Virtus Alternatives Diversifier Fund

VIRTUS INVESTMENT PARTNERS

Fund Information

Symbol and CUSIP

A shares	PDPAX	(92828R875)
C shares	PDPCX	(92828R867)
I shares	VADIX	(92828R313)

Investment Adviser
Virtus Investment Advisers, Inc.

Investment Subadviser
Virtus Investment Advisers, Inc.

AUM ($ millions)	54.8
Number of Holdings	11
Dividends	Semi-Annually

Investment Professionals

Warun Kumar
Industry start date: 1993
Start date with Fund: 2016

INVESTMENT OPPORTUNITY

The fund emphasizes low correlating asset classes in order to help reduce volatility and increase return potential.

Applying an innovative, institutional-level approach to investing, the fund invests in a diversified portfolio of alternative asset classes including Managed Futures, Global Real Estate, Global Infrastructure, Commodities, Natural Resources, Currencies and Floating Rate Securities.

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. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Please visit Virtus.com for performance data current to the most recent month-end.

Investment Process

STEP 1
Identify Potential Funds and ETFs
> Correlation
- Low correlation to market and to other components

> Review MPT Stats
- Sharpe Ratio, Beta, Standard Deviation, Information Ratio

> Performance
- Competitive & consistent returns versus benchmark & peer universe

STEP 2
Determine Optimal Allocation
> Extensive back-tests and simulations

> Optimize allocations with an objective of delivering the best risk-adjusted returns while maintaining low correlation to the market and among the underlying holdings

STEP 3
Portfolio Review and Monitoring
> Daily management of flows to maintain target allocations

> Regular review of performance and attribution reports

> Quarterly meeting to formally review allocations and discuss changes and/or potential new additions to the portfolio

Average Annual Total Returns Class A as of 12/30/2016 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception 11/30/2005
NAV	-0.22	10.32	10.32	0.48	2.37	1.10	2.14
POP	-5.96	3.97	3.97	-1.49	1.16	0.50	1.60
Index	3.82	11.96	11.96	8.87	14.66	6.95	7.66
Index 2	0.25	10.04	10.04	0.25	2.38	1.68	3.14

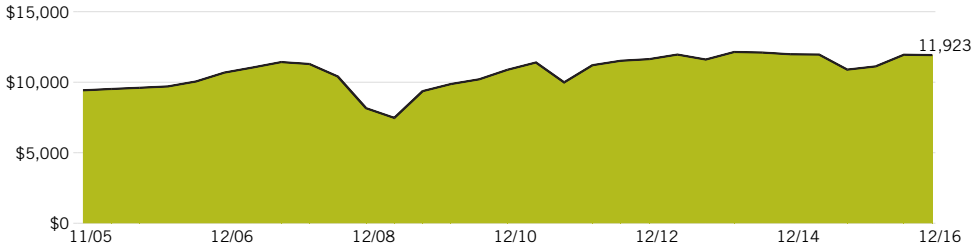
The fund class gross expense ratio is 1.62% and reflects the direct and indirect expenses paid by the Fund.
The gross expense ratio minus the indirect expenses incurred by the underlying funds in which the Fund invests is 0.64%.
Average annual total returns reflect the change in share price and the reinvestment of all dividends and capital gains. Net Asset Value (NAV) returns do not reflect the deduction of any sales charges. POP (Public Offering Price) performance reflects the deduction of the maximum sales charge of 5.75%. A contingent deferred sales charge of 1% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid.

Annual Performance Class A at NAV in percent

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund	7.34	-28.88	20.68	10.55	-2.54	9.70	1.00	1.95	-9.80	10.32
Index	5.49	-37.00	26.46	15.06	2.11	16.00	32.39	13.69	1.38	11.96
Index 2	8.57	-28.96	21.53	11.85	0.15	6.96	4.39	1.72	-10.00	10.04

Growth of $10,000 Class A for the period ending 12/30/2016

Actual initial investment $9,425



This chart assumes an initial investment of $10,000 made on Nov 30, 2005 for Class A shares including any applicable sales charges. Performance assumes reinvestment of dividends and capital gain distributions.

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 is not available for direct investment.

Index2: The Alternatives Diversifier Composite consists of Diversified Trends Index (15%), FTSE EPRA NAREIT Developed Rental Index-net (20%)**, MSCI World Infrastructure Sector Capped Index (15%)*** , S&P North American Natural Resources Sector Index (10%), Deutsche Bank Liquid Commodity Index (15%), Deutsche Bank G10 Currency Harvest Index (15%)**** and Credit Suisse Leveraged Loan Index (10%). The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment. *Prior to 3/1/12 was the HFRX Equity Market Neutral Index (20%). **Prior to 6/1/15 was the UBS Global Investors Index (20%). ***Prior to 9/1/08 was a mix of the MSCI US Utilities Index (65%), MSCI World Telecom Services Index (20%) and MSCI World ex US Utilities Index (15%). ****Prior to 3/1/12 was Deutsche Bank G10 Currency Harvest Index (10%).*

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Data presented as of 12/30/2016

Asset Class	Baseline Allocation of Portfolio	Actual Allocation of Portfolio
Commodities	15.00	14.95
Currencies	15.00	9.82
Floating Rate Securities	10.00	8.07
Global Infrastructure	15.00	16.00
Global Real Estate	20.00	24.99
Natural Resources	20.00	26.00

Risk Statistics

Class A 3-Year	Fund	Index
R^2	0.48	1.00
Beta	0.50	1.00
Standard Deviation	7.70	10.59

GLOSSARY

R^2: A measurement of how closely a portfolio's performance correlates with the performance of a benchmark index.

Beta: A quantitative measure of the volatility of a given portfolio to the overall market. Higher beta suggests higher volatility.

Standard Deviation: Measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

Holdings and Sector weightings are subject to change.

IMPORTANT RISK CONSIDERATIONS:

Equity Securities: The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Credit & Interest:** Debt securities are subject to various risks, the most prominent of which are credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt securities may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **Allocation:** The fund's exposure to different asset classes may not be optimal for market conditions at a given time. Asset allocation does not guarantee a profit or protect against a loss in declining markets. **Foreign Investing:** Investing internationally involves additional risks such as currency, political, accounting, economic, and market risk. **Real Estate:** The fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Fund of Funds:** Because the fund can invest in other funds, it indirectly bears its proportionate share of the operating expenses and management fees of the underlying fund(s). **Affiliated Funds:** The fund's adviser can select affiliated and/or unaffiliated funds, which may create a conflict of interest. **Prospectus:** For additional information on risks, please see the fund's prospectus.

Investment Manager of the Fund

Virtus Investment Advisers, Inc. ('VIA') serves as investment adviser to Virtus mutual funds and closed-end funds. In this capacity, VIA is primarily responsible for implementing an investment strategy for each fund, and selecting either affiliated or unaffiliated subadvisers to implement an investment management program for each of the funds.

Please carefully consider a Fund's investment objectives, risks, charges, and expenses before investing. For this and other information about any Virtus mutual fund, contact your financial representative, call 1-800-243-4361, or visit Virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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