

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 11.45
	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 8.91
	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 7.25
	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 6.89
	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	S&P 500 6.07
	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 Growth -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	Small-Cap Growth 5.35
	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	Mid-Cap Value 3.76
	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	Large-Cap Value 3.27
	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 Value 15.26	REITs 2.47	Small-Cap Value 4.22	Mid-Cap Value -4.78	Large-Cap Growth 7.08	REITs 1.16
	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 Growth -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 0.82
	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	Small-Cap Value -0.13

*As of 03/31/2017 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® (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 Bloomberg 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® 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® 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® is a free-float market capitalization-weighted index of 500 of the largest U.S. companies.

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.

Mid-Cap Growth is represented by the Russell Midcap® Growth Index: A market capitalization-weighted index of medium-capitalization, growth-oriented stocks of U.S. companies.

Mid-Cap Value is represented by the Russell Midcap® Value Index: A market capitalization-weighted index of medium-capitalization, value-oriented stocks of U.S. companies.

Large-Cap Growth is represented by the 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.

Large-Cap Value is represented by the Russell 1000® 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.

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	12.57
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	Consumer Discretionary	8.45
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	Health Care	8.37
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	Utilities	6.39
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	Consumer Staples	6.36
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	Materials	5.86
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	Industrials	4.56
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	3.54
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	Financials	2.53
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	-3.97
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	-6.68

▲ best performance | worst ▼

*As of 03/31/2017 Reflects S&P 500® Index Sectors.

Source: S&P 500®

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These sectors are not available for direct investment.

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

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