VIRTUS GLOBAL EQUITY TREND FUND

VIRTUS INVESTMENT PARTNERS

Class A: VGPAX
Class C: VGPCX
Class I: VGPIX

The Virtus Trend Suite implements proprietary Dorsey, Wright & Associates technical analysis in rigorously constructed, risk-managed portfolios with the objective of delivering attractive long-term returns while limiting losses during periods of major market declines.

Effective May 11, 2015 this fund changed its strategy and its name. This document reflects the new investment process.

Participate and Protect

- Equity investors seek attractive long-term capital appreciation, but the volatility often associated with equities can make it hard to stay the course during choppy or falling markets.
- A "participate and protect" mandate recognizes that sometimes the best offense is a good defense. It seeks to deliver equity-like returns over a full market cycle but with a smoother ride.
- All funds in the Virtus Trend Suite employ the same simple three-step process.

1 DWA — **RANK** market components by **relative strength** price momentum

- Dorsey, Wright & Associates (DWA) employs its proprietary Relative Strength price momentum model to rank and select market components

DORSEY WRIGHT & ASSOCIATES

2 VIA — **ASSESS** the state of the markets based on **200 Day Moving Average**

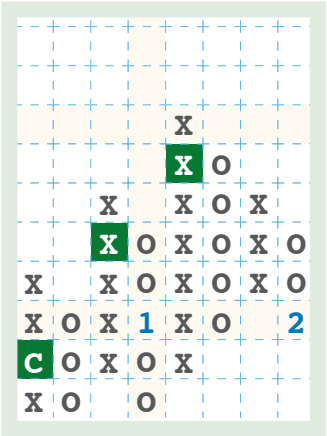
- Virtus Investment Advisers (VIA) then determines whether the current price of the S&P 500® Index or the MSCI ACWI ex USA Index is above or below its 200 day moving average, which indicates either a lower risk or higher risk market state

3 VIA — **BUILD** according to the rules designed for either market state

- The portfolio is built according to pre-specified rules which allocate to the top-ranked market components accordingly
- The rules vary by market state
  - In the lower risk state, the Fund is fully invested in the top-ranked components
  - In the higher risk state, components will be further culled according to an absolute price momentum measure; those with negative absolute momentum will be replaced by cash equivalents

The Value of Relative Strength

- Unlike fundamental analysis, which focuses on corporate fundamentals, relative strength—or technical price momentum—analysis uses Point & Figure methodology to evaluate securities through a simple but powerful lens on supply and demand.
- By understanding supply and demand dynamics, we can develop an unbiased view of the real-time forces which drive prices higher or lower. This applies to not only stocks, but to sectors and asset classes.
- Both academic research and practical application have demonstrated that a systematic execution of momentum investing is an enduring source of value in driving attractive long-term investment results.

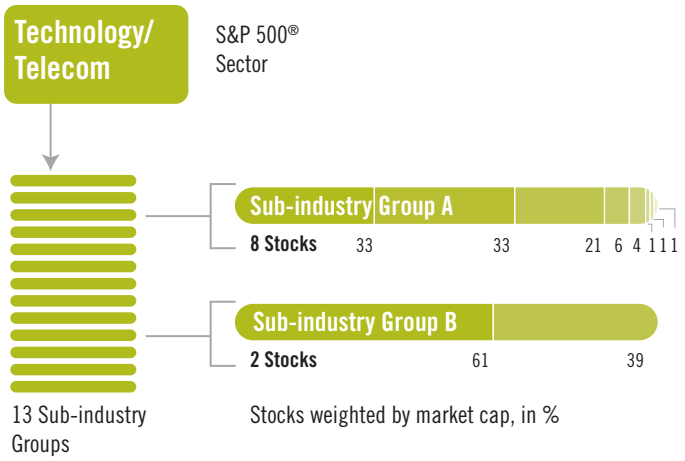


DWA's Point & Figure charting identifies trends

The Virtus Global Equity Trend Fund employs a proprietary, rules-based model to invest in the most attractive opportunities in the S&P 500® while at times using cash equivalents to limit losses during periods of major market declines.

The Global Equity Trend Investment Universe

The nine sectors of the S&P 500® can be further broken down into 130 sub-industry groups. Some of these contain dozens of stocks, some only a few. A sector may have strong positive momentum overall, but some individual sub-industries within it may be weak, or vice versa. The domestic allocation of the Global Equity Trend Fund is based on individual price momentum rankings of all 130 sub-industry groups.

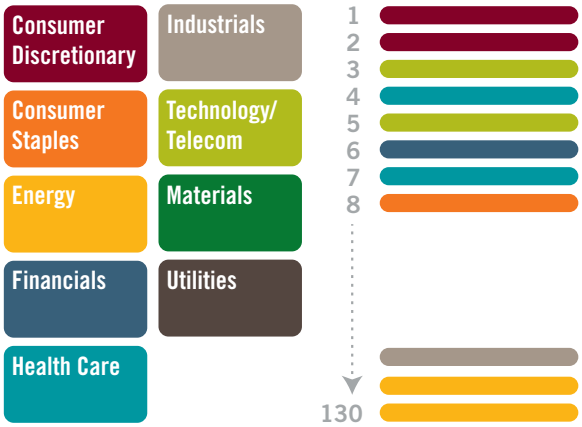


The international component of the Fund universe is made up of 15 non-U.S. country ETFs. Like the sub-industry groups, these are ranked by relative strength.

1 DWA

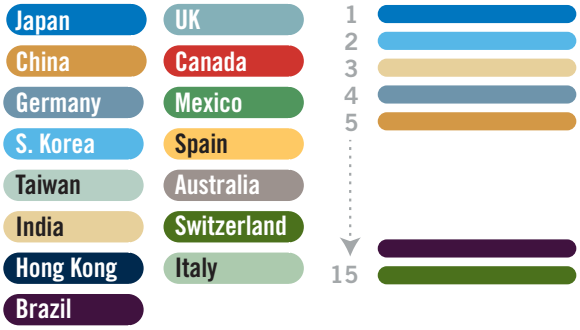
RANK

130 sub-industry groups of the S&P 500® and **15 country ETFs** by **relative strength** using price momentum; take **top half** of each



U.S. EQUITY

60%



INTERNATIONAL EQUITY

40%

2 VIA — ASSESS
the state of the markets based on **200 Day Moving Average**

3 VIA — BUILD
according to the rules designed for either market state

S&P 500® Index

LOWER RISK MARKET
Above 200 Day Moving Average

OR

HIGHER RISK MARKET
Below 200 Day Moving Average

WEIGHT
top 65 sub-industry groups equally at 1/65th (1.5%) of domestic allocation

ALLOCATE
capital in proportion to market cap of each company within the sub-industry group

Sub-industry Group

Rebalancing is monthly

EXAMINE
each sub-industry group based on **absolute strength** using its 200 Day Moving Average

+
+
–

INCLUDE
only those sub-industries showing a **positive trend** with a 1/65th (1.5%) capital allocation

Sub-industry Group

EXCLUDE
those with a **negative trend**; allocate instead to cash equivalents, up to 100% of capital if all sub-industries are in negative trend

Cash Equivalents

Rebalancing is as frequent as daily

MSCI ACWI ex USA Index

LOWER RISK MARKET
Above 200 Day Moving Average

OR

HIGHER RISK MARKET
Below 200 Day Moving Average

WEIGHT
top 8 country ETFs equally at 1/8th (12.5%) of international allocation

Country Country Country
Country Country Country
Country Country

EXAMINE
each country ETF based on **absolute strength** using its 200 Day Moving Average

+
+
–

INCLUDE
only those country ETFs showing a **positive trend** with a 1/8th (12.5%) capital allocation

Country Country Country

EXCLUDE
those showing a **negative trend**; allocate instead to cash equivalents, up to 100% of capital if all countries are in negative trend

Cash Equivalents

The Virtus Trend Funds are an attractive component of a diversified portfolio. The rules-based, transparent process creates a clear expectation for the Fund's risk profile, allowing investors to select and size accordingly relative to their other portfolio exposures.

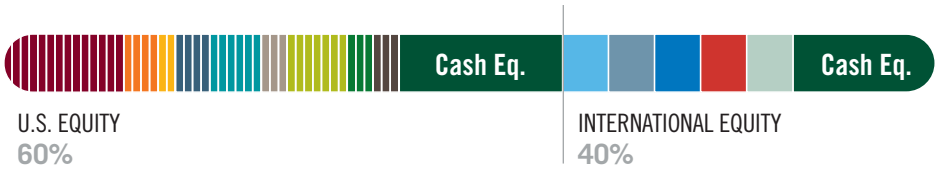
For more information, please contact your financial advisor.

How It Works

The investment process for the Virtus Global Equity Trend Fund will produce an overall risk profile which varies under different market conditions as the rules of the model mandate.

> In lower risk markets, the Fund will take a bullish stance by being fully invested in global equities.

> In some higher risk markets, the Fund will hold modest positions in cash equivalents in lieu of equities.



> In other higher risk markets, the Fund will turn extremely bearish. When no U.S. sub-industry has positive absolute momentum, the Fund will move to 100% cash equivalents.

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. **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. **Exchange Traded Funds:** The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **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. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The fund may invest in a basket of securities to represent a sector if it determines that investment in the ETF for that sector is not feasible or otherwise not in the best interest of the fund.

The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding the U.S.) and 23 Emerging Markets countries. 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 indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

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