

# Elements of Diversification

Market leadership changes dramatically from year to year – and predicting the next winning style is impossible. **Your best strategy? Diversification.**  
**Diversification does not guarantee against a loss, and there is no guarantee that a diversified portfolio will outperform a non-diversified portfolio.**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017*
	Fixed Income 10.26	Emerging Markets 55.82	REITs 31.56	Emerging Markets 34.00	REITs 35.05	Emerging Markets 39.39	Fixed Income 5.24	Emerging Markets 78.51	Small-Cap Growth 29.09	REITs 8.29	Mid-Cap Value 18.51	Small-Cap Growth 43.30	REITs 30.14	Large-Cap Growth 5.67	Small-Cap Value 31.74	Emerging Markets 27.78
	REITs 3.81	Small-Cap Growth 48.54	Emerging Markets 25.55	Intl 13.54	Emerging Markets 32.17	Large-Cap Growth 11.81	Small-Cap Value -28.92	Mid-Cap Growth 46.29	REITs 27.96	Fixed Income 7.84	Emerging Markets 18.22	Mid-Cap Growth 35.74	Mid-Cap Value 14.75	REITs 3.20	Mid-Cap Value 20.00	Large-Cap Growth 20.72
	Emerging Markets -6.17	Small-Cap Value 46.03	Mid-Cap Value 23.71	Mid-Cap Value 12.65	Intl 26.34	Mid-Cap Growth 11.43	Large-Cap Value -36.85	Large-Cap Growth 37.21	Mid-Cap Growth 26.38	Large-Cap Growth 2.64	REITs 18.06	Small-Cap Value 34.52	S&P 500 13.69	S&P 500 1.38	Large-Cap Value 17.34	Intl 19.96
	Mid-Cap Value -9.64	Mid-Cap Growth 42.71	Small-Cap Value 22.25	REITs 12.17	Small-Cap Value 23.48	Intl 11.17	S&P 500 -37.00	Small-Cap Growth 34.47	Mid-Cap Value 24.75	S&P 500 2.11	Small-Cap Value 18.05	Large-Cap Growth 33.48	Large-Cap Value 13.45	Fixed Income 0.55	S&P 500 11.96	Mid-Cap Growth 17.28
	Small-Cap Value -11.43	Intl 38.59	Intl 20.25	Mid-Cap Growth 12.10	Large-Cap Value 22.25	Small-Cap Growth 7.05	REITs -37.73	Mid-Cap Value 34.21	Small-Cap Value 24.50	Large-Cap Value 0.39	Large-Cap Value 17.51	Mid-Cap Value 33.46	Large-Cap Growth 13.05	Mid-Cap Growth -0.20	Small-Cap Growth 11.32	Small-Cap Growth 16.81
	Large-Cap Value -15.52	Mid-Cap Value 38.07	Large-Cap Value 16.49	Large-Cap Value 7.05	Mid-Cap Value 20.22	Fixed Income 6.97	Large-Cap Value -38.44	Intl 31.78	Emerging Markets 18.88	Mid-Cap Value -1.38	Intl 17.32	Large-Cap Value 32.53	Mid-Cap Growth 11.90	Intl -0.81	Emerging Markets 11.19	S&P 500 14.24
	Intl -15.94	REITs 37.14	Mid-Cap Growth 15.48	Large-Cap Growth 5.26	S&P 500 15.78	S&P 500 5.49	Mid-Cap Value -38.44	REITs 27.99	Large-Cap Growth 16.71	Mid-Cap Growth -1.65	S&P 500 16.00	S&P 500 32.39	Fixed Income 5.97	Small-Cap Growth -1.38	REITs 8.52	Large-Cap Value 7.92
	S&P 500 -22.10	Large-Cap Value 30.03	Small-Cap Growth 14.31	S&P 500 4.93	Small-Cap Growth 13.35	Large-Cap Value -0.17	Small-Cap Growth -38.54	S&P 500 26.46	Large-Cap Value 15.51	Small-Cap Growth -2.91	Mid-Cap Growth 15.81	Intl 22.78	Small-Cap Growth 5.60	Large-Cap Value -3.83	Mid-Cap Growth 7.33	Mid-Cap Value 7.43
	Mid-Cap Growth -27.41	Large-Cap Growth 29.75	S&P 500 10.86	Small-Cap Value 4.71	Mid-Cap Growth 10.66	Mid-Cap Value -1.42	Intl -43.38	Small-Cap Value 20.58	S&P 500 15.06	Small-Cap Value -5.50	Large-Cap Growth 15.26	REITs 2.47	Small-Cap Value 4.22	Mid-Cap Value -4.78	Large-Cap Growth 7.08	Small-Cap Value 5.67
	Large-Cap Growth -27.88	S&P 500 28.71	Large-Cap Growth 6.30	Small-Cap Growth 4.15	Large-Cap Growth 9.07	Small-Cap Value -9.78	Mid-Cap Value -44.32	Large-Cap Value 19.69	Intl 7.75	Intl -12.14	Small-Cap Growth 14.59	Fixed Income -2.02	Emerging Markets -2.19	Small-Cap Value -7.47	Fixed Income 2.65	Fixed Income 3.14
	Small-Cap Growth -30.26	Fixed Income 4.10	Fixed Income 4.34	Fixed Income 2.43	Fixed Income 4.33	REITs -15.69	Emerging Markets -53.33	Fixed Income 5.93	Fixed Income 6.54	Emerging Markets -18.42	Fixed Income 4.22	Emerging Markets -2.60	Intl -4.90	Emerging Markets -14.92	Intl 1.00	REITs 3.66

\*As of 09/30/2017 Source: Virtus Performance Analytics

**Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. The above table is presented for informational purposes only and is not meant to represent the performance of any Virtus product. Performance of all cited indexes is calculated on a total-return basis with dividends reinvested. Indexes are unmanaged and not available for direct investment.**

**Emerging Markets** is represented by the MSCI Emerging Markets Index (net): A free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets.  
**International** is represented by the MSCI EAFE<sup>®</sup> (Morgan Stanley Capital International Europe, Australasia, Far East) Index: A free float-adjusted market capitalization index that measures developed foreign market equity performance, excluding the U.S. and Canada. **Fixed Income** is represented by Barclays Capital U.S. Aggregate Index: Measures the U.S. investment grade fixed rate bond market. **Small-Cap Growth** is represented by the Russell 2000<sup>®</sup> Growth Index: A market capitalization-weighted index of growth-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. **Small-Cap Value** is represented by the Russell 2000<sup>®</sup> Value Index: A market capitalization-weighted index of value-oriented stocks of the smallest 2,000 companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. **S&P 500<sup>®</sup>** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. **Mid-Cap Value** is represented by the Russell Midcap<sup>®</sup> Value Index: A market capitalization-weighted index of medium-capitalization, value-oriented stocks of U.S. companies.  
**Mid-Cap Growth** is represented by the Russell Midcap<sup>®</sup> Growth Index: A market capitalization-weighted index of medium-capitalization, growth-oriented stocks of U.S. companies.

**Large-Cap Growth** is represented by the Russell 1000<sup>®</sup> 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. **Large-Cap Value** is represented by the Russell 1000<sup>®</sup> Value Index: A market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. **REITs** are represented by the FTSE NAREIT Equity REITs Index: A free-float market capitalization-weighted index which measures equity tax-qualified REITs that meet minimum size and liquidity criteria and are listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market System.

**Foreign Investing:** Investing internationally involves additional risks such as currency, political, accounting, economic and market risk. **Equity Securities:** The market price of equity securities may be affected by financial market, industry, or issue-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Real Estate Investment:** Investing in REITs may be negatively affected by factors specific to the real estate market, including interest rate, leverage, property, and management. **Credit & Interest:** Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a security may fail to make payments in a timely manner. Values of debt securities may rise and fall in response to changes in interest rates. This risk may be enhanced with longer-term maturities.

# Elements of Diversification

Sector leadership ALSO changes dramatically from year to year:

- > Every market sector, from technology to health care, has its time in the spotlight, but no single sector can claim the spotlight all the time.
- > That's why diversification is key. Balancing your investments across a broad number of sectors can help cushion against big swings in one group or another.
- > Virtus' investment managers invest across a variety of sectors for true diversification.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	YTD 2017*
	Real Estate 41.48	Energy 34.40	Consumer Staples -15.43	Information Technology 61.72	Real Estate 32.32	Utilities 19.91	Financials 28.82	Consumer Discretionary 43.08	Real Estate 30.19	Consumer Discretionary 10.11	Energy 27.36	Information Technology 27.36
	Telecomm. Services 36.80	Materials 22.53	Health Care -22.81	Materials 48.59	Consumer Discretionary 27.66	Consumer Staples 13.99	Consumer Discretionary 23.92	Health Care 41.46	Utilities 28.98	Health Care 6.89	Telecomm. Services 23.49	Health Care 20.31
	Energy 24.21	Utilities 19.38	Utilities -28.98	Consumer Discretionary 41.30	Industrials 26.73	Health Care 12.73	Real Estate 19.74	Industrials 40.68	Health Care 25.34	Consumer Staples 6.60	Financials 22.80	Materials 15.82
	Utilities 20.99	Information Technology 16.31	Telecomm. Services -30.49	Real Estate 27.10	Materials 22.20	Real Estate 11.39	Telecomm. Services 18.31	Financials 35.63	Information Technology 20.12	Information Technology 5.92	Industrials 18.86	Industrials 14.13
	Financials 19.19	Consumer Staples 14.18	Consumer Discretionary -33.49	Industrials 20.93	Energy 20.46	Telecomm. Services 6.27	Health Care 17.89	Information Technology 28.43	Consumer Staples 15.98	Real Estate 4.68	Materials 16.69	Financials 12.48
	Consumer Discretionary 18.64	Industrials 12.03	Energy -34.87	Health Care 19.70	Telecomm. Services 18.97	Consumer Discretionary 6.13	Industrials 15.35	Consumer Staples 26.14	Financials 15.20	Telecomm. Services 3.40	Utilities 16.29	Consumer Discretionary 11.93
	Materials 18.63	Telecomm. Services 11.94	Industrials -39.92	Financials 17.22	Consumer Staples 14.11	Energy 4.72	Materials 14.97	Materials 25.60	Industrials 9.83	Financials -1.53	Information Technology 13.85	Utilities 11.87
	Consumer Staples 14.36	Health Care 7.15	Real Estate -42.31	Consumer Staples 14.89	Financials 12.13	Information Technology 2.41	Information Technology 14.82	Energy 25.07	Consumer Discretionary 9.68	Industrials -2.53	Consumer Discretionary 6.03	Real Estate 7.39
	Industrials 13.29	Consumer Discretionary -13.21	Information Technology -43.14	Energy 13.82	Information Technology 10.19	Industrials -0.59	Consumer Staples 10.76	Utilities 13.21	Materials 6.91	Utilities -4.85	Consumer Staples 5.38	Consumer Staples 6.57
	Information Technology 8.42	Real Estate -17.85	Materials -45.66	Utilities 11.91	Utilities 5.46	Materials -9.75	Energy 4.61	Telecomm. Services 11.47	Telecomm. Services 2.99	Materials -8.38	Real Estate 3.39	Telecomm. Services -4.69
	Health Care 7.53	Financials -18.63	Financials -55.32	Telecomm. Services 8.93	Health Care 2.90	Financials -17.06	Utilities 1.29	Real Estate 1.60	Energy -7.78	Energy -21.12	Health Care -2.69	Energy -6.63

\*As of 09/30/2017 Reflects S&P 500® Index Sectors.

Source: S&P 500®

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Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.

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These sectors are not available for direct investment.

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