



SEMIANNUAL REPORT

Virtus Strategic Allocation Fund (f/k/a Virtus Balanced Fund)

September 30, 2016

TRUST NAME: VIRTUS EQUITY TRUST

*Prospectus and Statement of Additional Information ("SAI")
supplements applicable to this Fund appear at the back of this
semiannual report.*

Not FDIC Insured
No Bank Guarantee
May Lose Value



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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 Virtus 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 September 30, 2016.

During the period, market volatility was relatively light and performance was positive for many asset classes. Although the U.K.'s "Brexit" vote to leave the European Union triggered a broad selloff in late June, the disruption was short-lived. Calm was restored by better-than-expected second quarter corporate earnings, an improving global economic picture, and reassurance that the world's central banks would continue to provide monetary stimulus.

For the six months ended September 30, 2016, U.S. small-cap stocks surged well ahead of U.S. large-cap stocks, as measured by the 13.18% and 6.40% returns of the Russell 2000® Index and S&P 500® Index, respectively. Within international equities, emerging markets outperformed their developed peers, with the MSCI Emerging Markets Index (net) up 9.75%, while the MSCI EAFE® Index (net) returned 4.88%.

Demand for U.S. Treasuries was steady over the period, driven by foreign investors seeking safe havens and yield in the global negative interest rate environment. The benchmark 10-year U.S. Treasury yielded 1.60% on September 30, 2016 compared with 1.78% on March 31, 2016. For the six months ended September 30, 2016, 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, gained 2.68%, while non-investment grade bonds rose 11.38%, as measured by the Bloomberg Barclays U.S. Corporate High Yield Bond Index.

The strength of the global economy will likely remain a leading concern for markets in the months ahead, and investors will watch with great interest the actions of the Fed and other major central banks. The U.S. economy's continued growth, as evidenced by recent strong jobs, housing, and consumer spending data, should give investors reason for optimism, but future market direction will be determined largely by the ability of corporations to continue to produce robust earnings.

Market uncertainty is an ever-present reminder of the importance of portfolio diversification, including exposure to both 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.

As always, thank you for entrusting Virtus with your assets. Should you have questions about your account or require assistance, please visit our website at Virtus.com, 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

October 2016

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 APRIL 1, 2016 TO SEPTEMBER 30, 2016

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 Virtus 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 B and Class C shares; and (2) ongoing costs, including investment advisory fees, distribution and service fees, and other expenses. For further information regarding applicable sales charges, see Note 1 in the Notes to Financial Statements. These examples are intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. These examples are based on an investment of \$1,000 invested at the beginning of the period and held for the entire six-month period. The following Expense Table illustrates the Fund's costs in two ways.

Actual Expenses

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

Hypothetical Example for Comparison Purposes

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

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

VIRTUS STRATEGIC ALLOCATION FUND
DISCLOSURE OF FUND EXPENSES (Unaudited) (Continued)
FOR THE SIX-MONTH PERIOD OF APRIL 1, 2016 TO SEPTEMBER 30, 2016

Expense Table

	Beginning Account Value April 1, 2016	Ending Account Value September 30, 2016	Annualized Expense Ratio	Expenses Paid During Period*
Actual				
Class A	\$1,000.00	\$1,044.20	1.15%	\$5.89
Class B	1,000.00	1,040.40	1.90	9.72
Class C	1,000.00	1,040.60	1.90	9.72
Hypothetical (5% return before expenses)				
Class A	1,000.00	1,019.30	1.15	5.82
Class B	1,000.00	1,015.54	1.90	9.60
Class C	1,000.00	1,015.54	1.90	9.60

* Expenses are equal to the Fund's annualized expense ratio, which is net of waived fees and reimbursed expenses, if applicable, multiplied by the average account value over the period, multiplied by the number of days (183) expenses were accrued in the most recent fiscal half-year, then divided by 365 to reflect the one-half year period.

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

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

VIRTUS STRATEGIC ALLOCATION FUND
KEY INVESTMENT TERMS
SEPTEMBER 30, 2016 (Unaudited)

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.

MSCI EAFE® Index (net)

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

MSCI Emerging Markets Index (net)

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

Payment-in-Kind Security (PIK)

A bond which pays interest in the form of additional bonds, or preferred stock which pays dividends in the form of additional preferred stock.

Real Estate Investment Trust (REIT)

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

Russell 2000® Index

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

VIRTUS STRATEGIC ALLOCATION FUND
KEY INVESTMENT TERMS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

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 (American Depositary Receipt)

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
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

<u>Asset Allocations (Unaudited)</u>	
The following table presents the portfolio holdings within certain sectors as a percentage of total investments at September 30, 2016.	
Common Stocks	60%
Information Technology	18%
Consumer Discretionary	15
Health Care	7
All Other Sectors in Common Stocks	20
Corporate Bonds and Notes	19
Financials	6
Consumer Discretionary	3
Real Estate	2
All Other Sectors in Corporate Bonds and Notes	8
Total of all others	
Mortgage-Backed Securities	10
U.S. Government Securities	3
Asset-Backed Securities	2
Loan Agreements	2
Other (includes short-term investment)	<u>4</u>
Total	<u><u>100%</u></u>

	<u>PAR VALUE</u>	<u>VALUE</u>
U.S. GOVERNMENT SECURITIES—2.7%		
U.S. Treasury Bond 2.500%, 2/15/46	\$ 10,230	\$ 10,608
U.S. Treasury Note 1.625%, 2/15/26	2,430	2,436
TOTAL U.S. GOVERNMENT SECURITIES (Identified Cost \$12,612)		13,044

MUNICIPAL BONDS—0.6%		
California—0.4%		
California, State of, Build America Bonds Taxable 7.600%, 11/1/40	1,275	<u>2,067</u>

Georgia—0.2%			
Rockdale County Water & Sewerage Authority Revenue Taxable 3.060%, 7/1/24	\$ 600	\$ 635	

TOTAL MUNICIPAL BONDS (Identified Cost \$2,671)		2,702
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FOREIGN GOVERNMENT SECURITIES—0.7%			
Argentine Republic			
144A 7.500%, 4/22/26 ⁽⁴⁾	505	570	
144A 7.625%, 4/22/46 ⁽⁴⁾	195	220	
Republic of Costa Rica			
144A 4.375%, 4/30/25 ⁽⁴⁾	265	258	
144A 7.000%, 4/4/44 ⁽⁴⁾	335	359	
Republic of Panama			
3.875%, 3/17/28	495	536	

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
FOREIGN GOVERNMENT SECURITIES (continued)			Agency (continued)		
Republic of Turkey			3.000%, 4/1/46	\$ 1,847	\$ 1,922
4.875%, 10/9/26	\$ 475	\$ 484			<u>22,877</u>
Sultanate of Oman					
144A 4.750%, 6/15/26 ⁽⁴⁾	250	251			
United Mexican States					
4.750%, 3/8/44	905	941			
TOTAL FOREIGN GOVERNMENT SECURITIES			Non-Agency—5.7%		
(Identified Cost \$3,406)			American Homes 4 Rent		
		3,619	14-SFR2, C 144A		
			4.705%, 10/17/36 ⁽⁴⁾	615	677
			15-SFR1, A 144A		
			3.467%, 4/17/52 ⁽⁴⁾	906	965
			Amerquest Mortgage		
			Securities, Inc.		
			03-AR3, M4		
			4.311%, 6/25/33 ⁽³⁾	410	395
			Aventura Mall Trust		
			13-AVM, C 144A		
			3.743%, 12/5/32 ⁽³⁾⁽⁴⁾	580	608
			Banc of America Funding		
			Trust		
			04-B, 2A1		
			2.886%, 11/20/34 ⁽³⁾	169	166
			05-1, 1A1		
			5.500%, 2/25/35	258	259
			Banc of America		
			Mortgage Trust		
			05-3, 1A15		
			5.500%, 4/25/35	177	178
			Bank of America		
			(Countrywide) Asset-		
			Backed Certificates		
			05-1, AF5A		
			5.148%, 7/25/35 ⁽³⁾	579	574
			Bank of America (Merrill		
			Lynch – Countrywide)		
			Home Loan Mortgage		
			Pass-Through-Trust		
			04-6, 1A2		
			3.018%, 5/25/34 ⁽³⁾	527	522
			Barclays (Lehman		
			Brothers) – UBS		
			Commercial Mortgage		
			Trust 07-C7, A3		
			5.866%, 9/15/45 ⁽³⁾	1,420	1,471
			Citigroup Commercial		
			Mortgage Trust		
			07-C6, A4		
			5.900%, 12/10/49 ⁽³⁾	650	662
			Credit Suisse Mortgage-		
			Backed Trust		
			06-08, 3A1		
			6.000%, 10/25/21	276	264

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
MORTGAGE-BACKED SECURITIES (continued)			Non-Agency (continued)		
Non-Agency (continued)			Non-Agency (continued)		
Deutsche Bank-UBS Mortgage Trust 11-LC3A, D 144A 5.510%, 8/10/44 ⁽³⁾⁽⁴⁾	\$ 555	\$ 582	Morgan Stanley – Bank of America (Merrill Lynch) Trust 13-C13, AS 4.266%, 11/15/46	\$ 275	\$ 305
Freddie Mac Structured Agency Credit Risk Debt Notes 16-DNA2, M2 2.725%, 10/25/28 ⁽³⁾	560	569	15-C22, AS 3.561%, 4/15/48 15-C26.C 4.558%, 10/15/48 ⁽³⁾	685	721
GSAA Home Equity Trust 05-12, AF3W 4.999%, 9/25/35 ⁽³⁾	147	148	Morgan Stanley Capital Barclays Bank Trust 16-Mart, A 144A 2.200%, 9/13/31 ⁽⁴⁾	300	313
GSR Mortgage Loan Trust 06-1F, 2A4 6.000%, 2/25/36	495	434	Morgan Stanley Capital I Trust 07-T27, A4 5.818%, 6/11/42 ⁽³⁾	350	350
Jefferies Resecuritization Trust 14-R1, 1A1 144A 4.000%, 12/27/37 ⁽⁴⁾	171	171	08-T29, A4 6.477%, 1/11/43 ⁽³⁾	1,212	1,237
JPMorgan Chase (Bear Stearns) Commercial Mortgage Securities Trust 07- PW17, A4 5.694%, 6/11/50 ⁽³⁾	1,395	1,433	07-IQ14, A4 5.692%, 4/15/49 ⁽³⁾	1,461	1,529
JPMorgan Chase Mortgage Trust 04-A4, 2A1 3.032%, 9/25/34 ⁽³⁾	442	447	07-IQ14, AM 5.865%, 4/15/49 ⁽³⁾	900	910
14-1, 1A1 144A 4.000%, 1/25/44 ⁽³⁾⁽⁴⁾	336	355	Motel 6 Trust 15-MTL6, D 144A 4.532%, 2/5/30 ⁽⁴⁾	466	451
16-1, A3 144A 3.500%, 5/25/46 ⁽⁴⁾	1,288	1,331	New Residential Mortgage Loan Trust 14-1A, A 144A 3.750%, 1/25/54 ⁽³⁾⁽⁴⁾	470	472
16-1, M2 144A 3.750%, 4/25/45 ⁽³⁾⁽⁴⁾	448	463	15-2A, A1 144A 3.750%, 8/25/55 ⁽³⁾⁽⁴⁾	536	558
15-4, 1A4 144A 3.500%, 6/25/45 ⁽³⁾⁽⁴⁾	321	331	16-1A, A1 144A 3.750%, 3/25/56 ⁽³⁾⁽⁴⁾	510	531
16-2, M2 144A 3.750%, 12/25/45 ⁽³⁾⁽⁴⁾	454	470	Novastar Mortgage Funding Trust Series 04-4, M5 2.250%, 3/25/35 ⁽³⁾	256	265
JPMorgan Chase (Washington Mutual) Mortgage Pass-Through Certificates 03-S11, 3A5 5.950%, 11/25/33	395	410	Residential Asset Securitization Trust 05-A1, A3 5.500%, 4/25/35	545	532
MASTR Adjustable Rate Mortgages Trust 05-1, 3A1 3.326%, 2/25/35 ⁽³⁾	361	328	Sequoia Mortgage Trust 14-2, A1 144A 4.000%, 7/25/44 ⁽³⁾⁽⁴⁾	443	444
MASTR Specialized Loan Trust 05-3, A2 144A 5.704%, 11/25/35 ⁽³⁾⁽⁴⁾	347	351	14-4, A6 144A 3.500%, 11/25/44 ⁽³⁾⁽⁴⁾	251	261
			15-1, A1 144A 3.500%, 1/25/45 ⁽³⁾⁽⁴⁾	443	456
				479	493

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
MORTGAGE-BACKED SECURITIES (continued)			ASSET-BACKED SECURITIES (continued)		
Non-Agency (continued)					
Towd Point Mortgage Trust			CarFinance Capital Auto Trust 14-1A, D 144A		
15-1, A2 144A			4.900%, 4/15/20 ⁽⁴⁾	\$ 575	\$ 577
3.250%, 10/25/53 ⁽³⁾⁽⁴⁾	\$ 385	\$ 391	CarMax Auto Owner Trust 15-2, C		
16-1, A1B, 144A			2.390%, 3/15/21	715	725
2.750%, 2/25/55 ⁽³⁾⁽⁴⁾	165	168	Centre Point Funding LLC 12-2A, 1 144A		
15-5, A2 144A			2.610%, 8/20/21 ⁽⁴⁾	489	485
3.500%, 5/25/55 ⁽³⁾⁽⁴⁾	480	485	Drive Auto Receivables Trust 15-DA, C 144A		
16-4, A1 144A			3.380%, 11/15/21 ⁽⁴⁾	760	774
2.250%, 7/25/56 ⁽³⁾⁽⁴⁾	195	196	Drug Royalty II LP 1 14-1, A2 144A		
15-2, 1M1 144A			3.484%, 7/15/23 ⁽⁴⁾	471	464
3.250%, 11/25/60 ⁽³⁾⁽⁴⁾	700	683	DT Auto Owner Trust 16-4A C, 144A		
Vericrest Opportunity Loan Transfer			2.740%, 10/17/22 ⁽⁴⁾	585	585
15-NP11, A1 144A			Exeter Automobile Receivables Trust 13-1A, C 144A		
3.625%, 7/25/45 ⁽³⁾⁽⁴⁾	344	345	3.520%, 2/15/19 ⁽⁴⁾	622	626
16-NPL9, A1 144A			Fairway Outdoor Funding LLC 12-1A, A2 144A		
3.500%, 9/25/46 ⁽³⁾⁽⁴⁾	295	295	4.212%, 10/15/42 ⁽⁴⁾	320	323
15-NPL4, A1 144A			MVW Owner Trust 16-1A, A 144A		
3.500%, 2/25/55 ⁽³⁾⁽⁴⁾	347	347	2.250%, 12/20/33 ⁽⁴⁾	586	585
Wells Fargo (Wachovia Bank) Commercial Mortgage Trust			Navistar Financial Dealer Note Master Owner Trust II 16-1, B 144A		
15-LC20, B			2.546%, 9/27/21 ⁽³⁾⁽⁴⁾	780	786
3.719%, 4/15/50	460	486	Sierra Timeshare Receivables Funding LLC 12-3A, A 144A		
Wells Fargo – Royal Bank of Scotland plc Commercial Mortgage Trust 11-C5, C 144A			1.870%, 8/20/29 ⁽⁴⁾	186	185
5.866%, 11/15/44 ⁽³⁾⁽⁴⁾	315	349	Silverleaf Finance XV LLC 12-D, A 144A		
		28,137	3.000%, 3/17/25 ⁽⁴⁾	75	75
			SoFi Professional Loan Program LLC 15-A, A2 144A 2.420%, 3/25/30 ⁽⁴⁾	320	324
TOTAL MORTGAGE-BACKED SECURITIES (Identified Cost \$49,554)		51,014	Taco Bell Funding LLC 16-1A, A21 144A		
			3.832%, 5/25/46 ⁽⁴⁾	605	614
ASSET-BACKED SECURITIES—2.0%			Trip Rail Master Funding LLC 14-1A, A1 144A		
AmeriCredit Automobile Receivables Trust 14-1, D 2.540%, 6/8/20	705	714	2.863%, 4/15/44 ⁽⁴⁾	586	584
Avis Budget Rental Car Funding LLC (AESOP) 16-1A, A 144A					
2.990%, 6/20/22 ⁽⁴⁾	500	513			

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
ASSET-BACKED SECURITIES (continued)			Consumer Discretionary (continued)		
U-Haul S Fleet LLC			MPG Holdco I, Inc.		
10-BT1A, 1 144A			7.375%, 10/15/22	\$ 435	\$ 448
4.899%, 10/25/23 ⁽⁴⁾	\$ 702	\$ 710	New York University		
			4.142%, 7/1/48	235	241
TOTAL ASSET-BACKED SECURITIES			Newell Brands, Inc.		
(Identified Cost \$9,589)		9,649	144A 5.000%, 11/15/23 ⁽⁴⁾	70	74
			4.200%, 4/1/26	60	65
CORPORATE BONDS AND NOTES—19.1%			PetSmart, Inc.		
Consumer Discretionary—2.5%			144A 7.125%, 3/15/23 ⁽⁴⁾	415	437
Boyd Gaming Corp.			Priceline Group, Inc.		
6.875%, 5/15/23	230	251	(The)		
Caesars Entertainment			3.650%, 3/15/25	605	635
Operating Co., Inc.			QVC, Inc.		
9.000%, 2/15/20 ⁽⁶⁾	210	217	4.375%, 3/15/23	600	602
Caesars Growth			Scientific Games		
Properties Holdings LLC			International, Inc.		
9.375%, 5/1/22	190	204	6.625%, 5/15/21	295	226
CCO Holdings LLC			SFR (Numericable)		
144A 5.500%, 5/1/26 ⁽⁴⁾	310	325	Group S.A.		
Cequel Communications			144A 6.000%, 5/15/22 ⁽⁴⁾	245	251
Holdings I LLC (Cequel			144A 7.375%, 5/1/26 ⁽⁴⁾	200	205
Capital Corp.)			Signet UK Finance plc		
144A 5.125%, 12/15/21 ⁽⁴⁾	145	146	4.700%, 6/15/24	630	607
144A 5.125%, 12/15/21 ⁽⁴⁾	345	346	Sirius XM Radio, Inc.		
Clear Channel Worldwide			144A 5.375%, 7/15/26 ⁽⁴⁾	400	412
Holdings, Inc. Series B			Six Flags Entertainment		
7.625%, 3/15/20	555	553	Corp.		
Columbus Cable			144A 4.875%, 7/31/24 ⁽⁴⁾	325	329
Barbados Ltd.			Station Casinos LLC		
Series B, 144A			7.500%, 3/1/21	525	556
7.375%, 3/30/21 ⁽⁴⁾	200	213	Ti Group Automotive		
Delphi Automotive plc			Systems LLC		
3.150%, 11/19/20	425	440	144A 8.750%, 7/15/23 ⁽⁴⁾	215	235
Diamond Resorts			Toll Brothers Finance		
International, Inc. 144A			Corp.		
7.750%, 9/1/23 ⁽⁴⁾	35	35	5.625%, 1/15/24	25	27
Grupo Televisa SAB			4.875%, 11/15/25	760	781
4.625%, 1/30/26	535	572	TRI Pointe Group, Inc.		
Hanesbrands, Inc.			5.875%, 6/15/24	465	487
144A 4.625%, 5/15/24 ⁽⁴⁾	55	57	Wyndham Worldwide		
Landry's, Inc.			Corp.		
144A 9.375%, 5/1/20 ⁽⁴⁾	425	446	5.100%, 10/1/25	560	612
144A 6.750%, 10/15/24 ⁽⁴⁾	120	122	Ziggo Secured Finance		
M/I Homes, Inc.			BV		
6.750%, 1/15/21	265	279	144A 5.500%, 1/15/27 ⁽⁴⁾	415	415
MDC Holdings, Inc.					<u>12,418</u>
5.500%, 1/15/24	540	567			

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
CORPORATE BONDS AND NOTES (continued)			Energy (continued)		
Consumer Staples—0.7%			FTS International, Inc.		
Anheuser-Busch InBev Finance, Inc.			6.250%, 5/1/22	\$ 185	\$ 72
3.300%, 2/1/23	\$ 255	\$ 269	Helmerich & Payne International Drilling Co.		
3.650%, 2/1/26	525	562	4.650%, 3/15/25	340	359
CVS Health Corp.			Holly Energy Partners LP		
2.875%, 6/1/26	645	655	144A 6.000%, 8/1/24 ⁽⁴⁾	35	37
Flowers Foods, Inc.			Kinder Morgan Energy Partners LP		
4.375%, 4/1/22	600	649	7.500%, 11/15/40	1,155	1,380
Rite Aid Corp.			MPLX LP		
144A 6.125%, 4/1/23 ⁽⁴⁾	35	38	4.875%, 12/1/24	785	812
Safeway, Inc.			NGL Energy Partners LP		
7.250%, 2/1/31	335	334	5.125%, 7/15/19	460	435
Tops Holding LLC (Tops Markets II Corp.)			Parsley Energy LLC		
144A 8.000%, 6/15/22 ⁽⁴⁾	475	430	144A 6.250%, 6/1/24 ⁽⁴⁾	530	550
Whole Foods Market, Inc.			Range Resources Corp.		
144A 5.200%, 12/3/25 ⁽⁴⁾	423	460	144A 5.000%, 3/15/23 ⁽⁴⁾	335	329
		<u>3,397</u>	Rowan Cos., Inc.		
			4.875%, 6/1/22	555	472
Energy—1.6%			Sabine Oil & Gas Corp.		
Antero Midstream Partners LP			7.250%, 6/15/19 ⁽⁵⁾⁽¹²⁾	510	10
144A 5.375%, 9/15/24 ⁽⁴⁾	145	147	Sabine Pass Liquefaction LLC		
Antero Resources Corp.			6.250%, 3/15/22	425	465
5.625%, 6/1/23	255	261	Sunoco LP		
Blue Racer Midstream LLC			144A 6.375%, 4/1/23 ⁽⁴⁾	650	671
144A 6.125%, 11/15/22 ⁽⁴⁾	130	128			<u>8,085</u>
Callon Petroleum Co.			Financials—6.0%		
144A 6.125%, 10/1/24 ⁽⁴⁾	85	88	Air Lease Corp.		
Cimarex Energy Co.			2.625%, 9/4/18	200	202
4.375%, 6/1/24	310	324	Allstate Corp. (The)		
Continental Resources, Inc.			5.750%, 8/15/53 ⁽³⁾⁽⁸⁾	455	489
5.000%, 9/15/22	280	280	Ally Financial, Inc.		
4.500%, 4/15/23	165	159	5.750%, 11/20/25	295	310
Enbridge Energy Partners LP			Apollo Management Holdings LP		
4.375%, 10/15/20	90	95	144A 4.000%, 5/30/24 ⁽⁴⁾	590	608
Energy Transfer Partners LP			Ares Capital Corp.		
5.200%, 2/1/22	380	412	4.875%, 11/30/18	80	83
6.500%, 2/1/42	535	559	3.875%, 1/15/20	221	229
EnLink Midstream Partners LP			Ares Finance Co., LLC		
4.850%, 7/15/26	40	40	144A 4.000%, 10/8/24 ⁽⁴⁾	595	577
			Banco de Credito del Peru		
			144A 6.125%, 4/24/27 ⁽³⁾⁽⁴⁾	440	490

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VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
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(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
CORPORATE BONDS AND NOTES (continued)					
Financials (continued)					
Banco de Credito e Inversiones			Ford Motor Credit Co., LLC		
144A 4.000%, 2/11/23 ⁽⁴⁾	\$ 600	\$ 634	5.750%, 2/1/21	\$ 535	\$ 603
Banco Inbursa S.A.			FS Investment Corp.		
Institucion de Banca Multiple			4.250%, 1/15/20	525	538
144A 4.125%, 6/6/24 ⁽⁴⁾	490	496	4.750%, 5/15/22	115	118
Banco Internacional del Peru SAA Interbank			General Motors Financial Co., Inc.		
144A			4.750%, 8/15/17	315	324
6.625%, 3/19/29 ⁽³⁾⁽⁴⁾	465	514	4.200%, 3/1/21	235	248
Banco Nacional de Comercio Exterior SVC			3.450%, 4/10/22	85	86
144A			Goldman Sachs Group, Inc. (The)		
4.375%, 10/14/25 ⁽⁴⁾	340	352	Series D,		
Banco Santander Chile			6.000%, 6/15/20	595	677
144A 3.875%, 9/20/22 ⁽⁴⁾	430	456	5.750%, 1/24/22	875	1,016
Bancolumbia S.A.			Hutchison Whampoa International Ltd.		
5.125%, 9/11/22	580	603	Series 12		
Bank of America Corp.			144A 6.000% ⁽³⁾⁽⁴⁾⁽⁷⁾⁽⁸⁾	680	694
5.625%, 7/1/20	715	804	ICAHN Enterprises LP		
4.200%, 8/26/24	475	502	5.875%, 2/1/22	175	169
Bank of New York Mellon Corp. (The)			ING Groep NV 6.000% ⁽³⁾⁽⁷⁾⁽⁸⁾	445	434
2.800%, 5/4/26	525	539	iStar Financial, Inc.		
Barclays Bank plc			5.000%, 7/1/19	270	270
144A 6.050%, 12/4/17 ⁽⁴⁾	555	580	Jefferies Group LLC		
Berkshire Hathaway, Inc.			6.875%, 4/15/21	260	303
2.750%, 3/15/23	45	47	Kazakhstan Temir Zholy Finance BV		
3.125%, 3/15/26	120	126	144A 6.950%, 7/10/42 ⁽⁴⁾	480	524
Capital One Financial Corp.			Korea Finance Corp.		
4.200%, 10/29/25	540	564	4.625%, 11/16/21	430	490
3.750%, 7/28/26	495	498	Leucadia National Corp.		
Citigroup, Inc.			5.500%, 10/18/23	460	484
4.050%, 7/30/22	600	638	Liberty Mutual Group, Inc.		
Compass Bank			144A 4.250%, 6/15/23 ⁽⁴⁾	590	639
3.875%, 4/10/25	705	690	Lincoln National Corp.		
Development Bank of Kazakhstan OJSC 144A			4.200%, 3/15/22	915	990
4.125%, 12/10/22 ⁽⁴⁾	640	627	Macquarie Group Ltd.		
Discover Financial Services			144A 6.250%, 1/14/21 ⁽⁴⁾	490	559
3.950%, 11/6/24	570	584	Manulife Financial Corp.		
Drawbridge Special Opportunities Fund LP			4.150%, 3/4/26	490	536
144A 5.000%, 8/1/21 ⁽⁴⁾	485	466	Morgan Stanley		
			5.500%, 7/28/21	300	342
			4.350%, 9/8/26	585	625
			6.375%, 7/24/42	610	833
			Navient Corp.		
			7.250%, 9/25/23	100	100

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VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
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(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
CORPORATE BONDS AND NOTES (continued)			Health Care (continued)		
Financials (continued)			Forest Laboratories LLC		
OM Asset Management plc			144A 4.875%, 2/15/21 ⁽⁴⁾	\$ 485	\$ 539
4.800%, 7/27/26	\$ 500	\$ 501	Fresenius U.S. Finance II, Inc.		
PKO Finance AB 144A			144A 4.500%, 1/15/23 ⁽⁴⁾	100	105
4.630%, 9/26/22 ⁽⁴⁾⁽¹⁴⁾	575	621	HCA, Inc.		
Prudential Financial, Inc.			5.375%, 2/1/25	450	465
5.875%, 9/15/42 ⁽³⁾	330	364	5.250%, 6/15/26	190	202
5.625%, 6/15/43 ⁽³⁾⁽⁶⁾	585	631	IASIS Healthcare LLC		
S&P Global, Inc.			8.375%, 5/15/19	240	218
4.000%, 6/15/25	570	618	MEDNAX, Inc.		
Santander Holdings USA, Inc.			144A 5.250%, 12/1/23 ⁽⁴⁾	255	268
2.700%, 5/24/19	490	496	Mylan NV		
Societe Generale S.A. 144A			144A 3.000%, 12/15/18 ⁽⁴⁾	150	153
4.750%, 11/24/25 ⁽⁴⁾	535	553	144A 3.150%, 6/15/21 ⁽⁴⁾	135	138
Teachers Insurance & Annuity Association of America 144A			Ortho-Clinical Diagnostics, Inc. (Ortho-Clinical Diagnostics S.A.)		
4.375%, 9/15/54 ⁽³⁾⁽⁴⁾	510	516	144A 6.625%, 5/15/22 ⁽⁴⁾	365	323
Trinity Acquisition plc			Owens & Minor, Inc.		
3.500%, 9/15/21	40	42	3.875%, 9/15/21	110	114
4.400%, 3/15/26	195	204	Shire Acquisitions		
UBS AG			Investments Ireland Dac		
7.625%, 8/17/22	500	582	2.400%, 9/23/21	195	195
Woodside Finance Ltd.			Surgery Center Holdings, Inc.		
144A 3.700%, 9/15/26 ⁽⁴⁾	125	126	144A 8.875%, 4/15/21 ⁽⁴⁾	295	316
		<u>29,564</u>	Surgical Care Affiliates, Inc.		
			144A 6.000%, 4/1/23 ⁽⁴⁾	478	504
Health Care—1.5%			Team Health, Inc.		
AbbVie, Inc.			144A 7.250%, 12/15/23 ⁽⁴⁾	20	22
2.850%, 5/14/23	300	305	Teleflex, Inc.		
3.600%, 5/14/25	200	209	4.875%, 6/1/26	200	207
3.200%, 5/14/26	300	304	Tenet Healthcare Corp.		
Capsugel S.A.			4.350%, 6/15/20 ⁽³⁾	115	116
PIK Interest			4.500%, 4/1/21	330	334
Capitalization, 144A			Teva Pharmaceutical		
7.000%, 5/15/19 ⁽⁴⁾⁽¹⁰⁾	81	81	Finance Netherlands III BV		
Cardinal Health, Inc.			3.150%, 10/1/26	295	297
3.200%, 3/15/23	300	315	Universal Health Services, Inc.		
3.750%, 9/15/25	485	526	144A 4.750%, 8/1/22 ⁽⁴⁾	95	98
Concordia Healthcare Corp.			144A 5.000%, 6/1/26 ⁽⁴⁾	225	235
144A 7.000%, 4/15/23 ⁽⁴⁾	25	16	Valeant Pharmaceuticals International, Inc.		
Endo Finance LLC			144A 7.500%, 7/15/21 ⁽⁴⁾	60	58
144A 6.000%, 7/15/23 ⁽⁴⁾	330	302	144A 5.500%, 3/1/23 ⁽⁴⁾	155	133

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SCHEDULE OF INVESTMENTS (Continued)
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(\$ reported in thousands)

	PAR VALUE	VALUE		PAR VALUE	VALUE
CORPORATE BONDS AND NOTES (continued)			Information Technology—0.9%		
Health Care (continued)			Apple, Inc.		
Zoetis, Inc.			2.850%, 2/23/23	\$ 170	\$ 179
3.450%, 11/13/20	\$ 130	\$ 136	3.250%, 2/23/26	485	516
		<u>7,234</u>	Diamond 1 Finance Corp. (Diamond 2 Finance Corp.)		
Industrials—1.1%			144A 5.450%, 6/15/23 ⁽⁴⁾		
Air Canada Pass-Through-Trust 13-1, B			144A 7.125%, 6/15/24 ⁽⁴⁾	105	112
144A 5.375%, 5/15/21 ⁽⁴⁾	180	185	144A 6.020%, 6/15/26 ⁽⁴⁾	85	93
AMN Healthcare, Inc.			144A 8.100%, 7/15/36 ⁽⁴⁾	100	110
144A 5.125%, 10/1/24 ⁽⁴⁾	50	51	144A 8.350%, 7/15/46 ⁽⁴⁾	95	112
Bombardier, Inc.			Dun & Bradstreet Corp. (The)		
144A 4.750%, 4/15/19 ⁽⁴⁾	355	347	4.375%, 12/1/22	625	652
Carpenter Technology Corp.			Electronic Arts, Inc.		
4.450%, 3/1/23	560	554	3.700%, 3/1/21	75	80
Continental Airlines Pass-Through-Trust			Flex Ltd.		
99-1, A 6.545%, 2/2/19	693	734	4.750%, 6/15/25	595	634
99-2, C2 AMBC			Hewlett Packard Enterprise Co. 144A		
6.236%, 3/15/20	323	340	4.900%, 10/15/25 ⁽⁴⁾	335	358
00-1, A1			Microsoft Corp.		
8.048%, 11/1/20	556	621	2.400%, 8/8/26	295	295
GATX Corp.			NXP BV (NXP Funding LLC)		
3.250%, 9/15/26	80	80	144A 4.625%, 6/1/23 ⁽⁴⁾	205	225
Masco Corp.			Oracle Corp.		
5.950%, 3/15/22	330	376	2.400%, 9/15/23	60	60
4.450%, 4/1/25	190	202	2.650%, 7/15/26	415	415
Owens Corning			Verisk Analytics, Inc.		
3.400%, 8/15/26	500	503	4.000%, 6/15/25	585	621
Penske Truck Leasing Co., LP					<u>4,594</u>
144A 3.375%, 2/1/22 ⁽⁴⁾	225	234	Materials—1.0%		
Prime Security Services Borrower LLC (Prime Finance, Inc.)			Alpek SA de C.V.		
144A 9.250%, 5/15/23 ⁽⁴⁾	200	218	144A 5.375%, 8/8/23 ⁽⁴⁾	810	867
TransDigm, Inc.			Berry Plastics Corp.		
6.000%, 7/15/22	345	366	5.125%, 7/15/23	445	455
6.500%, 5/15/25	140	147	Eldorado Gold Corp.		
Wheels Up Finance I LLC			144A 6.125%, 12/15/20 ⁽⁴⁾	210	212
16-01, A			INEOS Group Holdings S.A.		
0.500%, 6/30/17 ⁽³⁾⁽¹²⁾	102	101	144A 5.625%, 8/1/24 ⁽⁴⁾	495	487
16-01, A			Inversiones CMPC S.A.		
7.500%, 6/30/24 ⁽¹²⁾	476	471	144A 4.375%, 5/15/23 ⁽⁴⁾	850	887
		<u>5,530</u>	NewMarket Corp.		
			4.100%, 12/15/22	649	673
			Novelis Corp.		
			144A 6.250%, 8/15/24 ⁽⁴⁾	25	27
			144A 5.875%, 9/30/26 ⁽⁴⁾	370	380

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VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
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(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
CORPORATE BONDS AND NOTES (continued)			Real Estate (continued)		
Materials (continued)			MPT Operating Partnership LP		
Office Cherifien des Phosphates S.A. (OCP)			6.375%, 3/1/24	\$ 55	\$ 60
144A 5.625%, 4/25/24 ⁽⁴⁾	\$ 485	\$ 527	5.500%, 5/1/24	275	289
Reynolds Group Issuer, Inc.			5.250%, 8/1/26	20	21
144A 5.125%, 7/15/23 ⁽⁴⁾	120	124	National Retail Properties, Inc.		
Standard Industries, Inc.			4.000%, 11/15/25	170	181
144A 6.000%, 10/15/25 ⁽⁴⁾	365	390	Retail Opportunity Investments Partnership LP		
Valvoline, Inc.			4.000%, 12/15/24	485	490
144A 5.500%, 7/15/24 ⁽⁴⁾	50	52	Select Income REIT		
		<u>5,081</u>	4.500%, 2/1/25	590	596
			Sovran Acquisition LP		
Real Estate—1.8%			3.500%, 7/1/26	295	301
Alexandria Real Estate Equities, Inc.			Ventas Realty LP (Ventas Capital Corp.)		
3.950%, 1/15/27	295	309	4.250%, 3/1/22	310	338
American Campus Communities Operating Partnership LP			3.250%, 8/15/22	280	292
3.350%, 10/1/20	70	73	Welltower, Inc.		
Brixmor Operating Partnership LP			4.000%, 6/1/25	625	663
3.875%, 8/15/22	160	168	WP Carey, Inc.		
Corporate Office Properties LP			4.250%, 10/1/26	200	203
3.600%, 5/15/23	610	610			<u>8,754</u>
Corrections Corp. of America			Telecommunication Services—1.3%		
5.000%, 10/15/22	465	423	Alice Financing S.A.		
Developers Diversified Realty Corp.			144A 6.625%, 2/15/23 ⁽⁴⁾	400	412
7.875%, 9/1/20	475	570	AT&T, Inc.		
3.500%, 1/15/21	385	399	3.875%, 8/15/21	1,185	1,279
Digital Realty Trust LP			CenturyLink, Inc. Series Y		
5.250%, 3/15/21	540	604	7.500%, 4/1/24	360	385
Education Realty Operating Partnership LP			Crown Castle Towers LLC		
4.600%, 12/1/24	595	619	144A 4.883%, 8/15/20 ⁽⁴⁾	1,200	1,312
Healthcare Realty Trust, Inc.			CSC Holdings LLC		
3.875%, 5/1/25	375	387	144A 5.500%, 4/15/27 ⁽⁴⁾	275	282
Kilroy Realty LP			Empresa Nacional de Telecomunicaciones S.A.		
4.375%, 10/1/25	550	594	144A 4.875%, 10/30/24 ⁽⁴⁾	240	247
Kimco Realty Corp.			Qwest Corp.		
3.400%, 11/1/22	535	564	7.250%, 9/15/25	360	394
			Sprint Communications, Inc.		
			6.000%, 11/15/22	640	602
			T-Mobile USA, Inc.		
			6.500%, 1/15/26	265	295

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VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
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(\$ reported in thousands)

	<u>PAR VALUE</u>	<u>VALUE</u>		<u>PAR VALUE</u>	<u>VALUE</u>
CORPORATE BONDS AND NOTES (continued)			Consumer Discretionary (continued)		
Telecommunication Services (continued)			Floor & Decor Outlets of America, Inc. 0.000%, 9/29/23 ⁽¹⁵⁾ \$ 193 \$ 193		
Telefonica Emisiones SAU 4.570%, 4/27/23	\$ 510	\$ 569	Laureate Education, Inc. 2021 Extended, 8.157%, 3/17/21 194 193		
Windstream Corp. 7.750%, 10/15/20	720	738	Station Casinos LLC Tranche B, 3.750%, 6/8/23 182 183		
		<u>6,515</u>	U.S. Farathane LLC Tranche B-2, 5.750%, 12/23/21 323 324		
Utilities—0.7%			UFC Holdings LLC First Lien 5.000%, 8/18/23 227 <u>230</u>		
Dominion Resources, Inc. 2.962%, 7/1/19 ⁽³⁾	50	51	<u>1,936</u>		
Duke Energy Corp. 2.650%, 9/1/26	515	506	Consumer Staples—0.2%		
FirstEnergy Transmission LLC 144A 4.350%, 1/15/25 ⁽⁴⁾	630	676	Albertson's LLC Tranche B-4, 4.500%, 8/25/21 353 356		
NRG Yield Operating LLC 5.375%, 8/15/24	180	186	Hostess Brands LLC Tranche B, Second Lien, 8.500%, 8/3/23 465 <u>469</u>		
Southern Power Co. 4.150%, 12/1/25	665	716	<u>825</u>		
State Grid Overseas Investment Ltd. 144A 4.125%, 5/7/24 ⁽⁴⁾	610	674	Energy—0.1%		
TerraForm Power Operating LLC 144A 9.375%, 2/1/23 ⁽³⁾⁽⁴⁾	455	471	Jonah Energy LLC Second Lien, 7.500%, 5/12/21 285 <u>255</u>		
		<u>3,280</u>	Health Care—0.4%		
TOTAL CORPORATE BONDS AND NOTES (Identified Cost \$91,672)		94,452	Ardent Legacy Acquisitions, Inc. 6.500%, 8/4/21 239 237		
LOAN AGREEMENTS⁽³⁾—1.9%			CHG Healthcare Services, Inc. First Lien, 4.750%, 6/7/23 252 254		
Consumer Discretionary—0.4%			Concordia Pharmaceuticals, Inc. 5.250%, 10/21/21 184 165		
Boyd Gaming Corp. Tranche B-2 3.524%, 9/15/23	116	117	InVentiv Health, Inc. Tranche B-4, 7.750%, 5/15/18 240 241		
Caesars Entertainment Resort Properties LLC 0.000%, 10/11/20 ⁽¹⁵⁾	395	395	Tranche B 0.000%, 9/29/23 ⁽¹⁵⁾ 146 147		
Caesars Growth Properties Holdings LLC Tranche B, First Lien, 6.250%, 5/8/21	181	179	MMM Holdings, Inc. 9.750%, 12/12/17 ⁽⁶⁾⁽¹²⁾ 110 108		
CDS U.S. Intermediate Holdings, Inc. First Lien, 5.000%, 7/8/22	122	122			

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VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
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	PAR VALUE	VALUE		PAR VALUE	VALUE
LOAN AGREEMENTS⁽⁹⁾ (continued)			Information Technology (continued)		
Health Care (continued)			SS&C European Holdings		
MPH Acquisition			S.a.r.l.		
Holdings LLC			Tranche B-2,		
5.000%, 6/7/23	\$ 116	\$ 117	\$ 16	\$ 16	
MSO of Puerto Rico, Inc.			Tranche B-1,		
9.750%, 12/12/17 ⁽⁶⁾⁽¹²⁾	80	78	125	126	
NVA Holdings, Inc.			4.002%, 7/8/22		
Second Lien,			Western Digital Corp.		
8.000%, 8/14/22	197	197	Tranche B-1,		
Quorum Health Corp.			35	35	
6.750%, 4/29/22	227	220	<hr/>		
Surgery Center Holdings,			1,467		
Inc. First Lien,			Materials—0.0%		
4.750%, 11/3/20	293	294	INEOS U.S. Finance LLC		
		<hr/>	Tranche 2022,		
		2,058	15	15	
			4.250%, 3/31/22		
			Real Estate—0.0%		
Industrials—0.2%			Capital Automotive LP		
Brickman Group Ltd. LLC			Second Lien,		
(The) Second Lien,			206	208	
7.500%, 12/17/21	229	228	6.000%, 4/30/20		
Filtration Group Corp.			Telecommunication Services—0.1%		
Second Lien,			T-Mobile USA, Inc.		
8.250%, 11/22/21	126	126	Senior Lien		
McGraw-Hill Global			246	249	
Education Holdings LLC			3.500%, 11/9/22		
Tranche B, First Lien,			UPC Financing		
5.000%, 5/4/22	243	246	Partnership		
Navistar, Inc. Tranche B			154	155	
6.500%, 8/7/20	295	296	4.080%, 8/31/24		
Sedgwick Claims			<hr/>		
Management Services,			404		
Inc. Second Lien,			Utilities—0.2%		
6.750%, 2/28/22	355	352	Energy Future Holdings		
		<hr/>	170	171	
		1,248	5.000%, 10/31/17 ⁽⁶⁾		
			Tranche C		
Information Technology—0.3%			38	39	
Donnelley Financial			5.000%, 10/31/17 ⁽⁶⁾		
Solutions			NRG Energy, Inc.		
0.000%, 9/26/23 ⁽¹⁵⁾	103	104	609	611	
First Data Corp.			3.500%, 6/30/23		
Tranche 2021			<hr/>		
4.525%, 3/24/21	478	482	821		
Tranche 2022			TOTAL LOAN AGREEMENTS		
4.275%, 7/8/22	361	363	(Identified Cost \$9,222)		
NXP BV Tranche F			9,237		
3.405%, 12/7/20	214	216			
On Semiconductor					
5.250%, 3/31/23	124	125			

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
PREFERRED STOCKS (continued)					
Financials—0.7%					
Bank of New York Mellon Corp. (The) Series E, 4.950% ⁽³⁾	450 ⁽⁹⁾	\$ 459			
Citigroup, Inc. 7.125% ⁽³⁾	605 ⁽⁹⁾	652			
JPMorgan Chase & Co. Series Z, 5.300% ⁽³⁾	110 ⁽⁹⁾	112			
KeyCorp. 5.000% ⁽³⁾	490 ⁽⁹⁾	483			
PNC Financial Services Group, Inc. (The) Series R, 4.850% ⁽³⁾	490 ⁽⁹⁾	489			
Wells Fargo & Co. Series K, 7.980% ⁽³⁾	730 ⁽⁹⁾	763			
Zions Bancorp 6.950% ⁽³⁾	23,200	688			
		<u>3,646</u>			
Industrials—0.3%					
General Electric Co. Series D, 5.000% ⁽³⁾	1,273 ⁽⁹⁾	1,354			
TOTAL PREFERRED STOCKS (Identified Cost \$5,236)		5,622			
COMMON STOCKS—58.9%					
Consumer Discretionary—14.7%					
Amazon.com, Inc. ⁽²⁾	11,500	9,629			
Bridgestone Corp. ADR	85,320	1,566			
Ctrip.Com International Ltd. ADR ⁽²⁾	80,100	3,730			
Fuji Heavy Industries Ltd. ADR	21,040	1,577			
Home Depot, Inc. (The)	50,100	6,447			
IMAX Corp. ⁽²⁾	61,090	1,770			
Las Vegas Sands Corp.	125,200	7,204			
Netflix, Inc. ⁽²⁾	40,500	3,991			
NIKE, Inc. Class B	135,400	7,129			
Priceline Group, Inc. (The) ⁽²⁾	4,800	7,063			
Ross Stores, Inc.	90,500	5,819			
Sony Corp. Sponsored ADR	69,400	2,305			
Starbucks Corp.	145,600	7,883			
TripAdvisor, Inc. ⁽²⁾	65,900	4,164			
WPP plc Sponsored ADR	19,950	2,349			
		<u>72,626</u>			
Consumer Staples—7.0%					
British American Tobacco plc Sponsored ADR	17,920	\$ 2,287			
Colgate-Palmolive Co.	42,200	3,129			
Costco Wholesale Corp.	28,900	4,407			
Estee Lauder Cos., Inc. (The) Class A	29,200	2,586			
Heineken N.V. Sponsored ADR	48,850	2,143			
Marine Harvest ASA Sponsored ADR	134,320	2,407			
Mead Johnson Nutrition Co.	51,700	4,085			
Monster Beverage Corp. ⁽²⁾	50,100	7,355			
Philip Morris International, Inc.	61,900	6,018			
		<u>34,417</u>			
Energy—3.3%					
Cabot Oil & Gas Corp.	88,300	2,278			
Core Laboratories N.V.	30,500	3,426			
Pioneer Natural Resources Co.	18,900	3,509			
Schlumberger Ltd.	44,100	3,468			
Statoil ASA Sponsored ADR	115,220	1,936			
Technip S.A. ADR	121,600	1,865			
		<u>16,482</u>			
Financials—1.8%					
American International Group, Inc.	33,940	2,014			
Charles Schwab Corp. (The)	85,800	2,709			
DBS Group Holdings Sponsored ADR	34,410	1,568			
ORIX Corp. Sponsored ADR	33,610	2,493			
		<u>8,784</u>			
Health Care—7.2%					
Allergan plc ⁽²⁾	11,310	2,605			
Amgen, Inc.	10,200	1,701			
BioMarin Pharmaceutical, Inc. ⁽²⁾	45,500	4,210			
Bristol-Myers Squibb Co.	96,200	5,187			
Celgene Corp. ⁽²⁾	66,500	6,951			
Danaher Corp.	46,500	3,645			

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

	SHARES	VALUE		SHARES	VALUE
COMMON STOCKS (continued)			Real Estate—0.4%		
Health Care (continued)			Unibail-Rodamco SE		
Gilead Sciences, Inc.	38,200	\$ 3,022	ADR	71,270	\$ 1,914
Icon plc ⁽²⁾	23,390	1,810	Telecommunication Services—1.4%		
Shire plc ADR	10,720	2,078	KDDI Corp. ADR	187,200	2,892
Zoetis, Inc.	83,500	4,343	Nippon Telegraph & Telephone Corp. ADR	43,650	2,000
		<u>35,552</u>	Spark New Zealand Ltd. Sponsored ADR	155,670	2,045
					<u>6,937</u>
Industrials—3.0%			Utilities—0.3%		
Airbus Group Se ADR	129,900	1,961	Korea Electric Power Corp. Sponsored ADR		
Ashtead Group plc ADR	26,220	1,751		69,670	1,698
Nidec Corp. Sponsored ADR	117,930	2,701	TOTAL COMMON STOCKS		
RELX plc Sponsored ADR	113,160	2,168	(Identified Cost \$277,012)		
Roper Technologies, Inc.	21,800	3,978			290,834
Wabtec Corp.	28,152	2,299	AFFILIATED MUTUAL FUND—0.7%		
		<u>14,858</u>	Virtus Credit Opportunities Fund Class R6 ⁽¹⁾		
				357,054	3,510
Information Technology—17.8%			TOTAL AFFILIATED MUTUAL FUND		
Accenture plc Class A	32,600	3,983	(Identified Cost \$3,569)		
Activision Blizzard, Inc.	77,700	3,442	TOTAL LONG TERM INVESTMENTS—98.0%		
Alibaba Group Holding Ltd. Sponsored ADR ⁽²⁾	99,300	10,505	(Identified Cost \$464,543)		
Alphabet, Inc. Class A ⁽²⁾	7,600	6,111			483,683⁽¹³⁾
Amphenol Corp. Class A	98,900	6,421	SHORT-TERM INVESTMENT—0.6%		
Broadcom Ltd.	12,750	2,200	Money Market Mutual Fund—0.6%		
Check Point Software Technologies Ltd. ⁽²⁾	20,120	1,561	JPMorgan U.S. Government Money Market Fund – Institutional Shares (seven-day effective yield 0.360%) ⁽¹¹⁾		
CoStar Group, Inc. ⁽²⁾	18,700	4,049		3,116,996	3,117
Facebook, Inc. Class A ⁽²⁾	171,300	21,973	TOTAL SHORT-TERM INVESTMENT		
NXP Semiconductors NV ⁽²⁾	21,340	2,177	(Identified Cost \$3,117)		
Paycom Software, Inc. ⁽²⁾	63,300	3,173			3,117
SAP SE Sponsored ADR	26,610	2,432	TOTAL INVESTMENTS—98.6%		
Tencent Holdings Ltd. ADR	71,107	1,982	(Identified Cost \$467,660)		
Visa, Inc. Class A	99,700	8,245	Other assets and liabilities, net—1.4%		
Workday, Inc. Class A ⁽²⁾	56,500	5,180			<u>6,845</u>
Yandex N.V. Class A ⁽²⁾	208,400	4,387	NET ASSETS—100.0%		
		<u>87,821</u>			<u><u>\$493,645</u></u>
Materials—2.0%					
Agnico Eagle Mines Ltd.	56,440	3,058			
Ecolab, Inc.	33,900	4,126			
Randgold Resources Ltd. ADR	25,590	2,561			
		<u>9,745</u>			

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

Abbreviations:

ADR American Depositary Receipt
 FHLMC Federal Home Loan Mortgage Corporation
 ("Freddie Mac").
 FNMA Federal National Mortgage Association
 ("Fannie Mae").
 PIK Payment-in-Kind Security
 REIT Real Estate Investment Trust

Foreign Currencies

FOOTNOTE LEGEND:

- (1) Federal Income Tax Information: For tax information at September 30, 2016, see Note 8 Federal Income Tax Information in the Notes to Financial Statements.
- (2) Non-income producing.
- (3) Variable or step coupon security; interest rate shown reflects the rate in effect at September 30, 2016.
- (4) 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 September 30, 2016, these securities amounted to a value of \$53,892 or 10.9% of net assets.
- (5) Security in default, no interest payments are being received.
- (6) Security in default, portion of the interest payments are being received during the bankruptcy proceedings.
- (7) No contractual maturity date.
- (8) Interest payments may be deferred.
- (9) Value shown as par value.
- (10) 100% of the income received was in cash.
- (11) Shares of this fund are publicly offered and its prospectus and annual report are publicly available.
- (12) Illiquid security.
- (13) All or a portion of the Fund's assets have been segregated for delayed delivery security.
- (14) 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.

(15) This loan will settle after September 30, 2016, at which time the interest rate, based on the London Interbank Offered Rate ("LIBOR") and the agreed upon spread on trade date, will be reflected.

Country Weightings†

United States	78%
China	3
Japan	3
United Kingdom	3
Netherlands	2
Canada	1
France	1
Other	9
Total	100%

† % of total investments as of September 30, 2016.

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
SCHEDULE OF INVESTMENTS (Continued)
SEPTEMBER 30, 2016

(\$ reported in thousands)

The following table provides a summary of inputs used to value the Fund's investments as of September 30, 2016 (See Security Valuation Note 2A in the Notes to Financial Statements):

	Total Value at September 30, 2016	Level 1 Quoted Prices	Level 2 Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Debt Securities:				
Asset-Backed Securities	\$ 9,649	\$ —	\$ 9,649	\$ —
Corporate Bonds and Notes	94,452	—	93,880	572
Foreign Government Securities	3,619	—	3,619	—
Loan Agreements	9,237	—	9,237	—
Mortgage-Backed Securities	51,014	—	51,014	—
Municipal Bonds	2,702	—	2,702	—
U.S. Government Securities	13,044	—	13,044	—
Equity Securities:				
Affiliated Mutual Fund	3,510	3,510	—	—
Common Stocks	290,834	290,834	—	—
Preferred Stocks	5,622	689	4,933	—
Short-Term Investment	3,117	3,117	—	—
Total Investments	<u>\$486,800</u>	<u>\$298,150</u>	<u>\$188,078</u>	<u>\$572</u>

There were no transfers between Level 1 and Level 2 related to securities held as of September 30, 2016.

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

Investments in Securities	Loan Agreements
Balance as of March 31, 2016	\$ 694
Accrued discount/(premium)	— ^(c)
Realized gain (loss)	3
Change in unrealized appreciation/(depreciation) ^(d)	96
Purchases	1,057
Sales ^(b)	(786)
Transfers into Level 3 ^(a)	—
Transfers from Level 3 ^(a)	(492) ^(e)
Balance as of September 30, 2016^(d)	<u>\$ 572^(d)</u>

^(a) "Transfers into and/or from" represent the ending value as of September 30, 2016, for any investment security where a change in the pricing level occurred from the beginning to the end of the period.

^(b) Includes paydowns on securities.

^(c) Amount is less than \$500.

^(d) Included in the related net change in unrealized appreciation (depreciation) on investments in the Statement of Operations. The change in unrealized appreciation (depreciation) on investments still held as of September 30, 2016 was \$132.

^(e) The transfers are due to an increase in trading activities at period end.

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

None of the securities in this table are internally fair valued. The Fund's investments that are categorized as Level 3 were valued utilizing third pricing information without adjustment. Such valuations are based on unobservable inputs. A significant change in third party information inputs could result in a significantly lower or higher value of Level 3 investments.

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
STATEMENT OF ASSETS AND LIABILITIES
SEPTEMBER 30, 2016 (Unaudited)

(Reported in thousands except shares and per share amounts)

Assets	
Investment in unaffiliated securities at value ⁽¹⁾	\$ 483,290
Investment in affiliated fund at value ⁽²⁾	3,510
Cash	7,350
Receivables	
Investment securities sold	7,494
Fund shares sold	15
Dividends and interest receivable	1,877
Tax reclaims	24
Other	9
Prepaid expenses	30
Prepaid trustee retainer	13
Total assets	<u>503,612</u>
Liabilities	
Payables	
Fund shares repurchased	770
Investment securities purchased	8,644
Investment advisory fees	222
Distribution and service fees	124
Administration fees	51
Transfer agent fees and expenses	99
Professional fees	20
Trustee deferred compensation plan	7
Other accrued expenses	30
Total liabilities	<u>9,967</u>
Net Assets	<u>\$ 493,645</u>
Net Assets Consist of:	
Capital paid in on shares of beneficial interest	\$ 440,659
Accumulated undistributed net investment income (loss)	(979)
Accumulated undistributed net realized gain (loss)	34,825
Net unrealized appreciation (depreciation) on investments	19,140
Net Assets	<u>\$ 493,645</u>
Class A	
Net asset value (net assets/shares outstanding) per share	\$ 13.98
Maximum offering price per share NAV/(1-5.75%)	\$ 14.83
Shares of beneficial interest outstanding, no par value, unlimited authorization	32,685,248
Net Assets	<u>\$ 456,922</u>
Class B	
Net asset value (net assets/shares outstanding) and offering price per share	\$ 13.91
Shares of beneficial interest outstanding, no par value, unlimited authorization	29,849
Net Assets	<u>\$ 415</u>
Class C	
Net asset value (net assets/shares outstanding) and offering price per share	\$ 13.87
Shares of beneficial interest outstanding, no par value, unlimited authorization	2,618,183
Net Assets	<u>\$ 36,308</u>
⁽¹⁾ Investment in unaffiliated securities at cost	\$ 464,091
⁽²⁾ Investment in affiliated fund at cost	3,569

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
STATEMENT OF OPERATIONS
SIX MONTHS ENDED SEPTEMBER 30, 2016 (Unaudited)

(\$ reported in thousands)

Investment Income	
Dividends	\$ 3,396
Dividends from affiliated fund	71
Interest	3,987
Security lending, net of fees	28
Foreign taxes withheld	(83)
Total investment income	<u>7,399</u>
Expenses	
Investment advisory fees	1,373
Service fees, Class A	577
Distribution and service fees, Class B	2
Distribution and service fees, Class C	188
Administration fees	329
Transfer agent fees and expenses	337
Registration fees	27
Printing fees and expenses	73
Custodian fees	52
Professional fees	20
Trustees' fees and expenses	21
Miscellaneous expenses	29
Total expenses	3,028
Less expenses reimbursed and/or waived by investment adviser	(10)
Earnings credit from custodian	(2)
Net expenses	<u>3,016</u>
Net investment income (loss)	<u>4,383</u>
Net Realized and Unrealized Gain (Loss)	
Net realized gain (loss) on unaffiliated investments	35,912
Net change in unrealized appreciation (depreciation) on unaffiliated investments	(19,034)
Net change in unrealized appreciation (depreciation) on affiliated investments	96
Net gain (loss)	<u>16,974</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ 21,357</u>

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND
STATEMENTS OF CHANGES IN NET ASSETS

(Reported in thousands)

	Six Months Ended September 30, 2016 (Unaudited)	Year Ended March 31, 2016
INCREASE/(DECREASE) IN NET ASSETS		
From Operations		
Net investment income (loss)	\$ 4,383	\$ 10,818
Net realized gain (loss)	35,912	264
Net change in unrealized appreciation (depreciation)	(18,938)	(47,912)
Increase (decrease) in net assets resulting from operations	21,357	(36,830)
From Distributions to Shareholders		
Net investment income, Class A	(4,819)	(8,862)
Net investment income, Class B	(3)	(7)
Net investment income, Class C	(253)	(456)
Net realized long-term gains, Class A	(666)	(15,612)
Net realized long-term gains, Class B	(1)	(22)
Net realized long-term gains, Class C	(55)	(1,441)
Decrease in net assets from distributions to shareholders	(5,797)	(26,400)
From Share Transactions		
Sale of shares		
Class A (189 and 888 shares, respectively)	2,598	12,687
Class B (— ⁽¹⁾ and — ⁽¹⁾ shares, respectively)	— ⁽¹⁾	2
Class C (32 and 419 shares, respectively)	439	6,083
Reinvestment of distributions		
Class A (368 and 1,572 shares, respectively)	5,061	22,775
Class B (— ⁽¹⁾ and 2 shares, respectively)	4	29
Class C (20 and 117 shares, respectively)	272	1,694
Shares repurchased		
Class A (1,913 and 4,115 shares, respectively)	(26,399)	(58,177)
Class B (10 and 18 shares, respectively)	(145)	(258)
Class C (328 and 770 shares, respectively)	(4,476)	(10,671)
Increase (decrease) in net assets from share transactions	(22,646)	(25,836)
Net increase (decrease) in net assets	(7,086)	(89,066)
Net Assets		
Beginning of period	500,731	589,797
End of period	\$493,645	\$500,731
Accumulated undistributed net investment income (loss) at end of period	\$ (979)	\$ (287)

⁽¹⁾ Amount is less than 500 shares.

See Notes to Financial Statements

**VIRTUS STRATEGIC ALLOCATION FUND
FINANCIAL HIGHLIGHTS**

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

	Net Asset Value, Beginning of Period	Net Investment Income (Loss) ⁽¹⁾	Net Realized and Unrealized Gain (Loss)	Total from Investment Operations	Dividends from Net Investment Income	Distributions from Net Realized Gains	Total Distributions	Payments from Affiliates	Change in Net Asset Value	Net Asset Value, End of Period	Total Return ⁽²⁾	Net Assets, End of Period (in thousands)	Ratio of Net Expenses to Average Net Assets ⁽³⁾	Ratio of Gross Expenses to Average Net Assets (before waivers and reimbursements) ⁽³⁾	Ratio of Net Investment Income (Loss) to Average Net Assets	Portfolio Turnover Rate
Class A																
4/1/16 to 9/30/16 ⁽⁶⁾	\$13.55	0.13	0.47	0.60	(0.15)	(0.02)	(0.17)	—	0.43	\$13.98	4.42% ⁽⁷⁾	\$456,922	1.15% ⁽⁴⁾⁽⁸⁾	1.16% ⁽⁸⁾	1.81% ⁽⁸⁾	77% ⁽⁷⁾
4/1/15 to 3/31/16	15.18	0.29	(1.22)	(0.93)	(0.25)	(0.45)	(0.70)	— ⁽⁵⁾	(1.63)	13.55	(6.37)	461,276	1.12 ⁽⁴⁾	1.13	2.05	75
4/1/14 to 3/31/15	15.54	0.29	0.33	0.62	(0.30)	(0.68)	(0.98)	—	(0.36)	15.18	4.08	541,818	1.10	1.10	1.89	62
4/1/13 to 3/31/14	15.35	0.30	1.65	1.95	(0.29)	(1.47)	(1.76)	—	0.19	15.54	13.79	570,784	1.10	1.10	1.97	57
4/1/12 to 3/31/13	14.58	0.20	0.78	0.98	(0.21)	—	(0.21)	—	0.77	15.35	6.77	559,955	1.10	1.10	1.39	121
4/1/11 to 3/31/12	14.00	0.22	0.58	0.80	(0.22)	—	(0.22)	—	0.58	14.58	5.83	572,561	1.11	1.11	1.57	109
Class B																
4/1/16 to 9/30/16 ⁽⁶⁾	\$13.48	0.07	0.47	0.54	(0.09)	(0.02)	(0.11)	—	0.43	\$13.91	4.04% ⁽⁷⁾	\$ 415	1.90% ⁽⁴⁾⁽⁸⁾	1.90% ⁽⁸⁾	1.06% ⁽⁸⁾	77% ⁽⁷⁾
4/1/15 to 3/31/16	15.10	0.19	(1.22)	(1.03)	(0.14)	(0.45)	(0.59)	— ⁽⁵⁾	(1.62)	13.48	(7.06)	542	1.87 ⁽⁴⁾	1.87	1.32	75
4/1/14 to 3/31/15	15.46	0.18	0.32	0.50	(0.18)	(0.68)	(0.86)	—	(0.36)	15.10	3.29	848	1.85	1.85	1.18	62
4/1/13 to 3/31/14	15.28	0.18	1.64	1.82	(0.17)	(1.47)	(1.64)	—	0.18	15.46	12.89	1,272	1.85	1.85	1.22	57
4/1/12 to 3/31/13	14.51	0.09	0.78	0.87	(0.10)	—	(0.10)	—	0.77	15.28	5.99	1,822	1.86	1.86	0.62	121
4/1/11 to 3/31/12	13.93	0.11	0.58	0.69	(0.11)	—	(0.11)	—	0.58	14.51	5.06	2,387	1.86	1.86	0.83	109
Class C																
4/1/16 to 9/30/16 ⁽⁶⁾	\$13.44	0.07	0.47	0.54	(0.09)	(0.02)	(0.11)	—	0.43	\$13.87	4.06% ⁽⁷⁾	\$ 36,308	1.90% ⁽⁴⁾⁽⁸⁾	1.90% ⁽⁸⁾	1.06% ⁽⁸⁾	77% ⁽⁷⁾
4/1/15 to 3/31/16	15.06	0.18	(1.21)	(1.03)	(0.14)	(0.45)	(0.59)	— ⁽⁵⁾	(1.62)	13.44	(7.06)	38,913	1.87 ⁽⁴⁾	1.88	1.31	75
4/1/14 to 3/31/15	15.43	0.17	0.33	0.50	(0.19)	(0.68)	(0.87)	—	(0.37)	15.06	3.29	47,131	1.85	1.85	1.12	62
4/1/13 to 3/31/14	15.26	0.18	1.63	1.81	(0.17)	(1.47)	(1.64)	—	0.17	15.43	12.89	41,713	1.85	1.85	1.22	57
4/1/12 to 3/31/13	14.50	0.09	0.77	0.86	(0.10)	—	(0.10)	—	0.76	15.26	5.95	40,937	1.85	1.85	0.64	121
4/1/11 to 3/31/12	13.92	0.11	0.58	0.69	(0.11)	—	(0.11)	—	0.58	14.50	5.07	40,792	1.86	1.86	0.82	109

⁽¹⁾ Computed using average shares outstanding.

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

⁽³⁾ The Fund may invest in other funds, and the annualized expense ratios do not reflect the fees and expenses associated with the underlying funds.

⁽⁴⁾ Earnings credit from custodian were not material, as reflected in the Statement of Operations, and had no impact on Financial Highlights.

⁽⁵⁾ Amount is less than \$0.005.

⁽⁶⁾ Annualized.

⁽⁷⁾ Not annualized.

⁽⁸⁾ Unaudited.

⁽⁹⁾ Net expense ratios includes extraordinary proxy expenses.

See Notes to Financial Statements

VIRTUS STRATEGIC ALLOCATION FUND

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 (Unaudited)

Note 1. Organization

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

As of the date of this report, 11 diversified funds of the Trust are offered for sale, of which the Virtus Strategic Allocation Fund (the "Fund") is reported in this 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. Class B shares of the Fund are no longer available for purchase by new or existing shareholders, except by existing shareholders through Qualifying Transactions. For information regarding Qualifying Transactions, refer to the Fund's prospectus.

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

Virtus Mutual Funds may impose an annual fee on accounts having balances of less than \$2,500. The small account fee may be waived in certain circumstances, as disclosed in the prospectus and/or statement of additional information. The fees collected will be used to offset certain expenses of the Fund.

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

Note 2. Significant Accounting Policies

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

A. Security Valuation

Security valuation procedures for the Fund, which include nightly price variance, as well as back-testing such as bi-weekly unchanged price, monthly secondary source and

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
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transaction analysis, have been approved by the Board of Trustees (the “Board”, or the “Trustees”). All internally fair valued securities are approved by a valuation committee (the “Valuation Committee”) appointed by the Board. The Valuation Committee is comprised of certain 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. Quarterly fair valuations are reviewed by the Board.

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

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

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

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

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

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

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
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information, as well as dealer supplied prices. These valuations are generally categorized as Level 2 in the hierarchy. Structured debt instruments, such as mortgage-backed and asset-backed securities, may also incorporate collateral analysis and utilize cash flow models for valuation and are generally categorized as Level 2 in the hierarchy. Pricing services do not provide pricing for all securities and therefore indicative bids from dealers are utilized which are based on pricing models used by market makers in the security and are generally categorized as Level 2 in the hierarchy. Debt securities that are not widely traded, are illiquid, or are internally fair valued by the Valuation Committee, are generally categorized as Level 3 in the hierarchy.

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

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

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

B. Security Transactions and Investment Income

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

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

C. Income Taxes

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

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

Management of the Fund has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. As of September 30,

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
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2016, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the year 2013 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 accounting principles generally accepted in the United States of America. These differences may include the treatment of non-taxable dividends, market premium and discount, non-deductible expenses, expiring capital loss carryovers, foreign currency gain or loss, gain or loss on futures contracts, partnerships, operating losses and losses deferred due to wash sales. Permanent book and tax basis differences relating to shareholder distributions will result in reclassifications to capital paid in on shares of beneficial interest.

E. Expenses

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

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

F. Foreign Currency Translation

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

G. Loan Agreements

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

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

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. Loan agreements may involve foreign borrowers and investments may be denominated in foreign currencies. Direct indebtedness of emerging countries involves a risk that the government entities responsible for the repayment of the debt may be unable, or unwilling, to pay the principal and interest when due.

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

At September 30, 2016, all loan agreements held by the Fund are assignment loans.

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

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

I. Securities Lending

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

At September 30, 2016, the Fund had no securities on loan.

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

J. Earnings Credit and Interest

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

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

A. Adviser

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

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

During the period covered by these financial statements, the Fund invested a portion of its assets in Virtus Credit Opportunities Fund, an affiliated mutual fund. In order to avoid any duplication of advisory fees, the Adviser has voluntarily waived its advisory fees in an amount equal to that which would otherwise be paid by the Fund on the assets invested in the Credit Opportunities Fund. For the period covered by these financial statements, the waiver amounted to \$10.

B. Subadvisers

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

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

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 six months (the "period") ended September 30, 2016, it retained net commissions of \$8 for Class A shares and CDSC of \$—, \$—, and \$(26) for Class A shares, Class B shares, and Class C shares, respectively.

In addition, the Fund pays VP Distributors distribution and/or service 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%; Class B shares 1.00%; and Class C shares 1.00%.

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

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.

⁽¹⁾ 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 September 30, 2016, the Fund incurred administration fees totaling \$244 which are included in the Statement of Operations.

For the period ended September 30, 2016, the Fund incurred transfer agent fees totaling \$202 which are included in the Statement of Operations. A portion of these fees was paid to outside entities that also provide services to the Trust.

E. Investments in Affiliates

A summary of total long-term and short-term purchases and sales of the affiliated underlying fund Virtus Credit Opportunities Fund during the period ended September 30, 2016, is as follows:

<u>Value, beginning of period</u>	<u>Purchases</u>	<u>Sales Proceeds</u>	<u>Value, end of period</u>	<u>Dividend Income</u>	<u>Distributions of Realized Gains</u>
\$3,414	\$—	\$—	\$3,510	\$71	\$—

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" on the Statement of Assets and Liabilities at September 30, 2016.

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 September 30, 2016, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$348,277	\$367,765

Purchases and sales of long-term U.S. Government and agency securities during the period ended September 30, 2016, were as follows:

<u>Purchases</u>	<u>Sales</u>
\$26,643	\$23,990

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

Note 5. Borrowings

(\$ reported in thousands)

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

The Fund had no outstanding borrowings at any time during the period ended September 30, 2016.

Note 6. Credit Risk and Asset Concentrations

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 objective. 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. Indemnifications

Under the Trust's organizational documents, its Trustees and officers are indemnified against certain liabilities arising out of the performance of their duties to the Fund. Each Trustee has entered into an indemnification agreement with the Trust. 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.

VIRTUS STRATEGIC ALLOCATION FUND
NOTES TO FINANCIAL STATEMENTS (Continued)
SEPTEMBER 30, 2016 (Unaudited)

Note 8. Federal Income Tax Information

(\$ reported in thousands)

At September 30, 2016, federal tax cost and aggregate gross unrealized appreciation (depreciation) of securities held by the Fund were as follows:

<u>Federal Tax Cost</u>	<u>Unrealized Appreciation</u>	<u>Unrealized (Depreciation)</u>	<u>Net Unrealized Appreciation (Depreciation)</u>
\$467,806	\$24,807	\$(5,813)	\$18,994

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. Illiquid securities are footnoted as such at the end of the Fund's Schedule of Investments, where applicable. However, a portion of such footnoted securities could be liquid where it is determined that some, though not all, of the position could be disposed of within seven days in the ordinary course of business at the approximate amount at which such securities have been valued by the Fund.

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

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

At September 30, 2016, the Fund's aggregate value of illiquid securities was \$768 or 0.2% of the Fund's net assets. These securities have been identified on the Schedule of Investments.

At September 30, 2016, the Fund did not hold any securities that were both illiquid and 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. Subsequent Events

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

CONSIDERATION OF SUBADVISORY AGREEMENTS FOR VIRTUS STRATEGIC ALLOCATION FUND (F/K/A BALANCED FUND) AND VIRTUS TACTICAL ALLOCATION FUND BY THE BOARD OF TRUSTEES

The Board of Trustees (the "Board") of Virtus Equity Trust (the "Trust") is responsible for the consideration and approval of advisory and subadvisory agreements for the Trust. At an in-person Board meeting held on August 23-24, 2016, 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"), authorized the termination of the current subadvisory agreement with Euclid Advisors LLC ("Euclid"), subadviser to the Virtus Strategic Allocation Fund (f/k/a Balanced Fund) and Virtus Tactical Allocation Fund (each a "Fund" and collectively, the "Funds"), and approved new interim investment subadvisory agreements and new investment subadvisory agreements (the "Subadvisory Agreements") with Kayne Anderson Rudnick Investment Management, LLC ("KAR") and Duff & Phelps Investment Management Co. ("DPIM")(each, a "Subadviser" and collectively, the "Subadvisers").

In considering the approval of the Subadvisers, the Board requested and evaluated information provided by Virtus Investment Advisers, Inc. (the "Adviser") and the Subadvisers which, in the Board's view, constituted information necessary for the Board to form a judgment as to whether the subadviser changes would be in the best interests of the Funds and their shareholders. The Board also considered information furnished throughout the year at regular Board meetings with respect to the services provided by VIA and already provided by the Subadvisers for other funds, including quarterly performance reports prepared by management containing reviews of investment results and periodic presentations from the Subadvisers with respect to the funds they manage. The Board noted the affiliation of the Subadvisers with VIA and any potential conflicts of interest.

The Independent Trustees were separately advised by independent legal counsel throughout the process. For each Agreement, the Board considered all the criteria separately with respect to the applicable Fund and its shareholders. In their deliberations, the Trustees 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 Subadvisory Agreements in private sessions with their independent legal counsel at which no representatives of management were present.

Basis for the Board's Recommendation

In making its determination with respect to the Subadvisory Agreements, the Board considered various factors, including:

- Nature, extent, and quality of the services to be provided by the Subadvisers. The Trustees received in advance of the meeting information in the form of an extensive questionnaire completed by each Subadviser concerning a number of topics, including its investment philosophy, resources, operations and compliance structure. The Trustees noted that the Subadvisers would provide portfolio management, compliance with each Fund's investment policies and procedures, compliance with applicable securities laws, and assurances thereof. The Trustees reviewed biographical information for the portfolio managers who would provide services under the Subadvisory Agreements and noted the breadth and depth of experience of the portfolio managers. In considering the approval of the Subadvisory Agreements, the Trustees considered each Subadviser's investment management process, including (a) the experience, capability and integrity of each Subadviser's management and other personnel committed by the Subadviser to the Funds; (b) the quality and commitment of each Subadviser's regulatory and legal compliance policies, procedures and systems;

**CONSIDERATION OF SUBADVISORY AGREEMENTS FOR
VIRTUS STRATEGIC ALLOCATION FUND (F/K/A BALANCED FUND)
AND VIRTUS TACTICAL ALLOCATION FUND
BY THE BOARD OF TRUSTEES (Continued)**

and (c) each Subadviser's brokerage and trading practices. The Board concluded that the nature, extent and quality of the services to be provided by the Subadvisers to the Funds was reasonable.

- Investment Performance. The Board considered performance reports and discussions at Board meetings throughout the year, as well as data furnished in connection with the contract consideration process for the Funds and the Subadvisers. The Board noted the Euclid portfolio managers who managed the international equity portion of the Funds would continue in the same role with DPIM, and noted the international equity portion of the Funds outperformed the index for the 1- and 3-year periods and since the portfolio managers began managing the international equity portion of the Funds. The Board considered the investment performance of similarly managed products by KAR, and noted they outperformed the equity portion of the Funds for the 1-, 3- and 5-year periods. After reviewing these and related factors, the Board concluded that each Subadviser's overall performance was satisfactory.
- Subadvisory Fee. The Board took into account that each Fund's subadvisory fees are paid by the Adviser and not by the Funds, so that the Funds' shareholders would not be directly impacted by those fees. The Board also noted that the proposed subadvisory fees under the Subadvisory Agreements were the same as the subadvisory fees paid to each Fund's previous subadviser. The Board concluded that the proposed subadvisory fees were fair and reasonable in light of services to be provided by the Subadvisers and all factors considered.
- Profitability and economies of scale. In considering the expected profitability to each Subadviser of its relationship with the Funds, the Board noted that the fees under the Subadvisory Agreements are paid by the Adviser out of the advisory fees that it receives under the Advisory Agreement and not by the Funds. In considering the reasonableness of the fees payable by the Adviser to the Subadvisers, the Board noted that, because the Subadvisers are affiliates of the Adviser, such profitability might be directly or indirectly shared by the Adviser, and therefore the Board considered the profitability together. As a result, the expected profitability to each Subadviser of its relationships with the Funds was not a material factor in the Board's deliberations at this time. For similar reasons, the Board did not consider the potential economies of scale in each Subadviser's management of the Funds to be a material factor in its consideration at this time.
- Other Benefits. The Board considered other benefits that may be realized by each Subadviser and its affiliates from their relationship with the Funds. For instance the Board noted that the Subadvisers' reputation in the brokerage community might result in greater assets in the Funds. The Board was also advised that there may be certain intangible benefits gained by the Subadvisers to the extent that serving the Funds could provide the opportunity to provide advisory services to additional funds of the Trust or could enhance each Subadviser's reputation in the marketplace, and, therefore, the subadvisory changes could enable each Subadviser to attract additional client relationships.

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

**RESULTS OF SHAREHOLDER MEETING
VIRTUS EQUITY TRUST
MAY 19, 2016 (Unaudited)**

At a special meeting of shareholders of all series of Virtus Equity Trust, Virtus Insight Trust and Virtus Opportunities Trust, held on May 19, 2016, shareholders of Virtus Equity Trust (the "Trust") voted on the following proposals:

Proposal 1.

	Number of Eligible Votes:		
FOR	AGAINST	ABSTAIN	
To elect six Trustees to serve on the Board of Trustees until the next meeting of shareholders at which Trustees are elected.			
George R. Aylward	76,300,233.296	3,067,034.578	0
Thomas J. Brown	76,229,850.000	3,137,417.874	0
Donald C. Burke	76,335,500.148	3,031,767.726	0
Roger A. Gelfenbien	76,143,196.612	3,224,071.262	0
John R. Mallin	76,357,511.609	3,009,756.265	0
Hassell H. McClellan	76,234,303.160	3,132,964.714	0

Shareholders of the Trust voted to approve the above proposal.

Proposal 2.

	Number of Eligible Votes:		
FOR	AGAINST	ABSTAIN	
To approve a proposal to permit Virtus Investment Advisers, Inc., as the investment adviser to all the Funds, to hire and replace subadvisers or to modify subadvisory agreements without shareholder approval.			
Virtus Quality Small-Cap Fund	6,395,582.096	192,078.666	161,104.185

Shareholders of the Fund listed above voted to approve the above proposal.

**RESULTS OF SHAREHOLDER MEETING
VIRTUS EQUITY TRUST
JUNE 16, 2016 (Unaudited)**

At a special meeting of shareholders of Virtus Quality Large-Cap Value Fund, Virtus Small-Cap Sustainable Growth Fund, Virtus Strategic Allocation Fund (f/k/a Balanced Fund) and Virtus Tactical Allocation Fund, each a series of Virtus Equity Trust, held on June 16, 2016, shareholders voted on the following proposal:

Proposal 2.

	<u>Number of Eligible Votes:</u>		
	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>
To approve a proposal to permit Virtus Investment Advisers, Inc., as the investment adviser to all the Funds, to hire and replace subadvisers or to modify subadvisory agreements without shareholder approval.			
Virtus Quality Large-Cap Value Fund	1,595,273.860	91,996.077	68,192.075
Virtus Small-Cap Sustainable Growth Fund	4,943,986.777	151,690.044	161,901.380
Virtus Strategic Allocation Fund (f/k/a Balanced Fund)	14,049,738.184	1,590,278.231	1,111,223.197
Virtus Tactical Allocation Fund	6,834,576.357	868,790.039	503,063.675

Shareholders of the funds listed above voted to approve the proposal.

**RESULTS OF SHAREHOLDER MEETING
VIRTUS EQUITY TRUST
JULY 18, 2016 (Unaudited)**

At a special meeting of shareholders of Virtus Mid-Cap Growth Fund, Virtus Strategic Growth Fund, Virtus Contrarian Value Fund, Virtus Enhanced Core Equity Fund (f/k/a Growth & Income Fund), Virtus Mid-Cap Core Fund, and Virtus Small-Cap Core Fund, each a series of Virtus Equity Trust, held on July 18, 2016, shareholders voted on the following proposals:

Proposal 2.

	<u>Number of Eligible Votes:</u>		
	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>
To approve a proposal to permit Virtus Investment Advisers, Inc., as the investment adviser to all the Funds, to hire and replace subadvisers or to modify subadvisory agreements without shareholder approval.			
Virtus Mid-Cap Growth Fund	1,528,987.328	182,715.868	108,663.887
Virtus Strategic Growth Fund	12,604,603.933	1,426,785.792	970,465.876
Virtus Contrarian Value Fund	2,268,907.973	418,866.247	123,847.286
Virtus Enhanced Core Equity Fund (f/k/a Growth & Income Fund)	3,193,181.336	329,948.091	365,647.470
Virtus Mid-Cap Core Fund	667,382.241	34,405.648	38,116.054
Virtus Small-Cap Core Fund	5,359,077.823	218,544.658	210,330.848

Shareholders of Virtus Mid-Cap Growth Fund and Virtus Strategic Growth Fund voted to approve the above proposal. Shareholders of Virtus Contrarian Value Fund, Virtus Enhanced Core Equity Fund (f/k/a Growth & Income Fund), Virtus Mid-Cap Core Fund, and Virtus Small-Cap Core Fund did not approve the above proposal.

Proposal 6.

	<u>Number of Eligible Votes:</u>		
	<u>FOR</u>	<u>AGAINST</u>	<u>ABSTAIN</u>
To amend the fundamental restrictions of the Fundamental Restriction Funds with respect to loans.			
Virtus Contrarian Value Fund	2,506,225.211	156,143.775	149,255.522

Shareholders of Virtus Contrarian Value Fund did not approve the above proposal.

**Virtus Balanced Fund
and Virtus Tactical Allocation Fund
each a series of Virtus Equity Trust**

Supplement dated September 7, 2016 to the Summary and
Statutory Prospectuses dated July 29, 2016

IMPORTANT NOTICE TO INVESTORS

As approved by the Board of Trustees of Virtus Equity Trust, effective September 7, 2016, Duff & Phelps Investment Management Co. (“Duff & Phelps”) and Kayne Anderson Rudnick Investment Management, LLC (“Kayne Anderson Rudnick”) became subadvisers to the above-named funds. Also effective September 7, 2016, Euclid Advisors LLC (“Euclid”), a current subadviser to the funds, is removed as subadviser. Accordingly, effective September 7, 2016, all references to Euclid as subadviser to the funds, and to David Dickerson and Carlton Neel as portfolio managers, are hereby removed from the funds’ prospectuses. Frederick A. Brimberg, a portfolio manager at Euclid and Duff & Phelps will continue to be the portfolio manager for the funds. Virtus Investment Advisers, Inc. (“VIA”) will continue to serve as the funds’ investment adviser. Newfleet Asset Management, LLC, also currently a subadviser to each of the funds, will continue to manage the fixed income portfolios for the funds. Each of Duff & Phelps and Kayne Anderson Rudnick will serve under an interim subadvisory agreement until such time as the funds’ standard subadvisory agreement is implemented, not to exceed 150 days.

Effective September 7, 2016, the Balanced Linked Benchmark consists of 45% Russell 1000® Growth Index (a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies, calculated on a total return basis with dividends reinvested), 15% MSCI EAFE® Index (a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada, calculated on a total return basis with net dividends reinvested), and 40% Barclays U.S. Aggregate Bond Index (an index that measures the U.S. investment grade fixed rate bond market, calculated on a total return basis). The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Balanced Fund Linked Benchmark prior to September 7, 2016 represents an allocation consisting of 60% S&P 500® Index and 50% Barclays U.S. Aggregate Bond Index. The change in the composition of the fund’s linked benchmark is being made so that it more closely reflects the composition of the fund’s portfolio following the subadviser and investment strategy changes described in this supplement.

Effective September 7, 2016, the Tactical Allocation Fund Linked Benchmark consists of 45% Russell 1000® Growth Index (a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies, calculated on a total return basis with dividends reinvested), 15% MSCI EAFE® Index (a free float-adjusted market capitalization-weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada, calculated on a total return basis with net dividends reinvested), and 40% Barclays U.S. Aggregate Bond Index (an index

that measures the U.S. investment grade fixed rate bond market, calculated on a total return basis). The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment. Performance of the Tactical Allocation Fund Linked Benchmark prior to September 7, 2016 represents an allocation consisting of 50% S&P 500® Index and 50% Barclays U.S. Aggregate Bond Index. The change in the composition of the fund's linked benchmark is being made so that it more closely reflects the composition of the fund's portfolio following the subadviser and investment strategy changes described in this supplement.

Additionally, effective October 11, 2016, Virtus Balanced Fund's name will be changed to **Virtus Strategic Allocation Fund**. Effective October 11, 2016, all references in the fund's summary and statutory prospectuses to the fund's former name will be deemed changed to Virtus Strategic Allocation Fund.

Additional disclosure changes resulting from the subadviser changes are described below and are also effective September 7, 2016.

Virtus Balanced Fund

The first paragraph under "Principal Investment Strategies" in the summary prospectus and the summary section of the statutory prospectus is hereby replaced with the following:

The fund targets an asset allocation consisting of approximately 45% in U.S. equity securities, 15% in non-U.S. equity securities and 40% in fixed income securities. For the fund's U.S. equity allocation, the subadviser invests in a select group of large market capitalization growth companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies the subadviser believes to have a sustainable competitive advantage, strong management and low financial risk, and to be able to grow over market cycles. For the fund's non-U.S. equity exposure, which may be implemented through American Depositary Receipts (ADRs), the subadviser's process is driven by bottom-up fundamental research and informed by top-down macro views. For the fixed income allocation, the subadviser employs a time-tested approach of active sector rotation, extensive credit research, and disciplined risk management designed to capitalize on opportunities across the fixed income markets. Allocation percentages are measured at time of purchase.

The disclosure under "Principal Risks" in the summary prospectus and in the summary section of the statutory prospectus is hereby amended by adding the following disclosure:

- > **Growth Stocks Risk.** The risk that the fund's investments in growth stocks will be more volatile than investments in other types of stocks, or will perform differently from the market as a whole and from other types of stocks.
- > **Large Market Capitalization Companies Risk.** The risk that the value of investments in larger companies may not rise as much as smaller companies, or that larger companies may be unable to respond quickly to competitive challenges, such as changes in technology and consumer tastes.

The second paragraph under “Management” in the summary prospectus and in the summary section of the statutory prospectus is hereby revised to state: The fund’s subadvisers are Duff & Phelps Investment Management Co. (“Duff & Phelps”) (international equity portion), Kayne Anderson Rudnick Investment Management, LLC (“Kayne Anderson Rudnick”) (domestic equity portion) and Newfleet Asset Management, LLC (“Newfleet”) (fixed income portion), each an affiliate of VIA.

The disclosure under “Portfolio Managers” in the summary prospectus and in the summary section of the statutory prospectus is hereby replaced with the following:

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

The first two paragraphs of the disclosure under Principal Investment Strategies” on page 49 of the statutory prospectus are hereby replaced with the following:

Under normal circumstances, the fund invests at least 65% of its assets in common stocks and fixed income securities of both U.S. and foreign issuers, including issuers in emerging market countries, and may invest in issuers of any size. The fund targets an asset allocation consisting of approximately 45% in U.S. equity securities, 15% in non-U.S. equity securities and 40% in fixed income securities. Allocation percentages are measured at time of purchase.

For the fund’s U.S. equity allocation, the fund invests in equity securities of large market capitalization companies. As of the date of this Prospectus, the fund’s subadviser considers large market capitalization companies for this purpose to be those companies that, at the time of initial purchase, have market capitalizations within the range of the Russell 1000® Index. Because large market capitalization companies are defined by reference to an index, the market capitalization of companies in which the fund invests may vary with market conditions. As of June 30, 2016, the market capitalization of companies included in the Russell 1000® Index was \$1.14 billion to \$524 billion.

The subadviser uses a strategy emphasizing consistently growing, highly profitable, low-debt companies with rising cash flows, which the subadviser deems to be of high quality. If a company meets these criteria, the subadviser researches and analyzes that company’s strength of management, relative competitive position in the industry, and its financial structure. A proprietary model is used to determine relative value.

The subadviser's sell discipline seeks to dispose of holdings that, among other things, achieve a target price, or are the subject of negative developments individually or as an industry, or as necessary to provide funding to upgrade and improve portfolio holdings or meet diversification requirements.

The first sentence of the third paragraph of the disclosure in the same section is hereby replaced with the following: "For the fund's non-U.S. equity allocation, which may be implemented through ADRs, the subadviser's process is driven by bottom-up fundamental research and informed by top-down macro views."

The table under "More Information About Risks Related to Principal Investment Strategies" on page 62 of the statutory prospectus is hereby amended by adding an "X" in the row entitled "Growth Stocks" thereby indicating that this risk applies to the fund.

Virtus Tactical Allocation Fund

The disclosure under "Principal Investment Strategies" in the summary prospectus and the summary section of the statutory prospectus is hereby replaced with the following:

Diversified across equity and fixed income securities, the fund's tactical allocation approach seeks to generate a combination of capital appreciation and income. For the fund's U.S. equity allocation, the subadviser invests in a select group of large market capitalization growth companies believed to be undervalued relative to their future growth potential. The investment strategy emphasizes companies the subadviser believes to have a sustainable competitive advantage, strong management and low financial risk, and to be able to grow over market cycles. For the fund's non-U.S. equity exposure, which may be implemented through American Depositary Receipts (ADRs), the subadviser's process is driven by bottom-up fundamental research and informed by top-down macro views. For the fixed income allocation, the subadviser employs a time-tested approach of active sector rotation, extensive credit research, and disciplined risk management designed to capitalize on opportunities across the fixed income markets.

The fund invests in U.S. equity, non-U.S. equity and fixed income securities using a tactical allocation approach. Generally, the following percentages apply: 25% to 60% invested in U.S. equity securities, 5% to 30% invested in non-U.S. securities and 35% to 60% invested in fixed income securities. The equity allocation is invested in common, preferred, and ADR securities. The fixed income allocation may be invested in all sectors of fixed income securities, including high-yield/high-risk ("junk bonds"), bank loans (which are generally floating rate), mortgage-backed and asset-backed, government, corporate, and municipal debt obligations. Normally, the fund's fixed income allocation has a dollar-weighted average duration of between two and eight years. The fund may invest in both U.S. and foreign (non-U.S.) securities, including those of issuers in emerging market countries, and may invest in issuers of any size. Allocation percentages are measured at time of purchase.

Generally, the fund's U.S. equity investments are in large market capitalization companies. As of the date of this Prospectus, the fund's subadviser considers

large market capitalization companies for this purpose to be those companies that, at the time of initial purchase, have market capitalizations within the range of the Russell 1000® Index. Because large market capitalization companies are defined by reference to an index, the market capitalization of companies in which the fund invests may vary with market conditions. As of June 30, 2016, the market capitalization of companies included in the Russell 1000® Index was \$1.14 billion to \$524 billion.

The disclosure under “Principal Risks” in the summary prospectus and in the summary section of the statutory prospectus is hereby amended by adding the following disclosure:

- > **Growth Stocks Risk.** The risk that the fund’s investments in growth stocks will be more volatile than investments in other types of stocks, or will perform differently from the market as a whole and from other types of stocks.
- > **Large Market Capitalization Companies Risk.** The risk that the value of investments in larger companies may not rise as much as smaller companies, or that larger companies may be unable to respond quickly to competitive challenges, such as changes in technology and consumer tastes.

The second paragraph under “Management” in the summary prospectus and in the summary section of the statutory prospectus is hereby revised to state: The fund’s subadvisers are Duff & Phelps Investment Management Co. (“Duff & Phelps”) (international equity portion), Kayne Anderson Rudnick Investment Management, LLC (“Kayne Anderson Rudnick”) (domestic equity portion) and Newfleet Asset Management, LLC (“Newfleet”) (fixed income portion), each an affiliate of VIA.

The disclosure under “Portfolio Managers” in the summary prospectus and in the summary section of the statutory prospectus is hereby replaced with the following:

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

The first two paragraphs under “Principal Investment Strategies” on page 60 of the statutory prospectus is hereby replaced with the following:

The fund invests in U.S. equity, non-U.S. equity and fixed income securities using a tactical allocation approach. Generally, the following percentages apply: 25% to 60% invested in U.S. equity securities, 5% to 30% invested in non-U.S. securities and 35% to 60% invested in fixed income securities. The equity allocation is invested in common, preferred, and ADR securities. The fixed income allocation

may be invested in all sectors of fixed income securities, including high-yield, high-risk (“junk bonds”), mortgage-backed and asset-backed, government, corporate, and municipal debt obligations. The fund may invest in both U.S. and foreign (non-U.S.) securities, including those of issuers in emerging market countries and may invest in issuers of any size. Allocation percentages are measured at time of purchase.

For the fund’s U.S. equity allocation, the fund invests in equity securities of large market capitalization companies. As of the date of this Prospectus, the fund’s subadviser considers large market capitalization companies for this purpose to be those companies that, at the time of initial purchase, have market capitalizations within the range of the Russell 1000® Index. Because large market capitalization companies are defined by reference to an index, the market capitalization of companies in which the fund invests may vary with market conditions. As of June 30, 2016, the market capitalization of companies included in the Russell 1000® Index was \$1.14 billion to \$524 billion. The fund’s policy of investing 65% of its assets in large market capitalization companies may be changed only upon 60 days’ written notice to shareholders.

The subadviser uses a strategy emphasizing consistently growing, highly profitable, low-debt companies with rising cash flows, which the subadviser deems to be of high quality. If a company meets these criteria, the subadviser researches and analyzes that company’s strength of management, relative competitive position in the industry, and its financial structure. A proprietary model is used to determine relative value.

The subadviser’s sell discipline seeks to dispose of holdings that, among other things, achieve a target price, or are the subject of negative developments individually or as an industry, or as necessary to provide funding to upgrade and improve portfolio holdings or meet diversification requirements.

The first sentence of the third paragraph of the disclosure in the same section is hereby replaced with the following: “For the fund’s non-U.S. equity allocation, which may be implemented through ADRs, the subadviser’s process is driven by bottom-up fundamental research and informed by top-down macro views.”

The table under “More Information About Risks Related to Principal Investment Strategies” on page 62 of the statutory prospectus is hereby amended by adding an “X” in the row entitled “Growth Stocks” thereby indicating that this risk applies to the fund.

Both Funds

Under “The Adviser” on page 69 of the statutory prospectus, the first table is hereby amended by replacing the rows for the funds shown below with the following information:

Virtus Balanced Fund	Duff & Phelps Investment Management Co. (“Duff & Phelps”) (international equity portion) Kayne Anderson Rudnick Investment Management, LLC (“Kayne Anderson Rudnick”) (domestic equity portion) Newfleet Asset Management, LLC (“Newfleet”) (fixed income portion)
Virtus Tactical Allocation Fund	Duff & Phelps (international equity portion) Kayne Anderson Rudnick (domestic equity portion) Newfleet (fixed income portion)

Under “The Subadvisers” on page 70 of the statutory prospectus, the following paragraph is hereby added:

Duff & Phelps, an affiliate of VIA, is located at 200 South Wacker Drive, Suite 500, Chicago, IL 60606. Duff & Phelps acts as subadviser to mutual funds and as adviser or subadviser to closed-end mutual funds and to institutional clients. Duff & Phelps (together with its predecessor) has been in the investment advisory business for more than 70 years. As of June 30, 2016, Duff & Phelps had approximately \$10 billion in assets under management on a discretionary basis.

Under “The Subadvisers” on page 70 of the statutory prospectus, the table showing subadvisory fees is hereby amended by replacing the rows for the funds shown below with the following information:

Virtus Balanced Fund	50% of Net Advisory fee to Duff & Phelps (international equity portion) 50% of the Net Advisory fee to Kayne Anderson Rudnick (domestic equity portion) 50% of the Net Advisory Fee to Newfleet (fixed income portion)
Virtus Tactical Allocation Fund	50% of Net Advisory fee to Duff & Phelps (international equity portion) 50% of the Net Advisory fee to Kayne Anderson Rudnick (domestic equity portion) 50% of the Net Advisory Fee to Newfleet (fixed income portion)

Under “Portfolio Management” beginning on page 71 of the statutory prospectus, the following information for “Duff & Phelps” is hereby added:

Duff & Phelps

Virtus Balanced Fund (international equity portion only)	Frederick A. Brimberg (since 2012)
Virtus Tactical Allocation Fund (international equity portion only)	Frederick A. Brimberg (since 2012)

Frederick A. Brimberg. Mr. Brimberg is Senior Managing Director and International Equity Portfolio Manager at Duff & Phelps (since August 2016) and Euclid Advisors LLC (“Euclid”) (since 2012), an affiliate of Duff & Phelps and VIA. Prior to joining Euclid, he was senior vice president and international portfolio manager at Avatar Associates (2006 to 2012), where he started the international strategy in 2006. Earlier, he was vice president and portfolio manager at ING Investment Management and its predecessor Lexington Management, with a focus on global equity investing. Mr. Brimberg’s career spans 30-plus years in investment management, trading, and capital markets, with positions at Brimberg & Co., and Lehman Brothers.

Also in this section, the information for “Kayne” is amended by adding the following information to the table:

Virtus Balanced Fund (domestic equity portion only)	Doug Foreman, CFA (since September 2016)
Virtus Tactical Allocation Fund (domestic equity portion only)	Doug Foreman, CFA (since September 2016)

Additionally, the information for “Newfleet” is amended by adding the following information to the table:

Virtus Balanced Fund (fixed income portion only)	Christopher J. Kelleher (since September 2016)
--	--

All other disclosure concerning the funds, including fees and expenses, remains unchanged from their prospectuses dated July 29, 2016.

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

VIRTUS EQUITY TRUST

101 Munson Street
Greenfield, MA 01301-9668

Trustees

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

Officers

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

Investment Adviser

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Hartford, CT 06103-4506

Principal Underwriter

VP Distributors, LLC
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Hartford, CT 06103-4506

Administrator and Transfer Agent

Virtus Fund Services, LLC
100 Pearl Street
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Custodian

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New York, NY 10005-1401

How to Contact Us

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

Important Notice to Shareholders

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



P.O. Box 9874
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For more information about
Virtus Mutual Funds, please call
your financial representative, or
contact us at **1-800-243-1574**
or **Virtus.com**