          |
| 7.375%, 2/5/25   | 268       | 297          | Pool #AS8483,<br>3.000%, 12/1/46  | 841       | 820          |
| Sultanate of Oman  |           |              | Pool #AS9393,<br>4.000%, 4/1/47   | 635       | 652          |
| 144A, 5.375%, 3/8/27 <sup>(3)</sup>                                    | 240       | 234          |   |           | <u>9,293</u> |
| 144A, 5.625%, 1/17/28 <sup>(3)</sup>                                   | 200       | 195          |   |           |              |
| <b>TOTAL FOREIGN GOVERNMENT SECURITIES</b>                             |           |              |   |           |              |
| <b>(Identified Cost \$4,217)</b>                                       |           | <b>4,162</b> |   |           |              |
| <b>MORTGAGE-BACKED SECURITIES—6.9%</b>                                 |           |              |   |           |              |
| <b>Agency—1.9%</b>   |           |              |   |           |              |
| Federal Home Loan<br>Mortgage Corp.<br>Pool #A46224,<br>5.000%, 7/1/35 | 144       | 156          |   |           |              |
| Pool #G01980,<br>5.000%, 12/1/35                                       | 480       | 523          |   |           |              |
| Pool #A62213,<br>6.000%, 6/1/37  | 224       | 254          |   |           |              |
| Pool #G08628,<br>4.000%, 2/1/45  | 424       | 436          |   |           |              |
| Pool #G08702,<br>3.500%, 4/1/46  | 648       | 650          |   |           |              |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | <u>PAR VALUE</u> | <u>VALUE</u> |  | <u>PAR VALUE</u> | <u>VALUE</u> |
|---|------------------|--------------|--|------------------|--------------|
| <b>Non-Agency—5.0%</b>  |                  |              | <b>Non-Agency (continued)</b>  |                  |              |
| American Homes 4 Rent Trust   |                  |              | 2017-SPL5, B1 144A, 4.000%, 6/28/57 <sup>(2)(3)</sup>  | \$ 100           | \$ 103       |
| 2014-SFR2, C 144A, 4.705%, 10/17/36 <sup>(3)</sup>  | \$ 615           | \$ 646       | 2017-SPL1, B1 144A, 4.250%, 10/28/64 <sup>(2)(3)</sup>   | 277              | 283          |
| 2015-SFR2, C 144A, 4.691%, 10/17/45 <sup>(3)</sup>  | 130              | 138          | Bayview Opportunity Master Fund Ivb Trust  |                  |              |
| 2015-SFR1, A 144A, 3.467%, 4/17/52 <sup>(3)</sup>   | 880              | 890          | 2016-SPL2, B1 144A, 4.250%, 6/28/53 <sup>(2)(3)</sup>  | 145              | 150          |
| Ameriquest Mortgage Securities, Inc. Pass-Through Certificates, 2003-AR3, M4, (5.850% minus 1 month LIBOR) 4.748%, 6/25/33 <sup>(2)</sup> | 381              | 378          | 2017-SPL3, B1 144A, 4.250%, 11/28/53 <sup>(2)(3)</sup>   | 355              | 371          |
| AMSR Trust 2016-SFR1, C 144A, (1 month LIBOR + 2.250%) 4.058%, 11/17/33 <sup>(2)(3)</sup>   | 243              | 245          | Caesars Palace Las Vegas Trust 2017-VICI, C 144A, 4.138%, 10/15/34 <sup>(3)</sup>                        | 270              | 275          |
| Angel Oak Mortgage Trust I LLC 2018-1, A1 144A, 3.258%, 4/27/48 <sup>(2)(3)</sup>   | 390              | 390          | Citigroup Mortgage Loan Trust, Inc. 2018-RP1, A1 144A, 2.996%, 9/25/64 <sup>(2)(3)</sup>                 | 928              | 921          |
| Aventura Mall Trust 2013-AVM, C 144A, 3.743%, 12/5/32 <sup>(2)(3)</sup>   | 580              | 585          | Colony Starwood Homes Trust 2016-2A, C 144A, (1 month LIBOR + 2.150%) 3.927%, 12/17/33 <sup>(2)(3)</sup> | 485              | 485          |
| Banc of America Funding Trust 2004-B, 2A1, 3.778%, 11/20/34 <sup>(2)</sup>  | 148              | 150          | COLT Mortgage Loan Trust Funding LLC 2017-1, A3 144A, 3.074%, 5/27/47 <sup>(2)(3)</sup>                  | 104              | 104          |
| 2005-1, 1A1, 5.500%, 2/25/35  | 199              | 199          | 2018-1, A1 144A, 2.930%, 2/25/48 <sup>(2)(3)</sup>   | 326              | 326          |
| Banc of America Mortgage Trust 2005-3, 1A15 5.500%, 4/25/35   | 112              | 113          | Credit Suisse Commercial Mortgage-Backed Trust 2006-8, 3A1 6.000%, 10/25/21                              | 131              | 122          |
| Bank of America (Merrill Lynch—Countrywide) Home Loan Mortgage Pass-Through-Trust 2004-6, 1A2 3.586%, 5/25/34 <sup>(2)</sup>              | 377              | 376          | Galton Funding Mortgage Trust 2017-1, A21 144A, 3.500%, 7/25/56 <sup>(2)(3)</sup>                        | 249              | 248          |
| Bank of America (Merrill Lynch) Commercial Mortgage Securities Trust 2015-200P, A 144A, 3.218%, 4/14/33 <sup>(3)</sup>                    | 500              | 492          | 2018-1, A23 144A, 3.500%, 11/25/57 <sup>(2)(3)</sup>   | 140              | 140          |
| Bayview Opportunity Master Fund IVa Trust 2016-SPL1, B1 144A, 4.250%, 4/28/55 <sup>(3)</sup>  | 390              | 402          | GSA Home Equity Trust 2005-12, AF3W 4.999%, 9/25/35 <sup>(2)</sup>                                       | 114              | 115          |
|   |                  |              | Hilton USA Trust 2016-SFP, B 144A, 3.323%, 11/5/35 <sup>(3)</sup>  | 500              | 492          |
|   |                  |              | Jefferies Resecuritization Trust 2014-R1, 1A1 144A, 4.000%, 12/27/37 <sup>(3)</sup>                      | 27               | 27           |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|                                    | <u>PAR VALUE</u> | <u>VALUE</u> |                                      | <u>PAR VALUE</u> | <u>VALUE</u> |
|------------------------------------|------------------|--------------|--------------------------------------|------------------|--------------|
| <b>Non-Agency (continued)</b>      |                  |              | <b>Non-Agency (continued)</b>        |                  |              |
| JPMorgan Chase (WaMu)              |                  |              | 2015-2A, A1 144A,                    |                  |              |
| Mortgage Pass-Through              |                  |              | 3.750%, 8/25/55 <sup>(2)(3)</sup>    | \$ 352           | \$ 355       |
| Certificates 2003-S11,             |                  |              | 2016-1A, A1 144A,                    |                  |              |
| 3A5 5.950%, 11/25/33               | \$ 293           | \$ 297       | 3.750%, 3/25/56 <sup>(2)(3)</sup>    | 174              | 175          |
| JPMorgan Chase                     |                  |              | 2016-4A, B1A 144A,                   |                  |              |
| Commercial Mortgage                |                  |              | 4.500%, 11/25/56 <sup>(2)(3)</sup>   | 427              | 442          |
| Securities Trust                   |                  |              | 2018-1A, A1A 144A,                   |                  |              |
| 2014-C22, A4                       |                  |              | 4.000%, 12/25/57 <sup>(2)(3)</sup>   | 252              | 258          |
| 3.801%, 9/15/47                    | 300              | 307          | NovaStar Mortgage                    |                  |              |
| JPMorgan Chase                     |                  |              | Funding Trust                        |                  |              |
| Mortgage Trust                     |                  |              | Series 2004-4, M5,                   |                  |              |
| 2004-A4, 2A1,                      |                  |              | (1 month LIBOR +                     |                  |              |
| 3.584%, 9/25/34 <sup>(2)</sup>     | 320              | 325          | 1.725%)                              |                  |              |
| 2016-1, M2 144A,                   |                  |              | 3.597%, 3/25/35 <sup>(2)</sup>       | 486              | 487          |
| 3.750%, 4/25/45 <sup>(2)(3)</sup>  | 349              | 349          | Oak Hill Advisors                    |                  |              |
| 2016-2, M2 144A,                   |                  |              | Residential Loan Trust               |                  |              |
| 3.750%, 12/25/45 <sup>(2)(3)</sup> | 370              | 369          | 2017-NPL2, A1 144A,                  |                  |              |
| 2017-3, 2A2 144A,                  |                  |              | 3.000%, 7/25/57 <sup>(2)(3)</sup>    | 376              | 373          |
| 2.500%, 8/25/47 <sup>(2)(3)</sup>  | 238              | 231          | One Market Plaza Trust               |                  |              |
| 2017-5, A1 144A,                   |                  |              | 2017-1MKT, A                         |                  |              |
| 3.184%, 10/26/48 <sup>(2)(3)</sup> | 698              | 694          | 144A, 3.614%, 2/10/32 <sup>(3)</sup> | 360              | 363          |
| 2017-4, A3 144A,                   |                  |              | Pretium Mortgage Credit              |                  |              |
| 3.500%, 11/25/48 <sup>(2)(3)</sup> | 239              | 237          | Partners I LLC 2017-                 |                  |              |
| MASTR Alternative Loan             |                  |              | NPL5, A1 144A,                       |                  |              |
| Trust 2005-5, 2A3                  |                  |              | 3.327%, 12/30/32 <sup>(2)(3)</sup>   | 155              | 155          |
| 5.500%, 7/25/25                    | 172              | 163          | Progress Residential Trust           |                  |              |
| MASTR Specialized Loan             |                  |              | 2018-SFR1, B                         |                  |              |
| Trust 2005-3, A2 144A,             |                  |              | 144A, 3.484%, 3/17/35 <sup>(3)</sup> | 760              | 759          |
| 5.704%, 11/25/35 <sup>(2)(3)</sup> | 217              | 222          | Residential Asset                    |                  |              |
| MetLife Securitization             |                  |              | Securitization Trust                 |                  |              |
| Trust 2017-1A, M1                  |                  |              | 2005-A1, A3                          |                  |              |
| 144A,                              |                  |              | 5.500%, 4/25/35                      | 357              | 366          |
| 3.640%, 4/25/55 <sup>(2)(3)</sup>  | 100              | 101          | RETL 2018-RVP, C144A,                |                  |              |
| Morgan Stanley—Bank of             |                  |              | (1 month LIBOR +                     |                  |              |
| America (Merrill Lynch)            |                  |              | 2.050%)                              |                  |              |
| Trust                              |                  |              | 3.827%, 3/15/33 <sup>(2)(3)</sup>    | 470              | 473          |
| 2013-C13, AS,                      |                  |              | Sequoia Mortgage Trust               |                  |              |
| 4.266%, 11/15/46                   | 275              | 284          | 2013-8, B1                           |                  |              |
| 2015-C22, AS,                      |                  |              | 3.533%, 6/25/43 <sup>(2)</sup>       | 173              | 169          |
| 3.561%, 4/15/48                    | 835              | 820          | Towd Point Mortgage                  |                  |              |
| Motel 6 Trust 2017-                |                  |              | Trust                                |                  |              |
| MTL6, A 144A,                      |                  |              | 2015-1, A2 144A,                     |                  |              |
| (1 month LIBOR +                   |                  |              | 3.250%, 10/25/53 <sup>(2)(3)</sup>   | 385              | 384          |
| 0.920%)                            |                  |              | 2016-1, A1B 144A,                    |                  |              |
| 2.697%, 8/15/34 <sup>(2)(3)</sup>  | 622              | 624          | 2.750%, 2/25/55 <sup>(2)(3)</sup>    | 98               | 98           |
| New Residential                    |                  |              | 2016-1, M1 144A,                     |                  |              |
| Mortgage Loan Trust                |                  |              | 3.500%, 2/25/55 <sup>(2)(3)</sup>    | 160              | 160          |
| 2014-1A, A 144A,                   |                  |              | 2015-5, A2 144A,                     |                  |              |
| 3.750%, 1/25/54 <sup>(2)(3)</sup>  | 491              | 495          | 3.500%, 5/25/55 <sup>(2)(3)</sup>    | 480              | 483          |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | <u>PAR VALUE</u> | <u>VALUE</u>  |   | <u>PAR VALUE</u> | <u>VALUE</u> |
|--|------------------|---------------|---|------------------|--------------|
| <b>Non-Agency (continued)</b>  |                  |               | <b>Automobiles (continued)</b>  |                  |              |
| 2015-2, 1M1 144A,<br>3.250%, 11/25/60 <sup>(2)(3)</sup>  | \$ 1,245         | \$ 1,228      | Capital Auto Receivables<br>Asset Trust 2017-1, C<br>144A, 2.700%, 9/20/22 <sup>(3)</sup>               | \$ 430           | \$ 424       |
| Vericrest Opportunity<br>Loan Trust LVI LLC<br>2017-NPL3, A1 144A,<br>3.500%, 3/25/47 <sup>(2)(3)</sup>  | 290              | 290           | CarMax Auto Owner Trust<br>2015-2, C<br>2.390%, 3/15/21   | 715              | 712          |
| Vericrest Opportunity<br>Loan Trust LXIV LLC<br>2017-NP11, A1 144A,<br>3.375%, 10/25/47 <sup>(2)(3)</sup>                                      | 738              | 736           | Centre Point Funding LLC<br>2012-2A, 1<br>144A, 2.610%, 8/20/21 <sup>(3)</sup>                          | 340              | 337          |
| Verus Securitization Trust<br>2017-2A, A1 144A,<br>2.485%, 7/25/47 <sup>(2)(3)</sup>   | 408              | 406           | Drive Auto Receivables<br>Trust<br>2015-DA, C<br>144A, 3.380%, 11/15/21 <sup>(3)</sup>                  | 421              | 423          |
| 2018-1, A1 144A,<br>2.929%, 2/25/48 <sup>(2)(3)</sup>  | 319              | 319           | 2017-2, C,<br>2.750%, 9/15/23   | 525              | 522          |
| Wells Fargo Commercial<br>Mortgage Trust<br>2015-LC20, B<br>3.719%, 4/15/50  | 600              | 594           | DT Auto Owner Trust<br>2016-4A, C<br>144A, 2.740%, 10/17/22 <sup>(3)</sup>                              | 585              | 584          |
|  |                  | <u>23,757</u> | Exeter Automobile<br>Receivables Trust<br>2015-2A, C<br>144A, 3.900%, 3/15/21 <sup>(3)</sup>            | 615              | 620          |
| <b>TOTAL MORTGAGE-BACKED SECURITIES<br/>(Identified Cost \$32,829)</b>   |                  | <b>33,050</b> | 2017-1A, B 144A,<br>3.000%, 12/15/21 <sup>(3)</sup>   | 470              | 470          |
| <b>ASSET-BACKED SECURITIES—3.5%</b>  |                  |               | Flagship Credit Auto Trust<br>2017-3, C<br>144A, 2.910%, 9/15/23 <sup>(3)</sup>                         | 520              | 514          |
| <b>Auto Floor Plan—0.2%</b>  |                  |               | Foursight Capital<br>Automobile Receivables<br>Trust 2017-1, B<br>144A, 3.050%, 12/15/22 <sup>(3)</sup> | 420              | 413          |
| Navistar Financial Dealer<br>Note Master Owner<br>Trust II 2016-1, B 144A,<br>(1 month LIBOR +<br>1.750%)<br>3.622%, 9/27/21 <sup>(2)(3)</sup> | 780              | 783           | GLS Auto Receivables<br>Trust 2017-1A, B<br>144A, 2.980%, 12/15/21 <sup>(3)</sup>                       | 530              | 526          |
| <b>Automobiles—2.0%</b>  |                  |               | Hyundai Auto Lease<br>Securitization Trust<br>2018-A, A2A<br>144A, 2.550%, 8/17/20 <sup>(3)</sup>       | 470              | 469          |
| American Credit<br>Acceptance Receivables<br>Trust 2017-2, C<br>144A, 2.860%, 6/12/23 <sup>(3)</sup>   | 445              | 442           | OneMain Direct Auto<br>Receivables Trust<br>2017-2A, C<br>144A, 2.820%, 7/15/24 <sup>(3)</sup>          | 420              | 413          |
| AmeriCredit Automobile<br>Receivables Trust<br>2014-1, D<br>2.540%, 6/8/20   | 705              | 705           | Prestige Auto Receivables<br>Trust 2017-1A, C<br>144A, 2.810%, 1/17/23 <sup>(3)</sup>                   | 520              | 511          |
| Avis Budget Rental Car<br>Funding LLC (AESOP)<br>2016-1A, A<br>144A, 2.990%, 6/20/22 <sup>(3)</sup>  | 500              | 497           | Tesla Auto Lease Trust<br>2018-A, A<br>144A, 2.320%, 12/20/19 <sup>(3)</sup>                            | 377              | 376          |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | <u>PAR VALUE</u> | <u>VALUE</u> |   | <u>PAR VALUE</u> | <u>VALUE</u> |
|--|------------------|--------------|---|------------------|--------------|
| <b>Automobiles (continued)</b>   |                  |              | <b>Other (continued)</b>  |                  |              |
| Westlake Automobile<br>Receivables Trust<br>2017-2A, C<br>144A, 2.590%, 12/15/22 <sup>(3)</sup>      | \$ 525           | \$ 520       | TGIF Funding LLC<br>2017-1A, A2<br>144A, 6.202%, 4/30/47 <sup>(3)</sup>                         | \$ 443           | \$ 445       |
|  |                  | 9,478        |   |                  | 6,044        |
| <b>Other—1.2%</b>  |                  |              | <b>Student Loans—0.1%</b>   |                  |              |
| AXIS Equipment Finance<br>Receivables IV LLC<br>2018-1A, A2<br>144A, 3.240%, 12/20/23 <sup>(3)</sup> | 470              | 469          | Laurel Road Prime<br>Student Loan Trust<br>2017-B, A2FX<br>144A, 2.770%, 8/25/42 <sup>(3)</sup> | 525              | 516          |
| CCG Receivables Trust<br>2018-1, A2<br>144A, 2.500%, 6/16/25 <sup>(3)</sup>                          | 570              | 568          | SoFi Professional Loan<br>Program LLC<br>2015-A, A2<br>144A, 2.420%, 3/25/30 <sup>(3)</sup>     | 147              | 146          |
| DB Master Finance LLC<br>2017-1A, A2I<br>144A, 3.629%, 11/20/47 <sup>(3)</sup>                       | 429              | 427          |   |                  | 662          |
| Dell Equipment Finance<br>Trust 2017-2, A3<br>144A, 2.190%, 10/24/22 <sup>(3)</sup>                  | 395              | 391          | <b>TOTAL ASSET-BACKED SECURITIES</b>  |                  |              |
| Diamond Resorts Owner<br>Trust 2017-1A, A<br>144A, 3.270%, 10/22/29 <sup>(3)</sup>                   | 340              | 333          | <b>(Identified Cost \$17,070)</b>   |                  |              |
| Drug Royalty II LP 2<br>2014-1, A2<br>144A, 3.484%, 7/15/23 <sup>(3)</sup>                           | 240              | 239          | <b>CORPORATE BONDS AND NOTES—19.7%</b>  |                  |              |
| Mariner Finance Issuance<br>Trust 2017-AA, A<br>144A, 3.620%, 2/20/29 <sup>(3)</sup>                 | 450              | 452          | <b>Consumer Discretionary—2.0%</b>  |                  |              |
| MVW Owner Trust<br>2016-1A, A 144A,<br>2.250%, 12/20/33 <sup>(3)</sup>                               | 360              | 351          | Alice France S.A.<br>144A, 7.375%, 5/1/26 <sup>(3)</sup>  | 465              | 443          |
| 2017-1A, A 144A,<br>2.420%, 12/20/34 <sup>(3)</sup>  | 483              | 471          | Beazer Homes USA, Inc.<br>6.750%, 3/15/25   | 350              | 347          |
| OneMain Financial<br>Issuance Trust<br>2018-1A, A<br>144A, 3.300%, 3/14/29 <sup>(3)</sup>            | 470              | 471          | Charter Communications<br>Operating LLC<br>4.908%, 7/23/25                                      | 515              | 526          |
| Prosper Marketplace<br>Issuance Trust<br>2017-2A, B<br>144A, 3.480%, 9/15/23 <sup>(3)</sup>          | 440              | 439          | CSC Holdings LLC<br>144A, 5.375%, 2/1/28 <sup>(3)</sup>   | 300              | 283          |
| SoFi Consumer Loan<br>Program LLC 2016-3, A<br>144A, 3.050%, 12/26/25 <sup>(3)</sup>                 | 521              | 521          | Discovery<br>Communications LLC<br>3.950%, 3/20/28  | 490              | 470          |
| Taco Bell Funding LLC<br>2016-1A, A21<br>144A, 3.832%, 5/25/46 <sup>(3)</sup>                        | 464              | 467          | Dollar General Corp.<br>4.125%, 5/1/28  | 548              | 553          |
|  |                  |              | Ford Motor Credit Co.,<br>LLC<br>5.750%, 2/1/21   | 535              | 566          |
|  |                  |              | Gateway Casinos &<br>Entertainment Ltd.<br>144A, 8.250%, 3/1/24 <sup>(3)</sup>                  | 155              | 165          |
|  |                  |              | General Motors Financial<br>Co., Inc.<br>4.200%, 3/1/21   | 275              | 280          |
|  |                  |              | 4.350%, 4/10/22   | 100              | 99           |
|  |                  |              | Horton (D.R.), Inc.<br>4.750%, 2/15/23  | 550              | 577          |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | PAR VALUE | VALUE        |  | PAR VALUE | VALUE        |
|---|-----------|--------------|--|-----------|--------------|
| <b>Consumer Discretionary (continued)</b> |           |              | <b>Consumer Staples (continued)</b>          |           |              |
| L Brands, Inc.                            |           |              | Safeway, Inc.                                |           |              |
| 6.875%, 11/1/35                           | \$ 187    | \$ 181       | 7.250%, 2/1/31                               | \$ 335    | \$ 271       |
| Lear Corp.                                |           |              | Tops Holding LLC 144A,                       |           |              |
| 3.800%, 9/15/27                           | 615       | 591          | 8.000%, 6/15/22 <sup>(3)(10)</sup>           | 475       | 219          |
| Lennar Corp.                              |           |              |  |           | <u>3,502</u> |
| 144A, 5.250%, 6/1/26 <sup>(9)</sup>       | 380       | 375          |  |           |              |
| 144A, 4.750%, 11/29/27 <sup>(9)</sup>     | 340       | 326          | <b>Energy—1.9%</b>                           |           |              |
| Live Nation Entertainment, Inc.           |           |              | Andeavor Logistics LP                        |           |              |
| 144A, 5.625%, 3/15/26 <sup>(9)</sup>      | 310       | 314          | 4.250%, 12/1/27                              | 510       | 497          |
| MDC Holdings, Inc.                        |           |              | Bristow Group, Inc.                          |           |              |
| 5.500%, 1/15/24                           | 390       | 396          | 144A, 8.750%, 3/1/23 <sup>(9)</sup>          | 65        | 66           |
| Meredith Corp.                            |           |              | Cheniere Corpus Christi Holdings LLC         |           |              |
| 144A, 6.875%, 2/1/26 <sup>(3)</sup>       | 125       | 128          | 5.875%, 3/31/25                              | 280       | 293          |
| PulteGroup, Inc.                          |           |              | Crestwood Midstream Partners LP              |           |              |
| 6.375%, 5/15/33                           | 320       | 335          | 5.750%, 4/1/25                               | 310       | 307          |
| QVC, Inc.                                 |           |              | Enbridge Energy Partners LP                  |           |              |
| 4.375%, 3/15/23                           | 700       | 700          | 4.375%, 10/15/20                             | 105       | 107          |
| Scientific Games International, Inc.      |           |              | 5.875%, 10/15/25                             | 415       | 455          |
| 6.625%, 5/15/21                           | 295       | 302          | Energy Transfer Partners LP                  |           |              |
| Sirius XM Radio, Inc.                     |           |              | 4.200%, 4/15/27                              | 220       | 212          |
| 144A, 5.000%, 8/1/27 <sup>(3)</sup>       | 365       | 343          | EP Energy LLC                                |           |              |
| TRI Pointe Group, Inc.                    |           |              | 144A, 8.000%, 11/29/24 <sup>(9)</sup>        | 175       | 176          |
| 5.875%, 6/15/24                           | 280       | 284          | Gazprom OAO                                  |           |              |
| William Lyon Homes, Inc.                  |           |              | 144A, 4.950%, 2/6/28 <sup>(3)(9)</sup>       | 485       | 481          |
| 144A, 6.000%, 9/1/23 <sup>(3)</sup>       | 395       | 394          | Helmerich & Payne International Drilling Co. |           |              |
| Wyndham Worldwide Corp.                   |           |              | 4.650%, 3/15/25                              | 395       | 410          |
| 5.100%, 10/1/25                           | 655       | 677          | HollyFrontier Corp.                          |           |              |
| 4.500%, 4/1/27                            | 140       | 139          | 5.875%, 4/1/26                               | 475       | 511          |
|   |           | <u>9,794</u> | Kinder Morgan Energy Partners LP             |           |              |
| <b>Consumer Staples—0.7%</b>              |           |              | 7.500%, 11/15/40                             | 595       | 742          |
| Anheuser-Busch InBev Finance, Inc.        |           |              | MPLX LP                                      |           |              |
| 3.650%, 2/1/26                            | 435       | 432          | 4.875%, 12/1/24                              | 915       | 959          |
| Anheuser-Busch InBev Worldwide, Inc.      |           |              | NuStar Logistics LP                          |           |              |
| 4.000%, 4/13/28                           | 270       | 273          | 5.625%, 4/28/27                              | 405       | 393          |
| CVS Health Corp.                          |           |              | Parsley Energy LLC                           |           |              |
| 2.875%, 6/1/26                            | 760       | 700          | 144A, 5.625%, 10/15/27 <sup>(9)</sup>        | 390       | 390          |
| 4.300%, 3/25/28                           | 409       | 412          | Petrobras Global Finance BV                  |           |              |
| Flowers Foods, Inc.                       |           |              | 7.375%, 1/17/27                              | 575       | 623          |
| 4.375%, 4/1/22                            | 700       | 725          | Petroleos Mexicanos                          |           |              |
| Kraft Heinz Foods Co. (The)               |           |              | 6.500%, 3/13/27                              | 490       | 523          |
| 3.000%, 6/1/26                            | 510       | 470          |  |           |              |

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**MARCH 31, 2018**

(\$ reported in thousands)

|  | <u>PAR VALUE</u> | <u>VALUE</u> |  | <u>PAR VALUE</u> | <u>VALUE</u> |
|--|------------------|--------------|--|------------------|--------------|
| <b>Energy (continued)</b>  |                  |              | <b>Financials (continued)</b>  |                  |              |
| Range Resources Corp.<br>4.875%, 5/15/25   | \$ 340           | \$ 315       | Bank of America Corp.<br>144A, 3.004%, 12/20/23 <sup>(3)</sup>                 | \$ 712           | \$ 698       |
| Sabine Pass Liquefaction<br>LLC<br>6.250%, 3/15/22                                       | 425              | 461          | 4.200%, 8/26/24  | 1,065            | 1,080        |
| SM Energy Co.<br>5.625%, 6/1/25  | 100              | 95           | Bank of Montreal<br>3.803%, 12/15/32   | 803              | 761          |
| State Oil Co. of the<br>Azerbaijan Republic<br>RegS<br>6.950%, 3/18/30 <sup>(4)</sup>    | 455              | 493          | BrightSphere Investment<br>Group plc<br>4.800%, 7/27/26                        | 585              | 587          |
| Sunoco LP<br>144A, 5.500%, 2/15/26 <sup>(3)</sup>  | 155              | 150          | Brookfield Finance LLC<br>4.000%, 4/1/24                                       | 671              | 676          |
| TransMontaigne Partners<br>LP<br>6.125%, 2/15/26   | 165              | 165          | Capital One Financial<br>Corp.<br>4.200%, 10/29/25                             | 630              | 624          |
| Valero Energy Partners<br>LP<br>4.500%, 3/15/28  | 450              | 452          | 3.750%, 7/28/26  | 580              | 552          |
|  |                  | <u>9,276</u> | Citigroup, Inc.<br>4.050%, 7/30/22   | 700              | 711          |
|  |                  |              | Compass Bank<br>3.875%, 4/10/25  | 705              | 689          |
|  |                  |              | Development Bank of<br>Kazakhstan JSC 144A,<br>4.125%, 12/10/22 <sup>(3)</sup> | 640              | 638          |
| <b>Financials—6.1%</b>   |                  |              | Discover Financial<br>Services<br>3.950%, 11/6/24                              | 665              | 658          |
| AerCap Ireland Capital<br>DAC<br>3.650%, 7/21/27   | 570              | 533          | FS Investment Corp.<br>4.250%, 1/15/20   | 615              | 621          |
| Allstate Corp. (The)<br>Series B,<br>5.750% <sup>(6)(7)</sup>                            | 530              | 555          | 4.750%, 5/15/22  | 115              | 116          |
| Apollo Management<br>Holdings LP<br>144A, 4.000%, 5/30/24 <sup>(3)</sup>                 | 690              | 693          | Goldman Sachs Group,<br>Inc. (The)<br>5.750%, 1/24/22                          | 1,020            | 1,103        |
| Ares Capital Corp.<br>3.500%, 2/10/23  | 215              | 209          | ICAHN Enterprises LP<br>6.375%, 12/15/25                                       | 335              | 337          |
| 4.250%, 3/1/25   | 395              | 384          | Jefferies Group LLC<br>5.125%, 1/20/23   | 305              | 323          |
| Ares Finance Co., LLC<br>144A, 4.000%, 10/8/24 <sup>(3)</sup>                            | 595              | 578          | 4.850%, 1/15/27  | 300              | 307          |
| Athene Holding Ltd.<br>4.125%, 1/12/28   | 470              | 451          | JPMorgan Chase & Co.<br>3.300%, 4/1/26   | 1,025            | 991          |
| Aviation Capital Group LLC<br>144A, 3.500%, 11/1/27 <sup>(3)</sup>                       | 515              | 483          | Kazakhstan Temir Zholy<br>Finance BV<br>144A, 6.950%, 7/10/42 <sup>(3)</sup>   | 480              | 537          |
| Banco Bilbao Vizcaya<br>Argentaria Bancomer S.A.<br>144A, 5.125%, 1/18/33 <sup>(3)</sup> | 340              | 326          | Leucadia National Corp.<br>5.500%, 10/18/23                                    | 535              | 550          |
| Banco de Credito e<br>Inversiones<br>144A, 3.500%, 10/12/27 <sup>(3)</sup>               | 645              | 603          | Liberty Mutual Group, Inc.<br>144A, 4.250%, 6/15/23 <sup>(3)</sup>             | 690              | 704          |
| Banco Santander Chile<br>144A, 3.875%, 9/20/22 <sup>(3)</sup>                            | 430              | 433          | Lincoln National Corp.<br>4.200%, 3/15/22                                      | 695              | 716          |
|  |                  |              | Macquarie Group Ltd.<br>144A, 6.250%, 1/14/21 <sup>(3)</sup>                   | 570              | 612          |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | PAR VALUE | VALUE  |  | PAR VALUE | VALUE |
|--|-----------|--------|--|-----------|-------|
| <b>Financials (continued)</b>  |           |        | <b>Health Care—1.7%</b>  |           |       |
| Manulife Financial Corp.   |           |        | Abbott Laboratories  |           |       |
| 4.150%, 3/4/26   | \$ 570    | \$ 578 | 3.400%, 11/30/23   | \$125     | \$124 |
| Mizuho Financial Group, Inc.   |           |        | 3.750%, 11/30/26   | 730       | 726   |
| 3.549%, 3/5/23   | 200       | 199    | AbbVie, Inc.   |           |       |
| Morgan Stanley   |           |        | 3.600%, 5/14/25  | 235       | 231   |
| 3.125%, 7/27/26  | 730       | 690    | 3.200%, 5/14/26  | 355       | 338   |
| 6.375%, 7/24/42  | 710       | 917    | Allergan Sales LLC   |           |       |
| Navient Corp.  |           |        | 144A, 4.875%, 2/15/21 <sup>(3)</sup>                                 | 226       | 234   |
| 7.250%, 9/25/23  | 100       | 104    | AmerisourceBergen Corp.  |           |       |
| 6.750%, 6/25/25  | 275       | 279    | 3.450%, 12/15/27   | 340       | 323   |
| Powszechna Kasa Oszczednosci Bank Polski S.A. 144A, 4.630%, 9/26/22 <sup>(3)(5)</sup>    | 375       | 390    | Anthem, Inc.   |           |       |
| Prudential Financial, Inc.   |           |        | 3.650%, 12/1/27  | 134       | 129   |
| 5.625% <sup>(6)(7)</sup>   | 680       | 712    | 4.101%, 3/1/28   | 480       | 481   |
| S&P Global, Inc.   |           |        | Becton Dickinson & Co. (3 month LIBOR + 0.875%)                      |           |       |
| 4.000%, 6/15/25  | 480       | 490    | 2.944%, 12/29/20 <sup>(2)</sup>                                      | 125       | 125   |
| Santander Holdings USA, Inc.   |           |        | 3.363%, 6/6/24   | 113       | 109   |
| 3.700%, 3/28/22  | 445       | 446    | 3.700%, 6/6/27   | 645       | 622   |
| 4.400%, 7/13/27  | 205       | 204    | Cardinal Health, Inc.  |           |       |
| Societe Generale S.A. 144A, 4.750%, 11/24/25 <sup>(4)</sup>                              | 535       | 541    | 3.200%, 3/15/23  | 300       | 295   |
| Springleaf Finance Corp.   |           |        | 3.079%, 6/15/24  | 25        | 24    |
| 6.875%, 3/15/25  | 185       | 186    | 3.410%, 6/15/27  | 195       | 184   |
| Teachers Insurance & Annuity Association of America 144A, 4.375%, 9/15/54 <sup>(8)</sup> | 595       | 579    | Community Health Systems, Inc.                                       |           |       |
| Trinity Acquisition plc  |           |        | 6.250%, 3/31/23  | 225       | 207   |
| 3.500%, 9/15/21  | 50        | 50     | Envision Healthcare Corp.  |           |       |
| 4.400%, 3/15/26  | 230       | 233    | 144A, 6.250%, 12/1/24 <sup>(3)</sup>                                 | 85        | 88    |
| Turkiye Vakiflar Bankasi TAO 144A, 5.625%, 5/30/22 <sup>(3)</sup>                        | 445       | 437    | Fresenius U.S. Finance II, Inc. 144A, 4.500%, 1/15/23 <sup>(9)</sup> | 120       | 123   |
| UBS AG   |           |        | HCA, Inc.  |           |       |
| 7.625%, 8/17/22  | 500       | 561    | 5.375%, 2/1/25   | 265       | 266   |
| Wells Fargo & Co.  |           |        | Mylan NV   |           |       |
| 3.069%, 1/24/23 (3 month LIBOR + 1.230%)   | 240       | 236    | 3.150%, 6/15/21  | 160       | 158   |
| 3.002%, 10/31/23 <sup>(2)</sup>  | 40        | 41     | 3.950%, 6/15/26  | 400       | 388   |
| 3.550%, 9/29/25  | 375       | 368    | Owens & Minor, Inc.  |           |       |
| Series S,  |           |        | 3.875%, 9/15/21  | 110       | 109   |
| 5.900%, 8/15/27  | 715       | 736    | Shire Acquisitions   |           |       |
|  |           | 28,816 | Investments Ireland DAC  |           |       |
|  |           |        | 2.400%, 9/23/21  | 230       | 222   |
|  |           |        | Surgery Center Holdings, Inc.  |           |       |
|  |           |        | 144A, 8.875%, 4/15/21 <sup>(3)</sup>                                 | 295       | 308   |
|  |           |        | Tenet Healthcare Corp.   |           |       |
|  |           |        | 4.500%, 4/1/21   | 200       | 198   |
|  |           |        | 144A, 4.625%, 7/15/24 <sup>(9)</sup>                                 | 180       | 173   |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | <u>PAR VALUE</u> | <u>VALUE</u> |   | <u>PAR VALUE</u> | <u>VALUE</u> |
|--|------------------|--------------|---|------------------|--------------|
| <b>Health Care (continued)</b>   |                  |              | <b>Information Technology—1.2%</b>  |                  |              |
| Teva Pharmaceutical Finance<br>Netherlands III BV<br>3.150%, 10/1/26                   | \$215            | \$ 173       | Apple, Inc.<br>3.000%, 11/13/27   | \$340            | \$ 325       |
| Valeant Pharmaceuticals<br>International, Inc.<br>144A, 7.500%, 7/15/21 <sup>(3)</sup> | 60               | 60           | Arrow Electronics, Inc.<br>3.875%, 1/12/28                                    | 525              | 508          |
| 144A, 6.500%, 3/15/22 <sup>(3)</sup>   | 25               | 26           | Broadcom Corp.<br>3.000%, 1/15/22   | 195              | 191          |
| 144A, 5.500%, 3/1/23 <sup>(3)</sup>  | 155              | 135          | 3.625%, 1/15/24   | 370              | 364          |
| 144A, 7.000%, 3/15/24 <sup>(3)</sup>   | 45               | 47           | Citrix Systems, Inc.<br>4.500%, 12/1/27                                       | 455              | 450          |
| Zimmer Biomet Holdings,<br>Inc.<br>(3 month LIBOR + 0.750%)                            |                  |              | Dell International LLC<br>144A, 6.020%, 6/15/26 <sup>(3)</sup>                | 100              | 108          |
| 2.928%, 3/19/21 <sup>(2)</sup>   | 565              | 566          | 144A, 8.100%, 7/15/36 <sup>(3)</sup>  | 210              | 255          |
| 3.550%, 4/1/25   | 725              | 703          | Flex Ltd.<br>4.750%, 6/15/25  | 695              | 725          |
|  |                  | <u>7,895</u> | Hewlett Packard Enterprise<br>Co.<br>4.900%, 10/15/25                         | 390              | 405          |
| <b>Industrials—0.9%</b>  |                  |              | Jabil, Inc.<br>3.950%, 1/12/28  | 395              | 382          |
| Ashtead Capital, Inc.<br>144A, 4.375%, 8/15/27 <sup>(3)</sup>                          | 350              | 332          | VeriSign, Inc.<br>4.750%, 7/15/27   | 395              | 378          |
| Bombardier, Inc.<br>144A, 6.125%, 1/15/23 <sup>(3)</sup>                               | 265              | 264          | Verisk Analytics, Inc.<br>4.000%, 6/15/25                                     | 685              | 689          |
| CNH Industrial N.V.<br>4.500%, 8/15/23   | 426              | 434          | VMware, Inc.<br>2.950%, 8/21/22   | 223              | 214          |
| 3.850%, 11/15/27   | 225              | 218          | 3.900%, 8/21/27   | 240              | 227          |
| Continental Airlines<br>Pass-Through-Trust<br>1999-2, C2<br>6.236%, 3/15/20            | 168              | 170          | Western Digital Corp.<br>4.750%, 2/15/26                                      | 410              | <u>409</u>   |
| Masco Corp.<br>5.950%, 3/15/22   | 291              | 315          |   |                  | <u>5,630</u> |
| 4.450%, 4/1/25   | 220              | 225          | <b>Materials—1.5%</b>   |                  |              |
| Owens Corning<br>3.400%, 8/15/26   | 590              | 568          | Anglo American Capital plc<br>144A, 4.000%, 9/11/27 <sup>(3)</sup>            | 540              | 517          |
| Penske Truck Leasing Co.,<br>LP<br>144A, 3.375%, 2/1/22 <sup>(3)</sup>                 | 225              | 224          | BHP Billiton Finance USA<br>Ltd.<br>144A, 6.750% <sup>(3)(6)(7)</sup>         | 450              | 505          |
| Pitney Bowes, Inc.<br>4.125%, 5/15/22  | 499              | 472          | CRH America Finance, Inc.<br>144A, 3.400%, 5/9/27 <sup>(3)</sup>              | 440              | 421          |
| Standard Industries, Inc.<br>144A, 6.000%, 10/15/25 <sup>(3)</sup>                     | 365              | 374          | FMG Resources August<br>2006 Pty Ltd.<br>144A, 5.125%, 3/15/23 <sup>(3)</sup> | 245              | 243          |
| TransDigm, Inc.<br>6.000%, 7/15/22   | 275              | 280          | Glencore Funding LLC<br>144A, 4.000%, 3/27/27 <sup>(3)</sup>                  | 520              | 502          |
| 6.500%, 5/15/25  | 140              | 141          | GTL Trade Finance, Inc.<br>144A, 5.893%, 4/29/24 <sup>(3)</sup>               | 305              | 325          |
| USA Compression Partners<br>LP<br>144A, 6.875%, 4/1/26 <sup>(3)</sup>                  | 260              | 264          | INEOS Group Holdings S.A.<br>144A, 5.625%, 8/1/24 <sup>(3)</sup>              | 495              | 501          |
|  |                  | <u>4,281</u> |   |                  |              |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | <u>PAR VALUE</u> | <u>VALUE</u> |   | <u>PAR VALUE</u> | <u>VALUE</u> |
|---|------------------|--------------|---|------------------|--------------|
| <b>Materials (continued)</b>              |                  |              | <b>Real Estate (continued)</b>                |                  |              |
| Inversiones CMPC S.A.                     |                  |              | 3.875%, 12/15/27                              | \$ 200           | \$ 192       |
| 144A, 4.375%, 5/15/23 <sup>(3)</sup>      | \$850            | \$ 867       | MPT Operating Partnership LP                  |                  |              |
| NewMarket Corp.                           |                  |              | 6.375%, 3/1/24                                | 55               | 58           |
| 4.100%, 12/15/22                          | 759              | 778          | 5.500%, 5/1/24                                | 275              | 281          |
| NOVA Chemicals Corp.                      |                  |              | 5.000%, 10/15/27                              | 200              | 196          |
| 144A, 4.875%, 6/1/24 <sup>(3)</sup>       | 185              | 177          | National Retail Properties, Inc.              |                  |              |
| 144A, 5.000%, 5/1/25 <sup>(3)</sup>       | 250              | 240          | 4.000%, 11/15/25                              | 200              | 199          |
| OCP SA                                    |                  |              | Physicians Realty LP                          |                  |              |
| 144A, 5.625%, 4/25/24 <sup>(3)</sup>      | 485              | 512          | 3.950%, 1/15/28                               | 535              | 512          |
| Rusal Capital DAC                         |                  |              | Retail Opportunity Investments Partnership LP |                  |              |
| 144A, 5.125%, 2/2/22 <sup>(3)</sup>       | 455              | 448          | 4.000%, 12/15/24                              | 485              | 467          |
| Teck Resources Ltd.                       |                  |              | Select Income REIT                            |                  |              |
| 144A, 8.500%, 6/1/24 <sup>(3)</sup>       | 105              | 117          | 4.500%, 2/1/25                                | 690              | 682          |
| United States Steel Corp.                 |                  |              | Welltower, Inc.                               |                  |              |
| 6.250%, 3/15/26                           | 375              | 374          | 4.000%, 6/1/25                                | 730              | 729          |
| Vulcan Materials Co.                      |                  |              |   |                  |              |
| 3.900%, 4/1/27                            | 520              | 511          |   |                  |              |
|   |                  | <u>7,038</u> |   |                  | <u>8,829</u> |
| <b>Real Estate—1.8%</b>                   |                  |              | <b>Telecommunication Services—0.9%</b>        |                  |              |
| Alexandria Real Estate Equities, Inc.     |                  |              | AT&T, Inc.                                    |                  |              |
| 3.950%, 1/15/27                           | 345              | 337          | 3.900%, 8/14/27                               | 230              | 231          |
| American Tower Corp.                      |                  |              | 144A, 4.100%, 2/15/28 <sup>(3)</sup>          | 1,462            | 1,451        |
| 3.000%, 6/15/23                           | 231              | 223          | Consolidated Communications, Inc.             |                  |              |
| Brixmor Operating Partnership LP          |                  |              | 6.500%, 10/1/22                               | 267              | 239          |
| 3.875%, 8/15/22                           | 160              | 161          | Frontier Communications Corp.                 |                  |              |
| Corporate Office Properties LP            |                  |              | 7.125%, 1/15/23                               | 370              | 250          |
| 3.600%, 5/15/23                           | 715              | 700          | 144A, 8.500%, 4/1/26 <sup>(3)</sup>           | 175              | 170          |
| Education Realty Operating Partnership LP |                  |              | Level 3 Financing, Inc.                       |                  |              |
| 4.600%, 12/1/24                           | 595              | 603          | 5.375%, 1/15/24                               | 330              | 322          |
| EPR Properties                            |                  |              | Qwest Corp.                                   |                  |              |
| 4.750%, 12/15/26                          | 720              | 720          | 7.250%, 9/15/25                               | 360              | 388          |
| Healthcare Realty Trust, Inc.             |                  |              | Telefonica Emisiones SAU                      |                  |              |
| 3.875%, 5/1/25                            | 440              | 433          | 4.570%, 4/27/23                               | 510              | 536          |
| Healthcare Trust of America Holdings LP   |                  |              | Telenet Finance Luxembourg Notes S.a.r.l.     |                  |              |
| 3.750%, 7/1/27                            | 540              | 521          | 144A, 5.500%, 3/1/28 <sup>(3)</sup>           | 400              | 382          |
| Hospitality Properties Trust              |                  |              | Verizon Communications, Inc.                  |                  |              |
| 4.950%, 2/15/27                           | 640              | 651          | 4.125%, 3/16/27                               | 525              | 531          |
| Kilroy Realty LP                          |                  |              |   |                  |              |
| 4.375%, 10/1/25                           | 640              | 648          |   |                  | <u>4,500</u> |
| LifeStorage LP                            |                  |              |   |                  |              |
| 3.500%, 7/1/26                            | 540              | 516          |   |                  |              |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|  | <u>PAR VALUE</u> | <u>VALUE</u>  |  | <u>PAR VALUE</u> | <u>VALUE</u> |
|--|------------------|---------------|--|------------------|--------------|
| <b>Utilities—1.0%</b>  |                  |               | <b>Consumer Non-Durables—0.0%</b>  |                  |              |
| American Electric Power Co., Inc.<br>3.200%, 11/13/27                                  | \$465            | \$ 443        | HLF Financing S.a r.l.<br>Senior Lien, (1 month LIBOR + 5.500%)<br>7.377%, 2/15/23               | \$ 88            | \$ 89        |
| Duke Energy Corp.<br>2.650%, 9/1/26  | 605              | 552           | <b>Energy—0.1%</b>   |                  |              |
| Eskom Holdings SOC Ltd.<br>144A, 7.125%, 2/11/25 <sup>(3)</sup>                        | 440              | 449           | Ultra Resources, Inc.,<br>(1 month LIBOR + 3.000%) 4.765%, 4/12/24                               | 290              | 287          |
| Exelon Corp.<br>3.497%, 6/1/22   | 725              | 718           | <b>Financial—0.0%</b>  |                  |              |
| FirstEnergy Transmission LLC<br>144A, 4.350%, 1/15/25 <sup>(3)</sup>                   | 735              | 756           | Genworth Holdings, Inc., (1 month LIBOR + 4.500%)<br>6.202%, 3/7/23                              | 15               | 15           |
| PNM Resources, Inc.<br>3.250%, 3/9/21  | 420              | 419           | <b>Food / Tobacco—0.1%</b>   |                  |              |
| Southern Power Co.<br>4.150%, 12/1/25  | 590              | 606           | Aramark Intermediate<br>HoldCo Corp.<br>Tranche B-1, (1 month LIBOR + 2.000%)<br>3.877%, 3/11/25 | 170              | 171          |
| State Grid Overseas<br>Investment 2014 Ltd.<br>144A, 4.125%, 5/7/24 <sup>(3)</sup>     | 610              | 621           | CHG PPC Parent LLC First<br>Lien, (3 month LIBOR + 2.750%)<br>0.000%, 3/23/25 <sup>(8)</sup>     | 25               | 25           |
| TerraForm Power Operating<br>LLC<br>144A, 5.000%, 1/31/28 <sup>(3)</sup>               | 290              | 275           | JBS USA Lux S.A.,<br>(3 month LIBOR + 2.500%)<br>4.678%, 10/30/22                                | 272              | 271          |
|  |                  | <u>4,839</u>  |  |                  | <u>467</u>   |
| <b>TOTAL CORPORATE BONDS AND NOTES<br/>(Identified Cost \$95,330)</b>                  |                  | <b>94,400</b> | <b>Food and Drug—0.1%</b>  |                  |              |
| <b>LEVERAGED LOANS<sup>(2)</sup>—1.8%</b>  |                  |               | Albertson's LLC 2017-1,<br>Tranche B-4, (1 month LIBOR + 2.750%)<br>4.627%, 8/25/21              | 322              | 318          |
| <b>Chemicals—0.0%</b>  |                  |               | <b>Gaming / Leisure—0.2%</b>   |                  |              |
| Tronox Blocked Borrower<br>LLC First Lien, (3 month LIBOR + 3.000%)<br>5.302%, 9/23/24 | 20               | 20            | Gateway Casinos &<br>Entertainment Ltd.,<br>(1 month LIBOR + 3.000%) 4.750%, 3/13/25             | 85               | 86           |
| Tronox Finance LLC First<br>Lien, (3 month LIBOR + 3.000%) 5.302%, 9/23/24             | 45               | 45            | GVC Holdings PLC,<br>(3 month LIBOR + 2.500%)<br>0.000%, 3/15/24 <sup>(8)</sup>                  | 245              | 245          |
|  |                  | <u>65</u>     |  |                  |              |
| <b>Consumer Durables—0.0%</b>  |                  |               |  |                  |              |
| Global Appliance, Inc.<br>Tranche B, (1 month LIBOR + 4.000%)<br>5.880%, 9/29/24       | 144              | 146           |  |                  |              |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | <u>PAR VALUE</u> | <u>VALUE</u> |  | <u>PAR VALUE</u> | <u>VALUE</u> |
|---|------------------|--------------|--|------------------|--------------|
| <b>Gaming / Leisure (continued)</b>   |                  |              |  |                  |              |
| Playa Resorts Holding B.V.,<br>(3 month LIBOR +<br>3.250%) 5.000%, 4/29/24  | \$219            | \$ 220       |  |                  |              |
| Scientific Games<br>International, Inc. Tranche<br>B-5, (2 month LIBOR +<br>2.750%) 4.686%, 8/14/24               | 5                | 5            |  |                  |              |
| Seminole Tribe of Florida<br>Tranche B, (1 month<br>LIBOR + 2.000%)<br>3.877%, 7/8/24                             | 284              | 284          |  |                  |              |
| UFC Holdings, LLC First<br>Lien, (1 month LIBOR +<br>3.250%) 5.130%, 8/18/23                                      | 238              | 239          |  |                  |              |
| Wyndham Hotels &<br>Resorts, Inc. Tranche B,<br>(3 month LIBOR +<br>1.750%)<br>0.000%, 3/29/25 <sup>(6)</sup>     | 75               | 75           |  |                  |              |
|   |                  | <u>1,154</u> |  |                  |              |
| <b>Healthcare—0.2%</b>  |                  |              |  |                  |              |
| CHG Healthcare Services,<br>Inc. 2017, First Lien,<br>(3 month LIBOR +<br>3.000%) 4.772%, 6/7/23                  | 278              | 280          |  |                  |              |
| Concentra, Inc. Tranche<br>B-1, First Lien, (3 month<br>LIBOR + 2.750%)<br>4.530%, 6/1/22                         | 25               | 25           |  |                  |              |
| Endo Luxembourg Finance<br>Co. S.a.r.l., (1 month<br>LIBOR + 4.250%)<br>6.188%, 4/29/24                           | 129              | 128          |  |                  |              |
| Envision Healthcare Corp.,<br>(1 month LIBOR +<br>3.000%) 4.880%, 12/1/23   | 28               | 28           |  |                  |              |
| Parexel International Corp.,<br>(1 month LIBOR +<br>2.750%) 4.627%, 9/27/24                                       | 55               | 55           |  |                  |              |
| Quorum Health Corp.,<br>(1 month LIBOR +<br>6.750%) 8.627%, 4/29/22   | 214              | 218          |  |                  |              |
|   |                  | <u>734</u>   |  |                  |              |
| <b>Housing—0.1%</b>   |                  |              |  |                  |              |
| Beacon Roofing Supply,<br>Inc., (1 month LIBOR +<br>2.250%) 3.936%, 1/2/25  | \$295            | \$ 296       |  |                  |              |
| Capital Automotive LP<br>Tranche B-2, First Lien,<br>(1 month LIBOR +<br>2.500%) 4.380%, 3/25/24                  | 386              | 388          |  |                  |              |
|   |                  | <u>684</u>   |  |                  |              |
| <b>Information Technology—0.2%</b>  |                  |              |  |                  |              |
| Rackspace Hosting, Inc.<br>Tranche B, First Lien,<br>(3 month LIBOR +<br>3.000%) 4.787%, 11/3/23                  | 393              | 391          |  |                  |              |
| SS&C Technologies<br>Holdings, Inc.<br>Tranche B-3, (3 month<br>LIBOR + 2.500%)<br>0.000%, 2/28/25 <sup>(6)</sup> | 287              | 289          |  |                  |              |
| Tranche B-4, (3 month<br>LIBOR + 2.500%)<br>0.000%, 2/28/25 <sup>(6)</sup>  | 103              | 103          |  |                  |              |
|   |                  | <u>783</u>   |  |                  |              |
| <b>Manufacturing—0.2%</b>   |                  |              |  |                  |              |
| Accudyne Industries<br>Borrower S.C.A., (1 month<br>LIBOR + 3.250%)<br>5.127%, 8/18/24                            | 199              | 200          |  |                  |              |
| CPI Acquisition, Inc. First<br>Lien, (3 month LIBOR +<br>4.500%) 6.358%, 8/17/22                                  | 395              | 270          |  |                  |              |
| U.S. Farathane LLC Tranche<br>B-4, (3 month LIBOR +<br>3.500%)<br>5.802%, 12/23/21                                | 303              | 304          |  |                  |              |
| Zodiac Pool Solutions LLC<br>Tranche B-1, First Lien, (3<br>month LIBOR + 4.000%)<br>6.302%, 12/20/23             | 252              | 252          |  |                  |              |
| Tranche B, (3 month<br>LIBOR + 2.250%)<br>0.000%, 3/7/25 <sup>(6)</sup>   | 95               | 95           |  |                  |              |
|   |                  | <u>95</u>    |  |                  |              |
|   |                  | <u>1,121</u> |  |                  |              |

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**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | <u>PAR VALUE</u> | <u>VALUE</u>       |    | <u>PAR VALUE</u> | <u>VALUE</u> |
|---|------------------|--------------------|----|------------------|--------------|
| <b>Media / Telecom - Broadcasting—0.0%</b>  |                  |                    |    |                  |              |
| Sinclair Television Group, Inc. Tranche B, (3 month LIBOR + 2.500%) 0.000%, 12/12/24 <sup>(8)</sup> | 220              | 221                |    |                  |              |
| <b>Media / Telecom - Cable/Wireless Video—0.0%</b>  |                  |                    |    |                  |              |
| Telenet Financing USD LLC, (3 month LIBOR + 2.500%) 0.000%, 3/1/26 <sup>(8)</sup>                   | 10               | 10                 |    |                  |              |
| <b>Media / Telecom - Diversified Media—0.1%</b>   |                  |                    |    |                  |              |
| Crown Finance US, Inc., (1 month LIBOR + 2.500%) 4.377%, 2/28/25                                    | 195              | 195                |    |                  |              |
| Meredith Corp., (1 month LIBOR + 3.000%) 4.877%, 1/31/25  | 215              | 216                |    |                  |              |
|   |                  | 411                |    |                  |              |
| <b>Media / Telecom - Telecommunications—0.1%</b>  |                  |                    |    |                  |              |
| CenturyLink, Inc. Tranche B, (1 month LIBOR + 2.750%) 4.627%, 1/31/25                               | \$264            | \$260              |    |                  |              |
| Level 3 Financing, Inc. 2024, Tranche B, (1 month LIBOR + 2.250%) 4.111%, 2/22/24                   | 350              | 350                |    |                  |              |
|   |                  | 610                |    |                  |              |
| <b>Media / Telecom - Wireless Communications—0.0%</b>   |                  |                    |    |                  |              |
| Digicel International Finance Ltd. Tranche B, First Lien, (3 month LIBOR + 3.250%) 5.020%, 5/27/24  | 25               | 25                 |    |                  |              |
| <b>Service—0.2%</b>   |                  |                    |    |                  |              |
| ASGN, Inc. Tranche B-2, (3 month LIBOR + 2.000%) 0.000%, 4/2/25 <sup>(8)</sup>                      | 80               | 80                 |    |                  |              |
| Delek US Holdings, Inc., (3 month LIBOR + 2.500%) 0.000%, 3/14/25 <sup>(8)</sup>                    | 75               | 75                 |    |                  |              |
| Red Ventures, LLC First Lien, (1 month LIBOR + 4.000%) 5.877%, 11/8/24                              | 169              | 171                |    |                  |              |
| <b>Service (continued)</b>  |                  |                    |    |                  |              |
| Sedgwick Claims Management Services, Inc. Second Lien, (3 month LIBOR + 5.750%) 7.734%, 2/28/22     | \$355            |                    | \$ | 356              |              |
| TKC Holdings, Inc. First Lien, (3 month LIBOR + 4.250%) 6.030%, 2/1/23                              | 203              | 205                |    |                  | 887          |
|   |                  | 887                |    |                  |              |
| <b>Transportation - Automotive—0.1%</b>   |                  |                    |    |                  |              |
| Navistar, Inc. Tranche B, (1 month LIBOR + 3.500%) 5.210%, 11/6/24                                  | 225              | 226                |    |                  |              |
| <b>Utility—0.1%</b>   |                  |                    |    |                  |              |
| NRG Energy, Inc., (3 month LIBOR + 1.750%) 4.052%, 6/30/23  | 263              | 263                |    |                  |              |
| Vistra Operations Co. LLC (1 month LIBOR + 2.500%) 4.377%, 8/4/23                                   | 168              | 169                |    |                  |              |
| Tranche C, (1 month LIBOR + 2.500%) 4.377%, 8/4/23  | 29               | 30                 |    |                  | 462          |
|   |                  | 610                |    |                  |              |
| <b>TOTAL LEVERAGED LOANS (Identified Cost \$8,781)</b>  |                  |                    |    |                  | <b>8,715</b> |
| <b>SHARES</b>   |                  |                    |    |                  |              |
| <b>PREFERRED STOCKS—1.2%</b>  |                  |                    |    |                  |              |
| <b>Financials—0.9%</b>  |                  |                    |    |                  |              |
| Bank of New York Mellon Corp. (The Series E, 4.950%)  |                  | 525 <sup>(9)</sup> |    | 538              |              |
| Citigroup, Inc. Series T, 6.250%  |                  | 303 <sup>(9)</sup> |    | 320              |              |
| Huntington Bancshares, Inc. Series E 5.700% <sup>(9)</sup>  |                  | 480 <sup>(9)</sup> |    | 482              |              |
| JPMorgan Chase & Co. Series Z, 5.300% <sup>(11)</sup>   |                  | 640 <sup>(9)</sup> |    | 657              |              |
| KeyCorp Series D, 5.000% <sup>(11)</sup>  |                  | 490 <sup>(9)</sup> |    | 483              |              |
| M&T Bank Corp. Series F, 5.125% <sup>(11)</sup>   |                  | 570 <sup>(9)</sup> |    | 569              |              |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | <u>SHARES</u>        | <u>VALUE</u>  |   | <u>SHARES</u> | <u>VALUE</u>  |
|---|----------------------|---------------|---|---------------|---------------|
| <b>Financials (continued)</b>                           |                      |               | <b>Energy (continued)</b>                     |               |               |
| MetLife, Inc.   |                      |               | Statoil ASA Sponsored ADR                     | 111,114       | \$ 2,628      |
| Series D 5.875%   | 202 <sup>(9)</sup>   | \$ 205        | TechnipFMC plc                                | 72,896        | 2,147         |
| PNC Financial Services Group, Inc. (The)                |                      |               |   |               | <u>13,651</u> |
| Series R, 4.850%  | 570 <sup>(9)</sup>   | 571           | <b>Financials—7.6%</b>                        |               |               |
| Series S, 5.000%  | 570 <sup>(9)</sup>   | 567           | Bank of America Corp.                         | 249,150       | 7,472         |
|   |                      | <u>4,392</u>  | BOC Hong Kong Holdings Ltd. Sponsored ADR     | 20,261        | 1,955         |
| <b>Industrials—0.3%</b>                                 |                      |               | CaixaBank S.A. ADR                            | 1,316,560     | 2,093         |
| General Electric Co.                                    |                      |               | Charles Schwab Corp. (The)                    | 63,440        | 3,313         |
| Series D, 5.000%  | 1,488 <sup>(9)</sup> | 1,473         | China Construction Bank Corp. ADR             | 117,033       | 2,446         |
| <b>TOTAL PREFERRED STOCKS (Identified Cost \$5,724)</b> |                      |               | Credit Agricole S.A. ADR                      | 253,589       | 2,064         |
|   |                      | <b>5,865</b>  | DBS Group Holdings Ltd. Sponsored ADR         | 35,991        | 3,060         |
| <b>COMMON STOCKS—60.7%</b>                              |                      |               | ING Groep N.V. Sponsored ADR                  | 124,395       | 2,106         |
| <b>Consumer Discretionary—12.5%</b>                     |                      |               | MarketAxess Holdings, Inc.                    | 14,210        | 3,090         |
| Amazon.com, Inc. <sup>(1)</sup>                         | 9,340                | 13,518        | Nomura Holdings, Inc. Sponsored ADR           | 362,540       | 2,121         |
| Booking Holdings, Inc. <sup>(1)</sup>                   | 1,650                | 3,433         | ORIX Corp. Sponsored ADR                      | 27,157        | 2,440         |
| Ctrip.com International Ltd. ADR <sup>(1)</sup>         | 115,007              | 5,362         | SEI Investments Co.                           | 30,240        | 2,265         |
| Home Depot, Inc. (The)                                  | 24,950               | 4,447         | UBS Group AG Registered Shares <sup>(1)</sup> | 124,786       | <u>2,204</u>  |
| Las Vegas Sands Corp.                                   | 91,880               | 6,606         |   |               | <u>36,629</u> |
| McDonald's Corp.  | 18,760               | 2,934         | <b>Health Care—4.8%</b>                       |               |               |
| Netflix, Inc. <sup>(1)</sup>                            | 29,700               | 8,772         | Allergan plc                                  | 14,074        | 2,369         |
| NIKE, Inc. Class B                                      | 63,990               | 4,251         | BioMarin Pharmaceutical, Inc. <sup>(1)</sup>  | 19,235        | 1,559         |
| Ross Stores, Inc.                                       | 50,960               | 3,974         | Bluebird Bio, Inc. <sup>(1)</sup>             | 11,105        | 1,896         |
| Sony Corp. Sponsored ADR                                | 48,721               | 2,355         | Danaher Corp.                                 | 34,340        | 3,362         |
| Starbucks Corp.   | 71,670               | 4,149         | HealthEquity, Inc. <sup>(1)</sup>             | 60,580        | 3,668         |
|   |                      | <u>59,801</u> | ICON plc <sup>(1)</sup>                       | 12,349        | 1,459         |
| <b>Consumer Staples—3.3%</b>                            |                      |               | Illumina, Inc. <sup>(1)</sup>                 | 15,800        | 3,735         |
| Fomento Economico Mexicano SAB de C.V. Sponsored ADR    | 20,866               | 1,908         | Zoetis, Inc.                                  | 61,530        | <u>5,138</u>  |
| Marine Harvest ASA Sponsored ADR                        | 94,341               | 1,897         |   |               | <u>23,186</u> |
| Monster Beverage Corp. <sup>(1)</sup>                   | 128,320              | 7,341         | <b>Industrials—6.0%</b>                       |               |               |
| Philip Morris International, Inc.                       | 46,110               | 4,583         | Airbus SE ADR                                 | 82,352        | 2,375         |
|   |                      | <u>15,729</u> | Ashtead Group plc ADR                         | 22,958        | 2,538         |
| <b>Energy—2.8%</b>                                      |                      |               | Caterpillar, Inc.                             | 28,300        | 4,171         |
| Cabot Oil & Gas Corp.                                   | 137,290              | 3,292         | CoStar Group, Inc. <sup>(1)</sup>             | 10,010        | 3,630         |
| Core Laboratories N.V.                                  | 21,280               | 2,303         | easyJet plc Sponsored ADR                     | 107,069       | 2,404         |
| Pioneer Natural Resources Co.                           | 19,100               | 3,281         | Golden Ocean Group Ltd.                       | 202,902       | 1,613         |
|   |                      |               | Kansas City Southern                          | 29,430        | 3,233         |
|   |                      |               | Nidec Corp. Sponsored ADR                     | 66,419        | 2,560         |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

|   | SHARES    | VALUE    |  | SHARES | VALUE                         |
|---|-----------|----------|--|--------|-------------------------------|
| <b>Industrials (continued)</b>  |           |          |  |        |                               |
| Rockwell Automation, Inc.   | 10,970    | \$ 1,911 |  |        |                               |
| Roper Technologies, Inc.  | 16,040    | 4,502    |  |        |                               |
|   |           | 28,937   |  |        |                               |
| <b>Information Technology—19.8%</b>   |           |          |  |        |                               |
| Accenture plc Class A   | 23,230    | 3,566    |  |        |                               |
| Activision Blizzard, Inc.   | 57,070    | 3,850    |  |        |                               |
| Alibaba Group Holding Ltd.  |           |          |  |        |                               |
| Sponsored ADR <sup>(1)</sup>  | 74,420    | 13,659   |  |        |                               |
| Alphabet, Inc. Class A <sup>(1)</sup>   | 2,340     | 2,427    |  |        |                               |
| Amphenol Corp. Class A  | 71,930    | 6,195    |  |        |                               |
| Arista Networks, Inc. <sup>(1)</sup>  | 8,020     | 2,048    |  |        |                               |
| Broadcom Ltd.   | 8,191     | 1,930    |  |        |                               |
| Check Point Software Technologies Ltd. <sup>(1)</sup>   | 17,615    | 1,750    |  |        |                               |
| Facebook, Inc. Class A <sup>(1)</sup>   | 71,040    | 11,351   |  |        |                               |
| Gartner, Inc. <sup>(1)</sup>  | 18,440    | 2,169    |  |        |                               |
| Hitachi Ltd. ADR  | 33,754    | 2,467    |  |        |                               |
| MercadoLibre, Inc.  | 6,810     | 2,427    |  |        |                               |
| NVIDIA Corp.  | 37,100    | 8,592    |  |        |                               |
| Paycom Software, Inc. <sup>(1)</sup>  | 45,590    | 4,896    |  |        |                               |
| SAP SE Sponsored ADR  | 15,716    | 1,653    |  |        |                               |
| Tencent Holdings Ltd. ADR   | 111,640   | 5,949    |  |        |                               |
| Visa, Inc. Class A  | 72,290    | 8,647    |  |        |                               |
| Workday, Inc. Class A <sup>(1)</sup>  | 41,690    | 5,299    |  |        |                               |
| Yandex N.V. Class A <sup>(1)</sup>  | 153,580   | 6,059    |  |        |                               |
|   |           | 94,934   |  |        |                               |
| <b>Materials—2.8%</b>   |           |          |  |        |                               |
| Anhui Conch Cement Co., Ltd. ADR  | 106,537   | 2,929    |  |        |                               |
| Ecolab, Inc.  | 32,430    | 4,445    |  |        |                               |
| Glencore plc ADR <sup>(1)</sup>   | 230,299   | 2,294    |  |        |                               |
| HeidelbergCement AG ADR   | 98,822    | 1,941    |  |        |                               |
| Toray Industries, Inc. ADR  | 106,409   | 2,024    |  |        |                               |
|   |           | 13,633   |  |        |                               |
| <b>Real Estate—0.4%</b>   |           |          |  |        |                               |
| LendLease Group   |           |          |  |        |                               |
| Sponsored ADR   | 136,042   | 1,832    |  |        |                               |
| <b>Telecommunication Services—0.3%</b>  |           |          |  |        |                               |
| BT Group plc Sponsored ADR  | 96,845    | 1,565    |  |        |                               |
|   |           | 13,633   |  |        |                               |
| <b>Utilities—0.4%</b>   |           |          |  |        |                               |
| Veolia Environnement S.A. ADR   | 69,908    | \$ 1,660 |  |        |                               |
| <b>TOTAL COMMON STOCKS (Identified Cost \$217,711)</b>  |           |          |  |        | <b>291,557</b>                |
| <b>AFFILIATED MUTUAL FUND<sup>(12)</sup>—0.6%</b>   |           |          |  |        |                               |
| Virtus Newfleet Credit Opportunities Fund Class R6  | 287,054   | 2,770    |  |        |                               |
| <b>TOTAL AFFILIATED MUTUAL FUND (Identified Cost \$2,869)</b>                                     |           |          |  |        | <b>2,770</b>                  |
| <b>TOTAL LONG-TERM INVESTMENTS—98.6% (Identified Cost \$400,297)</b>                              |           |          |  |        |                               |
|   |           |          |  |        | <b>473,298<sup>(13)</sup></b> |
| <b>SHORT-TERM INVESTMENT—1.6%</b>   |           |          |  |        |                               |
| <b>Money Market Mutual Fund<sup>(12)</sup>—1.6%</b>   |           |          |  |        |                               |
| Dreyfus Government Cash Management Fund – Institutional Shares (seven-day effective yield 1.540%) | 7,871,498 | 7,871    |  |        |                               |
| <b>TOTAL SHORT-TERM INVESTMENT (Identified Cost \$7,871)</b>                                      |           |          |  |        | <b>7,871</b>                  |
| <b>TOTAL INVESTMENTS—100.2% (Identified Cost \$408,168)</b>                                       |           |          |  |        | <b>481,169</b>                |
| Other assets and liabilities, net—(0.2)%  |           |          |  |        | (1,176)                       |
| <b>NET ASSETS—100.0%</b>  |           |          |  |        | <b>\$479,993</b>              |

**Abbreviations:**

ADR American Depositary Receipt  
LIBOR London Interbank Offered Rate  
REIT Real Estate Investment Trust

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

**Footnote Legend:**

- (1) Non-income producing.
- (2) Variable rate security. Rate disclosed is as of March 31, 2018. For leveraged loans, the rate shown may represent a weighted average interest rate. Information in parenthesis represents benchmark and reference rate for each security. Certain variable rate securities are not based on a published reference rate and spread but are determined by the issuer or agent and are based on current market conditions, or, for mortgage-backed securities, are impacted by the individual mortgages which are paying off over time. These securities do not indicate a reference rate and spread in their descriptions.
- (3) Security exempt from registration under Rule 144A, of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At March 31, 2018, these securities amounted to a value of \$60,492 or 12.6% of net assets.
- (4) Regulation S security. Security is offered and sold outside of the United States, therefore, it is exempt from registration with the SEC under Rules 903 and 904 of the Securities Act of 1933.
- (5) This Note was issued for the sole purpose of funding a loan agreement between the issuer and the borrower. As the credit risk for this security lies solely with the borrower, the name represented here is that of the borrower.

- (6) Interest payments may be deferred.
- (7) No contractual maturity date.
- (8) This loan will settle after March 31, 2018, at which time the interest rate, based on the LIBOR and the agreed upon spread on trade date, will be reflected.
- (9) Value shown as par value.
- (10) Security in default, no interest payments are being received during the bankruptcy proceedings.
- (11) Interest may be forfeited.
- (12) Shares of this fund are publicly offered, and its prospectus and annual report are publicly available.
- (13) All or a portion of the Fund's assets have been segregated for delayed delivery security.

**Country Weightings †**

|  |             |
|--|-------------|
| United States                                  | 74%         |
| China  | 6           |
| Japan  | 3           |
| France   | 2           |
| United Kingdom                                 | 2           |
| Russia   | 1           |
| Norway   | 1           |
| Other  | 11          |
| <b>Total</b>                                   | <b>100%</b> |
| † % of total investments as of March 31, 2018. |             |

For information regarding the abbreviations, see Key Investment Terms starting on page 4

See Notes to Financial Statements



**VIRTUS STRATEGIC ALLOCATION FUND**  
**SCHEDULE OF INVESTMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's investments as of March 31, 2018 (See Security Valuation Note 2A in the Notes to Financial Statements):

|                               | Total Value at<br>March 31, 2018 | Level 1<br>Quoted Prices | Level 2<br>Significant<br>Observable<br>Inputs |
|-------------------------------|----------------------------------|--------------------------|--|
| Debt Securities:              |                                  |                          |  |
| Asset-Backed Securities       | \$ 16,967                        | \$ —                     | \$ 16,967                                      |
| Corporate Bonds and Notes     | 94,400                           | —                        | 94,400   |
| Foreign Government Securities | 4,162                            | —                        | 4,162  |
| Leveraged Loans               | 8,715                            | —                        | 8,715  |
| Mortgage-Backed Securities    | 33,050                           | —                        | 33,050   |
| Municipal Bonds               | 4,983                            | —                        | 4,983  |
| U.S. Government Securities    | 10,829                           | —                        | 10,829   |
| Equity Securities:            |                                  |                          |  |
| Affiliated Mutual Fund        | 2,770                            | 2,770                    | —  |
| Common Stocks                 | 291,557                          | 291,557                  | —  |
| Preferred Stocks              | 5,865                            | —                        | 5,865  |
| Short-Term Investment         | 7,871                            | 7,871                    | —  |
| <b>Total Investments</b>      | <b><u>\$481,169</u></b>          | <b><u>\$302,198</u></b>  | <b><u>\$178,971</u></b>                        |

There were no securities valued using significant unobservable inputs (Level 3) at March 31, 2018.

There were no transfers between Level 1, Level 2, or Level 3 related to securities held at March 31, 2018.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**STATEMENT OF ASSETS AND LIABILITIES (Unaudited)**  
**MARCH 31, 2018**

(Reported in thousands except shares and per share amounts)

|  |                          |
|--|--------------------------|
| <b>Assets</b>  |                          |
| Investment in unaffiliated securities at value <sup>(1)</sup> .....              | \$ 478,399               |
| Investment in affiliated fund at value <sup>(2)</sup> .....                      | 2,770                    |
| Cash .....   | 128                      |
| Receivables  |                          |
| Investment securities sold .....   | 1,313                    |
| Fund shares sold .....   | 66                       |
| Dividends and interest receivable .....  | 1,689                    |
| Tax reclaims .....   | 27                       |
| Prepaid expenses .....   | 31                       |
| Prepaid trustee retainer .....   | 6                        |
| Other assets .....   | 24                       |
| Total assets .....   | <u>484,453</u>           |
| <b>Liabilities</b>   |                          |
| Payables   |                          |
| Fund shares repurchased .....  | 73                       |
| Investment securities purchased .....  | 3,743                    |
| Investment advisory fees .....   | 227                      |
| Distribution and service fees .....  | 123                      |
| Administration fees .....  | 48                       |
| Transfer agent and sub-transfer agent fees and expenses .....                    | 163                      |
| Trustees' fees and expenses .....  | — <sup>(3)</sup>         |
| Professional fees .....  | 15                       |
| Trustee deferred compensation plan .....   | 24                       |
| Other accrued expenses .....   | 44                       |
| Total liabilities .....  | <u>4,460</u>             |
| <b>Net Assets</b> .....  | <b><u>\$ 479,993</u></b> |
| <b>Net Assets Consist of:</b>  |                          |
| Capital paid in on shares of beneficial interest .....                           | \$ 393,934               |
| Accumulated undistributed net investment income (loss) .....                     | (1,026)                  |
| Accumulated undistributed net realized gain (loss) from investments .....        | 14,084                   |
| Net unrealized appreciation (depreciation) on investments .....                  | 73,001                   |
| <b>Net Assets</b> .....  | <b><u>\$ 479,993</u></b> |
| <b>Net Assets:</b>   |                          |
| Class A .....  | \$ 450,932               |
| Class C .....  | \$ 29,061                |
| <b>Shares Outstanding (unlimited number of shares authorized, no par value):</b> |                          |
| Class A .....  | 30,218,897               |
| Class C .....  | 1,966,678                |
| <b>Net Asset Value and Redemption Price Per Share:</b>                           |                          |
| Class A .....  | \$ 14.92                 |
| Class C .....  | \$ 14.78                 |
| <b>Offering Price Per Share NAV/(1-5.75%):</b>                                   |                          |
| Class A .....  | \$ 15.83                 |
| <sup>(1)</sup> Investment in unaffiliated securities at cost .....               | \$ 405,299               |
| <sup>(2)</sup> Investment in affiliated fund at cost .....                       | 2,869                    |
| <sup>(3)</sup> Amount is less than \$500.  |                          |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**STATEMENT OF OPERATIONS (Unaudited)**  
**SIX MONTHS ENDED MARCH 31, 2018**

(\$ reported in thousands)

|  |                        |
|--|------------------------|
| <b>Investment Income</b>   |                        |
| Dividends  | \$ 1,404               |
| Dividends from affiliated fund   | 83                     |
| Interest   | 3,420                  |
| Foreign taxes withheld   | (36)                   |
| Total investment income  | <u>4,871</u>           |
| <b>Expenses</b>  |                        |
| Investment advisory fees   | 1,335                  |
| Distribution and service fees, Class A                                 | 570                    |
| Distribution and service fees, Class C                                 | 148                    |
| Administration fees  | 231                    |
| Transfer agent fees and expenses                                       | 228                    |
| Sub-transfer agent fees and expenses, Class A                          | 74                     |
| Sub-transfer agent fees and expenses, Class C                          | 9                      |
| Sub-administration fees  | 35                     |
| Registration fees  | 24                     |
| Printing fees and expenses   | 28                     |
| Custodian fees   | 23                     |
| Professional fees  | 19                     |
| Trustees' fees and expenses  | 20                     |
| Miscellaneous expenses   | 16                     |
| Total expenses   | <u>2,760</u>           |
| Less expenses reimbursed and/or waived by investment adviser           | (8)                    |
| Low balance account fees   | (11)                   |
| Net expenses   | <u>2,741</u>           |
| <b>Net investment income (loss)</b>                                    | <b><u>2,130</u></b>    |
| <b>Net Realized and Unrealized Gain (Loss) on Investments</b>          |                        |
| Net realized gain (loss) from:   |                        |
| Unaffiliated investments   | 15,064                 |
| Net change in unrealized appreciation (depreciation) from:             |                        |
| Unaffiliated investments   | 10,143                 |
| Affiliated investments   | (40)                   |
| Foreign currency transactions  | — <sup>(1)</sup>       |
| <b>Net realized and unrealized gain (loss) on Investments</b>          | <b><u>25,167</u></b>   |
| <b>Net increase (decrease) in net assets resulting from operations</b> | <b><u>\$27,297</u></b> |

<sup>(1)</sup> Amount less than \$500.

See Notes to Financial Statements

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

(\$ reported in thousands)

|  | Six<br>Months Ended<br>March 31, 2018<br><u>(Unaudited)</u> | Fiscal<br>Period Ended<br>September 30, 2017 <sup>(1)</sup> | Year Ended<br>March 31, 2017 |
|--|---|---|------------------------------|
| <b>INCREASE/(DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS</b>               |   |   |                              |
| Net investment income (loss) .....   | \$ 2,130  | \$ 3,056  | \$ 7,222                     |
| Net realized gain (loss) .....   | 15,064  | 5,108   | 34,480                       |
| Net change in unrealized appreciation (depreciation) ..                          | <u>10,103</u>   | <u>33,961</u>   | <u>(9,141)</u>               |
| <b>Increase (decrease) in net assets resulting from operations</b> .....         | <u>27,297</u>   | <u>42,125</u>   | <u>32,561</u>                |
| <b>Dividends and Distributions to Shareholders:</b>                              |   |   |                              |
| <b>Net Investment Income:</b>  |   |   |                              |
| Class A .....  | (2,841)   | (3,099)   | (6,925)                      |
| Class B .....  | —   | —   | (3)                          |
| Class C .....  | (73)  | (88)  | (322)                        |
| <b>Net Realized Gains:</b>   |   |   |                              |
| Class A .....  | (3,103)   | (10)  | (33,970)                     |
| Class B .....  | —   | —   | (27)                         |
| Class C .....  | <u>(203)</u>  | <u>(1)</u>  | <u>(2,686)</u>               |
| <b>Dividends and distributions to shareholders</b> .....                         | <u>(6,220)</u>  | <u>(3,198)</u>  | <u>(43,933)</u>              |
| <b>Change in Net Assets from Capital Transactions</b>                            |   |   |                              |
| <b>Sale of shares</b>  |   |   |                              |
| Class A (155, 382 and 485 shares, respectively) .....                            | 2,300   | 5,244   | 6,467                        |
| Class B (0, 0 and — <sup>(2)</sup> shares, respectively) .....                   | —   | —   | — <sup>(3)</sup>             |
| Class C (34, 17 and 66 shares, respectively) .....                               | 505   | 232   | 874                          |
| <b>Reinvestment of distributions</b>   |   |   |                              |
| Class A (375, 204 and 3,012 shares, respectively) .....                          | 5,507   | 2,852   | 38,224                       |
| Class B (0, 0 and 2 shares, respectively) .....                                  | —   | —   | 30                           |
| Class C (19, 6 and 212 shares, respectively) .....                               | 269   | 86  | 2,658                        |
| <b>Conversion of shares<sup>(4)</sup></b>  |   |   |                              |
| To Class A (0, 0 and 21 shares, respectively) .....                              | —   | —   | 279                          |
| From Class B (0, 0 and 21 shares, respectively) .....                            | —   | —   | (279)                        |
| <b>Shares repurchased</b>  |   |   |                              |
| Class A (1,831, 2,079 and 4,545 shares, respectively) ..                         | (27,190)  | (28,665)  | (61,067)                     |
| Class B (0, 0 and 21 shares, respectively) .....                                 | —   | —   | (284)                        |
| Class C (187, 401 and 694 shares, respectively) .....                            | <u>(2,724)</u>  | <u>(5,452)</u>  | <u>(9,236)</u>               |
| <b>Increase (decrease) in net assets from share transactions</b> .....           | <u>(21,333)</u>   | <u>(25,703)</u>   | <u>(22,334)</u>              |
| <b>Net increase (decrease) in net assets</b> .....                               | (256)   | 13,224  | (33,706)                     |
| <b>Net Assets</b>  |   |   |                              |
| Beginning of period .....  | 480,249   | 467,025   | 500,731                      |
| <b>End of period</b> .....   | <u><b>\$479,993</b></u>                                     | <u><b>\$480,249</b></u>                                     | <u><b>\$467,025</b></u>      |
| Accumulated undistributed net investment income (loss)<br>at end of period ..... | \$ (1,026)  | \$ (242)  | \$ (129)                     |

<sup>(1)</sup> Fund changed its fiscal year end to September 30 during the period.

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

<sup>(3)</sup> Amount is less than \$500.

<sup>(4)</sup> See Note 1 in Notes to Financial Statements for more information.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**FINANCIAL HIGHLIGHTS**  
**SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING**  
**THROUGHOUT EACH PERIOD**

|                                    | Net Asset Value,<br>Beginning of Period | Net Investment Income (Loss) <sup>(1)</sup> | Net Realized and<br>Unrealized Gain (Loss) | Total from Investment Operations | Dividends from Net<br>Investment Income | Distributions from Net<br>Realized Gains | Total Distributions |
|------------------------------------|---|---|--|----------------------------------|---|--|---------------------|
| <b>Class A</b>                     |   |   |  |                                  |   |  |                     |
| 10/1/17 to 3/31/18 <sup>(10)</sup> | \$14.29                                 | 0.07  | 0.75                                       | 0.82                             | (0.09)                                  | (0.10)                                   | (0.19)              |
| 4/1/17 to 9/30/17 <sup>(7)</sup>   | 13.17                                   | 0.09  | 1.13                                       | 1.22                             | (0.10)                                  | — <sup>(4)</sup>                         | (0.10)              |
| 4/1/16 to 3/31/17                  | 13.55                                   | 0.21  | 0.69                                       | 0.90                             | (0.21)                                  | (1.07)                                   | (1.28)              |
| 4/1/15 to 3/31/16                  | 15.18                                   | 0.29  | (1.22)                                     | (0.93)                           | (0.25)                                  | (0.45)                                   | (0.70)              |
| 4/1/14 to 3/31/15                  | 15.54                                   | 0.29  | 0.33                                       | 0.62                             | (0.30)                                  | (0.68)                                   | (0.98)              |
| 4/1/13 to 3/31/14                  | 15.35                                   | 0.30  | 1.65                                       | 1.95                             | (0.29)                                  | (1.47)                                   | (1.76)              |
| 4/1/12 to 3/31/13                  | 14.58                                   | 0.20  | 0.78                                       | 0.98                             | (0.21)                                  | —  | (0.21)              |
| <b>Class C</b>                     |   |   |  |                                  |   |  |                     |
| 10/1/17 to 3/31/18 <sup>(10)</sup> | \$14.16                                 | 0.01  | 0.75                                       | 0.76                             | (0.04)                                  | (0.10)                                   | (0.14)              |
| 4/1/17 to 9/30/17 <sup>(7)</sup>   | 13.04                                   | 0.04  | 1.12                                       | 1.16                             | (0.04)                                  | — <sup>(4)</sup>                         | (0.04)              |
| 4/1/16 to 3/31/17                  | 13.44                                   | 0.11  | 0.68                                       | 0.79                             | (0.12)                                  | (1.07)                                   | (1.19)              |
| 4/1/15 to 3/31/16                  | 15.06                                   | 0.18  | (1.21)                                     | (1.03)                           | (0.14)                                  | (0.45)                                   | (0.59)              |
| 4/1/14 to 3/31/15                  | 15.43                                   | 0.17  | 0.33                                       | 0.50                             | (0.19)                                  | (0.68)                                   | (0.87)              |
| 4/1/13 to 3/31/14                  | 15.26                                   | 0.18  | 1.63                                       | 1.81                             | (0.17)                                  | (1.47)                                   | (1.64)              |
| 4/1/12 to 3/31/13                  | 14.50                                   | 0.09  | 0.77                                       | 0.86                             | (0.10)                                  | —  | (0.10)              |

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**FINANCIAL HIGHLIGHTS (Continued)**  
**SELECTED PER SHARE DATA AND RATIOS FOR A SHARE OUTSTANDING**  
**THROUGHOUT EACH PERIOD**

| Payments from Affiliates | Change in Net Asset Value | Net Asset Value, End of Period | Total Return <sup>(1)(9)</sup> | Net Assets, End of Period<br>(in thousands) | Ratio of Net Expenses to<br>Average Net Assets <sup>(5)(9)</sup> | Ratio of Gross Expenses<br>to Average Net Assets <sup>(5)(9)</sup> | Ratio of Net Investment Income<br>(Loss) to Average Net Assets <sup>(9)</sup> | Portfolio Turnover Rate <sup>(9)</sup> |
|--------------------------|---------------------------|--------------------------------|--------------------------------|---|--|--|---|--|
| —                        | 0.63                      | \$14.92                        | 5.79%                          | \$450,932                                   | 1.08%  | 1.09%  | 0.92%   | 22%                                    |
| —                        | 1.12                      | 14.29                          | 9.26                           | 450,516                                     | 1.15   | 1.16   | 1.33  | 24                                     |
| —                        | (0.38)                    | 13.17                          | 7.13 <sup>(6)</sup>            | 434,712                                     | 1.16 <sup>(5)(6)</sup>   | 1.16   | 1.46 <sup>(6)</sup>   | 100                                    |
| — <sup>(4)</sup>         | (1.63)                    | 13.55                          | (6.37)                         | 461,276                                     | 1.12   | 1.13   | 2.05  | 75                                     |
| —                        | (0.36)                    | 15.18                          | 4.08                           | 541,818                                     | 1.10   | 1.10   | 1.89  | 62                                     |
| —                        | 0.19                      | 15.54                          | 13.79                          | 570,784                                     | 1.10   | 1.10   | 1.97  | 57                                     |
| —                        | 0.77                      | 15.35                          | 6.77                           | 559,955                                     | 1.10   | 1.10   | 1.39  | 121                                    |
| —                        | 0.62                      | \$14.78                        | 5.37%                          | \$ 29,061                                   | 1.85%  | 1.85%  | 0.16%   | 22%                                    |
| —                        | 1.12                      | 14.16                          | 8.91                           | 29,733                                      | 1.92   | 1.92   | 0.58  | 24                                     |
| —                        | (0.40)                    | 13.04                          | 6.33 <sup>(6)</sup>            | 32,313                                      | 1.91 <sup>(5)(6)</sup>   | 1.91   | 0.71 <sup>(6)</sup>   | 100                                    |
| — <sup>(4)</sup>         | (1.62)                    | 13.44                          | (7.06)                         | 38,913                                      | 1.87   | 1.88   | 1.31  | 75                                     |
| —                        | (0.37)                    | 15.06                          | 3.29                           | 47,131                                      | 1.85   | 1.85   | 1.12  | 62                                     |
| —                        | 0.17                      | 15.43                          | 12.89                          | 41,713                                      | 1.85   | 1.85   | 1.22  | 57                                     |
| —                        | 0.76                      | 15.26                          | 5.95                           | 40,937                                      | 1.85   | 1.85   | 0.64  | 121                                    |

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

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

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

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

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

<sup>(6)</sup> State Street Bank & Trust, custodian for the Fund through January 29, 2010, reimbursed the Fund for out-of-pocket custody expenses over billed for the period 1998 through January 29, 2010. Custody fees reimbursed were excluded from the Ratio of Net Expenses to Average Net Assets and the Ratio of Net Investment Income (Loss) to Average Net Assets. If it was included the impact would have been to lower the Ratio of Net Expenses and increase the Ratio of Net Investment Income (Loss) as follows:

| Class A | Class C |
|---------|---------|
| 0.09%   | 0.09%   |

Custody fees reimbursed were included in Total Return. If excluded the impact would have been to lower the Total Return as follows:

| Class A | Class C |
|---------|---------|
| 0.09%   | 0.09%   |

<sup>(7)</sup> The Fund changed its fiscal year end to September 30 during the period.

<sup>(8)</sup> Annualized for periods less than one year.

<sup>(9)</sup> Not annualized for periods less than one year.

<sup>(10)</sup> Unaudited.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited)**  
**MARCH 31, 2018**

**Note 1. Organization**

Virtus Equity Trust (the "Trust") is organized as a Delaware statutory trust and is registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as an open-end management investment company. Effective September 21, 2017 the Fund changed its fiscal year end from March 31 to September 30.

As of the date of this report, 11 diversified funds of the Trust are offered for sale, of which the Strategic Allocation Fund (the "Fund") is reported in this semiannual report. The Fund has investment objectives of reasonable income, long-term capital growth and conservation of capital. *There is no guarantee that the Fund will achieve its objectives.*

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

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

Class C shares are generally sold with a 1% CDSC, applicable if redeemed within one year of purchase.

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

Each class of shares has identical voting, dividend, liquidation and other rights and the same terms and conditions, except that each class bears any expenses attributable specifically to that class ("class-specific expenses") and has exclusive voting rights with respect to any Rule 12b-1 and/or shareholder service plan ("12b-1 Plan") approved by the Board. Class I shares and Class R6 shares are not subject to a 12b-1 Plan. Class-specific expenses may include shareholder servicing fees, sub-transfer agency fees, and fees under a 12b-1 Plan, as well as certain other expenses as designated by the Funds' Treasurer and approved by the Board. Investment income, common operating expenses and realized and unrealized gains and losses of each Fund are borne pro-rata by the holders of each class of shares.

**Note 2. Significant Accounting Policies**

The Trust is an investment company that follows the accounting and reporting guidance of Accounting Standards Certification Topic 946 applicable to Investment Companies. The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

operations during the reporting period. Actual results could differ from those estimates, and those differences could be significant.

**A. Security Valuation**

Security valuation procedures for the Fund, which include nightly price variance, as well as back-testing items such as bi-weekly unchanged price, monthly secondary source and transaction analysis, have been approved by the Board. All internally fair valued securities are approved by a valuation committee appointed by the Board (the "Valuation Committee"). The Valuation Committee is comprised of certain members of management as identified to the Board and convenes independently from portfolio management. All internally fair valued securities are updated daily and reviewed in detail by the Valuation Committee monthly unless changes occur within the period. The Valuation Committee reviews the validity of the model inputs and any changes to the model. Fair valuations are reviewed by the Board at least quarterly.

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

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

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

Equity securities are valued at the official closing price (typically last sale) on the exchange on which the securities are primarily traded or, if no closing price is available, at the last bid price and are categorized as Level 1 in the hierarchy. Restricted equity securities and private placements that are illiquid, or are internally fair valued by the Valuation Committee, are generally categorized as Level 3 in the hierarchy.

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



**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

Debt securities, including restricted securities, are valued based on evaluated quotations received from independent pricing services or from dealers who make markets in such securities. For most bond types, the pricing service utilizes matrix pricing that considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type, and current day trade information, as well as dealer supplied prices. These valuations are generally 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 internally fair valued by the Valuation Committee are generally categorized as Level 3 in the hierarchy.

Claims are valued by brokers based on pricing models that take into account, among other factors, both cash and non-cash assets. The valuation is derived from expected cash flow of the claims and the non-cash assets, which include all real estate, private equity or other securities within the estate. To the extent that these inputs are observable, the values of the claims are categorized as Level 2. To the extent that these inputs are unobservable, the values are categorized as Level 3.

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 derivative contracts, which include forward currency contracts and equity-linked instruments, do not require material subjectivity as pricing inputs are observed from actively quoted markets and are categorized as Level 2 in the hierarchy.

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

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

**B. Security Transactions and Investment Income**

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

Any distributions from underlying funds are recorded in accordance with the character of the distributions as designated by the underlying funds.

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

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

**C. Income Taxes**

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

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

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. As of March 31, 2018, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2014 forward (with limited exceptions).

**D. Distributions to Shareholders**

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

**E. Expenses**

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

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

**F. Foreign Currency Transactions**

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

**G. Leveraged Loans**

The Fund may invest in direct debt instruments which are interests in amounts owed by a corporate, governmental, or other borrower to lenders or lending syndicates. Leveraged loans are generally non-investment grade and often involve borrowers that are highly leveraged. The Fund may invest in obligations of borrowers who are in

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

bankruptcy proceedings. Leveraged loans are typically senior in the corporate capital structure of the borrower. A loan is often administered by a bank or other financial institution (the "lender") that acts as agent for all holders. The agent administers the terms of the loan, as specified in the loan agreement. The Fund's investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When investing in loan participations, the Fund has the right to receive payments of principal, interest and any fees to which it is entitled only from the lender selling the loan participation and only upon receipt by the lender of payments from the borrower. The Fund generally has no right to enforce compliance with the terms of the loan agreement with the borrower. As a result, the Fund may be subject to the credit risk of both the borrower and the lender that is selling the loan agreement. When the Fund purchases assignments from lenders it acquires direct rights against the borrower on the loan.

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

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

At March 31, 2018, all leveraged loans held by the Fund are assignment loans.

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

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

#### **I. Securities Lending** **(\$ reported in thousands)**

The Fund is permitted to loan securities from its portfolio to qualifying brokers, dealers and other financial institutions deemed creditworthy and receive, as collateral, cash or United States government securities including agency securities 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.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

Any cash collateral will be invested in short-term securities expected to increase the current income of the Fund lending its securities. Lending portfolio securities involves a risk of delay in the recovery of the loaned securities or in the declining value of the collateral. During the period ended March 31, 2018, the Fund did not loan securities.

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

**A. Adviser**

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

As compensation for its services to the Fund, the Adviser is entitled to a fee based upon the following annual rates as a percentage of the average daily net assets of the Fund:

| <u>First \$1 Billion</u> | <u>\$1+ Billion -<br/>\$2 Billion</u> | <u>\$2+ Billion</u> |
|--------------------------|---------------------------------------|---------------------|
| 0.55%                    | 0.50%                                 | 0.45%               |

During the period covered by these financial statements, the Fund invested a portion of its assets in Virtus Newfleet Credit Opportunities Fund, an affiliated mutual fund. In order to avoid any duplication of advisory fees, the Adviser has voluntarily waived its advisory fees in an amount equal to that which would otherwise be paid by the Fund on the assets invested in the Virtus Newfleet Credit Opportunities Fund. For the period covered by these financial statements, the waiver amounted to \$8. This waiver is included in “Less expenses reimbursed and/or waived by investment adviser” in the Statement of Operations.

**B. Subadvisers**

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

Newfleet Asset Management, LLC, an indirect, wholly-owned subsidiary of Virtus, is the subadviser to the Fund’s fixed income portfolio. Kayne Anderson Rudnick Investment Management, LLC, an indirect, wholly-owned subsidiary of Virtus, is the subadviser to the Fund’s domestic equity portfolio and Duff & Phelps Investment Management Co., an indirect, wholly-owned subsidiary of Virtus, is the subadviser to the Fund’s international equity portfolio.

**C. Distributor**

VP Distributors, LLC (“VP Distributors”), an indirect, wholly-owned subsidiary of Virtus, serves as the distributor of the Fund’s shares. VP Distributors has advised the Fund that for the fiscal period (the “period”) ended March 31, 2018, it retained net commissions of \$11 for Class A shares and CDSC of \$—<sup>(1)</sup> and \$9 for Class A shares and Class C shares, respectively.

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

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

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

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

**D. Administrator and Transfer Agent**

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

For the period ended March 31, 2018, the Fund incurred administration fees totaling \$231 which are included in the Statement of Operations within the line item "Administration fees".

For the period ended March 31, 2018, the Fund incurred transfer agent fees totaling \$186 which are included in the Statement of Operations within the line items "Transfer agent fees and expenses" and "Sub-transfer agent fees Class A and Class C". A portion of these fees were paid to outside entities that also provide services to the Trust.

**E. Investments in Affiliates**

A summary of total long-term and short-term purchases and sales of the affiliated underlying fund during the period ended March 31, 2018, is as follows:

|   | Value,<br>beginning<br>of period | Purchases | Sales | Realized<br>gain<br>(loss) | Net Change<br>in Unrealized<br>Appreciation<br>(Depreciation) | Shares  | Value, end<br>of period | Dividend<br>Income | Distributions<br>of Realized<br>Gains |
|---|----------------------------------|-----------|-------|----------------------------|---|---------|-------------------------|--------------------|---------------------------------------|
| <b>Affiliated Mutual Fund—0.6%</b>  |                                  |           |       |                            |   |         |                         |                    |                                       |
| Virtus Newfleet Credit Opportunities Fund Class R6 <sup>(1)</sup> . . . . . | \$2,810                          | \$—       | \$—   | —                          | (40)  | 287,054 | \$2,770                 | \$83               | \$—                                   |

<sup>(1)</sup> Shares of this fund are publicly offered, and its prospectus and annual report are publicly available.

The Fund does not invest in the underlying fund for the purpose of exercising management or control; however, investments made by the Fund within each of its principal investment strategies may represent a significant portion of an underlying fund's net assets.

**F. Trustee Compensation**

The Trust provides a deferred compensation plan for its Trustees who receive compensation from the Trust. Under the deferred compensation plan, Trustees may elect to defer all or a portion of their compensation. Amounts deferred are retained by the Trust, and then, to the extent permitted by the 1940 Act, in turn, may be invested in the shares of affiliated or unaffiliated mutual funds selected by the participating Trustees. Investments in such instruments are included in "Other assets" in the Statement of Assets and Liabilities at March 31, 2018.

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

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

(\$ reported in thousands)

Purchases and sales of securities (excluding U.S. Government and agency securities and short-term securities) during the period ended March 31, 2018, were as follows:

| <u>Purchases</u> | <u>Sales</u> |
|------------------|--------------|
| \$96,355         | \$120,704    |

Purchases and sales of long-term U.S. Government and agency securities during the period ended March 31, 2018, were as follows:

| <u>Purchases</u> | <u>Sales</u> |
|------------------|--------------|
| \$7,726          | \$8,733      |

**Note 5. Indemnifications**

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

**Note 6. Credit Risk and Asset Concentration**

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

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

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

**Note 7. Federal Income Tax Information**

(\$ reported in thousands)

At March 31, 2018, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

| <u>Federal<br/>Tax Cost</u> | <u>Unrealized<br/>Appreciation</u> | <u>Unrealized<br/>(Depreciation)</u> | <u>Net Unrealized<br/>Appreciation<br/>(Depreciation)</u> |
|-----------------------------|------------------------------------|--------------------------------------|---|
| \$408,711                   | \$78,523                           | \$(6,065)                            | \$72,458  |

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

**Note 8. Borrowings**

**(\$ reported in thousands)**

On September 18, 2017, the Fund and certain other affiliated funds entered into a \$150,000 unsecured line of credit. This Credit Agreement as amended, is with a commercial bank that allows the funds to borrow cash from the bank to manage large unexpected redemptions and trade fails, up to a limit of one-third of each fund's total net assets in accordance with the terms of the agreement. This Credit Agreement has a term of 364 days. Interest is charged at the higher of the LIBOR or the Federal Funds rate plus an additional percentage rate on the amount borrowed. Commitment fees are charged on the undrawn balance. The Fund and other affiliated funds that are parties are individually, and not jointly, liable for their particular advances, if any, under the line of credit. The lending bank has the ability to require repayment of outstanding borrowings under this Credit Agreement upon certain circumstances such as an event of default.

The Fund had no borrowings at any time during the period ended March 31, 2018.

**Note 9. Illiquid and Restricted Securities**

Investments are generally considered illiquid if they cannot be disposed of within seven days in the ordinary course of business at the approximate amount at which such securities have been valued by the Fund. Additionally, the following information is also considered in determining liquidity: the frequency of trades and quotes for the investment, whether the investment is listed for trading on a recognized domestic exchange and/or whether two or more brokers are willing to purchase or sell the security at a comparable price, the extent of market making activity in the investment and the nature of the market for investment.

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

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

At March 31, 2018, the Fund did not hold any securities that were restricted.

**Note 10. Regulatory Matters and Litigation**

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

**Note 11. Recent Accounting Pronouncement**

In March 2017, the Financial Accounting Standards Board issued an Accounting Standards Update, ASU 2017-08, Receivables – Nonrefundable Fees and Other Costs (Subtopic 310-20), Premium Amortization on Purchased Callable Debt Securities (the "ASU") which amends the amortization period for certain purchased callable debt securities held at a premium, shortening such period to the earliest call date. The ASU does not require any accounting change for debt securities held at a discount; the discount continues to be amortized to maturity. The ASU is effective for fiscal years, and interim periods within

**VIRTUS STRATEGIC ALLOCATION FUND**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) (Continued)**  
**MARCH 31, 2018**

those fiscal years, beginning after December 15, 2018. At this time, management is evaluating the implications of these changes on the financial statements.

**Note 12. Subsequent Events**

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



## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS FOR VIRTUS STRATEGIC ALLOCATION FUND BY THE BOARD OF TRUSTEES**

The Board of Trustees (the “Board”) of Virtus Equity Trust (the “Trust”) is responsible for determining whether to approve the continuation of the investment advisory agreement (the “Advisory Agreement”) between the Trust and Virtus Investment Advisers, Inc. (“VIA”) and of each subadvisory agreement (each, a “Subadvisory Agreement” and collectively, the “Subadvisory Agreements”) (together with the Advisory Agreement, the “Agreements”) with respect to the funds of the Trust, including Virtus Strategic Allocation Fund (the “Fund”). At in-person meetings held on November 3, 2017 and November 15-16, 2017 (the “Meetings”), the Board, including a majority of the Trustees who are not interested persons of the Trust as defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended (such Act, the “1940 Act” and such Trustees, the “Independent Trustees”), considered and approved the continuation of each Agreement due for renewal, as further discussed below. In addition, prior to the Meetings, the Independent Trustees met with their independent legal counsel to discuss and consider the information provided by management and submitted questions to management, and they considered the responses provided.

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

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

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

### Nature, Extent and Quality of Services

The Trustees received in advance of the Meetings information from VIA and each Subadviser, including completed questionnaires concerning a number of topics, including such company’s investment philosophy, resources, operations and compliance structure. The Trustees also

## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS FOR VIRTUS STRATEGIC ALLOCATION FUND BY THE BOARD OF TRUSTEES (Continued)**

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

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

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

## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS FOR VIRTUS STRATEGIC ALLOCATION FUND BY THE BOARD OF TRUSTEES (Continued)**

### Investment Performance

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

The Board considered, among other performance data, the information set forth below with respect to the performance of the Fund for the period ended June 30, 2017.

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

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

### Management Fees and Total Expenses

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

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

## **CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS FOR VIRTUS STRATEGIC ALLOCATION FUND BY THE BOARD OF TRUSTEES (Continued)**

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

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

### Profitability

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

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

### Economies of Scale

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

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

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

**CONSIDERATION OF ADVISORY AND SUBADVISORY AGREEMENTS  
FOR VIRTUS STRATEGIC ALLOCATION FUND  
BY THE BOARD OF TRUSTEES (Continued)**

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

**Conclusion**

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

# **VIRTUS EQUITY TRUST**

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## **Trustees**

George R. Aylward  
Thomas J. Brown  
Donald C. Burke  
Roger A. Gelfenbien  
Sidney E. Harris  
John R. Mallin  
Hassell H. McClellan  
Connie D. McDaniel  
Philip R. McLoughlin, Chairman  
Geraldine M. McNamara  
James M. Oates  
Richard E. Segerson

## **Officers**

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

## **Investment Adviser**

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## **How to Contact Us**

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### **Important Notice to Shareholders**

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



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