

# THE ORIGINAL UNCONSTRAINED BOND MANAGER

We maneuver into and out of sectors, seeking to capture the best value for our clients. There is no “neutral” allocation, as we judge each sector’s value relative to one another, not to an index.

Newfleet Asset Management is a time-tested leader in unconstrained multi-sector fixed income management, with the expertise to manage the complexity of the fixed-income market. We seek to minimize credit and interest rate risk through active rotation among sectors and superior security selection within them.

Our dedicated sector specialists scrutinize the fundamental, technical, and relative value factors affecting their respective sector, striving to identify opportunities. How we use the information they uncover is what sets Newfleet apart.

**Virtus Newfleet Multi-Sector Short Term Bond Fund sector weighting ranges and current positioning (in %) as of 3/31/17**



Bars represent sector weight ranges since 3/31/07 with median and current weights highlighted. Note that certain sectors have evolved over time and are structurally different today than they were even a few years ago. For example, the Emerging Markets-High Yield sector has shrunk over the years as multiple countries have been upgraded to investment grade. That places much emerging markets debt into other sectors like Yankee-High Quality and Non-dollar. Cash and equity positions are not included in the chart as the weightings are not considered meaningful (1.81% combined).

Sectors **bolded** above are also available in dedicated sector strategies.

We have unlimited flexibility to allocate tactically among sectors. We are willing to exit overvalued sectors completely—or to buy ones that are deeply out-of-favor. Our record has been enhanced by our early adoption of new securities and sectors that offer good value.



To learn more, please contact us at 1-800-243-4361 or visit [virtus.com](http://virtus.com)

The variance of sector returns illustrates how widely market leadership can swing. The Newfleet strategy, in contrast, has delivered steady progress toward our clients' goals.

In investing, as in golf, success comes from staying in the fairway—that is, avoiding aggressive swings that risk putting the ball farther away from the hole. Newfleet's multi-sector approach has kept our investors in the fairway when compared to the performance of individual fixed income sectors and category peers.

**Market leadership varies widely from year to year**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	11.47	13.74	58.21	20.40	23.81	22.62	7.44	18.79	6.65	17.13
	9.01	8.34	44.87	15.12	9.81	15.81	6.15	6.08	1.94	15.76
	7.06	6.61	44.86	14.91	7.84	12.50	1.51	6.02	1.51	9.88
	6.97	6.48	30.55	10.25	6.36	9.66	1.33	5.97	1.18	5.26
	6.90	5.53	29.80	9.98	6.23	9.43	0.49	5.05	1.08	4.97
	6.75	5.24	28.45	8.27	6.10	9.39	0.43	4.35	0.97	4.42
	5.84	1.78	18.56	7.99	6.02	8.84	0.23	3.86	0.84	4.04
	5.57	-4.11	11.50	7.16	5.52	8.17	0.08	2.55	0.55	3.32
	5.10	-4.61	8.96	6.90	4.98	4.70	-0.31	2.45	0.54	2.65
	5.00	-4.82	6.84	6.54	4.79	4.21	-1.30	2.06	0.19	2.52
	4.70	-13.96	5.93	5.87	4.18	4.14	-1.41	1.22	0.09	2.08
	4.30	-16.68	5.89	5.37	3.46	3.67	-2.00	1.07	-0.01	1.67
	3.15	-20.52	5.78	4.00	3.09	2.59	-2.02	1.05	-0.38	1.60
	2.10	-20.97	4.89	3.15	1.82	1.99	-2.61	0.73	-1.13	1.04
	1.88	-26.16	2.68	2.46	1.55	1.86	-2.75	-0.48	-3.57	1.03
	1.87	-28.75	-3.57	1.81	1.49	0.98	-6.11	-1.33	-4.47	0.08

■ Virtus Newfleet Multi-Sector Short Term Bond Fund (A: NARAX)
 ■ Asset-Backed
 ■ Commercial MBS
 ■ Municipals
 ■ Morningstar Short-Term Bond Category

■ Agency Debentures
 ■ Corp. High Yield
 ■ Non-U.S. Dollar
 ■ Taxable Municipals
 ■ U.S. Treasuries

■ Bank Loans
 ■ Corp. Investment Grade
 ■ Emerging Markets Debt
 ■ Yankee High Quality

■ Bloomberg Barclays U.S. Aggregate
 ■ Agency MBS

*Annual returns in percent. As of 12/30/16. Source: Morningstar and Barclays Live. Past performance is not indicative of future results.*

The table above is presented for informational purposes only and is not meant to represent the performance of any Newfleet or Virtus portfolio. Performance of all cited indexes is calculated on a total-return basis with dividends reinvested. For index definitions, please see page 3.

**Virtus Newfleet Multi-Sector Short Term Bond Fund**

**A shares: NARAX, C shares: PSTCX, C1 shares: PMSTX, I shares: PIMSX**

**Average Annual Total Returns**

Class A as of 3/31/17 in percent

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	15 Year	20 Year	Since Inception 7/6/92
NAV	1.61	1.61	5.47	2.14	2.92	4.45	4.89	5.16	5.52
POP	-0.67	-0.67	3.09	1.37	2.45	4.21	4.73	5.04	5.42
Index	0.74	0.74	2.06	1.66	2.06	3.37	3.73	4.54	4.84

Morningstar Class A as of 3/31/17

Rankings	Overall	3 Year	5 Year	10 Year	15 Year	20 Year
	n/a	20/444	8/359	5/257	2/152	2/103
Ratings	★★★★★	★★★★★	★★★★★	★★★★★		
Short-Term Bond Category	444	444	359	257		

Benchmark life performance is reported from 06/30/92. The fund class gross expense ratio is 1.00% 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 0.99%.

Effective May 8, 2017, this Fund changed its name from the Virtus Multi-Sector Short Term Bond Fund.

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 2.25%. A contingent deferred sales charge of 0.50% may be imposed on certain redemptions within 18 months on purchases on which a finder's fee has been paid.

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](http://Virtus.com) for performance data current to the most recent month-end.

Index: The BofA Merrill Lynch 1-3 Year A-BBB US Corporate Index measures performance of U.S. corporate bond issues rated A1 through BBB3, inclusive (based on an average of Moody's, S&P, and Fitch), with a remaining term to final maturity less than 3 years. 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 is not available for direct investment.

Put the specialized knowledge of our tenured team to work in your portfolio with multi-sector strategies for core diversification or dedicated sector strategies.

The expertise we have gained over decades of multi-sector investing is demonstrated further through our growing suite of dedicated sector strategies, which includes:

	A shares	C shares	I shares
▶ Virtus Newfleet Senior Floating Rate Fund	PSFRX	PFSRX	PSFIX
▶ Virtus Newfleet High Yield Fund	PHCHX	PGHCX	PHCIX
▶ Virtus Newfleet Credit Opportunities Fund	VCOAX	VCOCX	VCOIX
▶ Virtus Newfleet Tax-Exempt Bond Fund	HXBZX	PXCZX	HXBIX

While the multi-sector strategies reflect the team’s best relative value ideas, given each of their investment guidelines, the individual strategies express each sector strategist’s views in their purest form.

Effective May 8, 2017, all of the Funds shown changed their names.

**INDEX DEFINITIONS:**

**Asset Backed: Bloomberg Barclays ABS 3-5 Year Index** has three subsectors: credit and charge cards, autos, and utilities. The index includes pass-through, bullet, and controlled amortization structures. The ABS Index includes only the senior class of each ABS issue and the ERISA-eligible B and C tranche. The issues must be fixed rate, investment grade, and have an average life of three to five years.

**Agency Debentures: Bloomberg Barclays U.S. Agency 1-3 Year Index** includes native currency agency debentures from issuers such as Fannie Mae, Freddie Mac, and Federal Home Loan Bank with a term of 1 to 3 years. It is a subcomponent of the Government-Related Index (which also includes non-native currency agency bonds, sovereigns, supranationals, and local authority debt) and the U.S. Government Index (which also includes U.S. Treasury debt). The index includes callable and non-callable agency securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. government (such as USAID securities).

**Bank Loans: Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated “5B” or lower, meaning that the highest rated issues included in this index are Moody’s/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries.

**Bloomberg Barclays U.S. Aggregate: 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.

**Commercial MBS: Bloomberg Barclays CMBS ERISA-Eligible Index** is the ERISA-eligible component of the Bloomberg Barclays CMBS Index. This index, which includes investment grade securities that are ERISA eligible under the underwriter’s exemption, is the only CMBS sector that is included in the U.S. Aggregate Index.

**Corporate High Yield: Bloomberg Barclays U.S. Corporate High-Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody’s, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging market debt.

**Corporate Investment Grade: Bloomberg Barclays U.S. Corporate Intermediate Index** is a broad-based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market with a term of 1 to 10 years. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.

**Emerging Markets Debt: Bloomberg Barclays Emerging Markets Bond Index** includes fixed- and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East, Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody’s, S&P, and Fitch.

**MBS: Bloomberg Barclays U.S. MBS Index** covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). Introduced in 1986, the GNMA, FHLMC, and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. Balloon securities were added in 1992 and removed on January 1, 2008. 20-year securities were added in July 2000. On April 1, 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index. Hybrid ARMs are eligible until one year prior to their floating coupon date.

**Municipals: Bloomberg Barclays Municipal 3 Year (2-4 Year Maturity) Index** is a subindex of the U.S. Municipal Index and covers the 2 to 4 year maturity USD-denominated tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

**Non-U.S. Dollar: Citi WBI NonUSD Index** is a multi-sector, multi currency index excluding U.S. dollar denominated securities. The WBI index uses the Citi WGBI (World Global Bond Index), a world government index comprised of 23 countries, as its core while including other fixed income asset classes such as credit.

**Taxable Municipals: Bloomberg Barclays Taxable Municipal U.S. Aggregate Eligible Index** is a rules-based, market-value weighted index engineered for the long-term taxable bond market. To be included in the index, the bonds must meet the eligibility requirements of the U.S. Aggregate Index. Bonds must be rated investment-grade (Baa3/BBB- or higher) by at least two of the following ratings agencies if all three rate the bond: Moody’s, S&P, Fitch. If only two of the three agencies rate the security, the lower rating is used to determine index eligibility. If only one of the three agencies rates a security, the rating must be investment-grade. They must have an outstanding par value of at least \$7 million and be issued as part of a transaction of at least \$75 million. The bonds must be fixed rate and must be at least one year from their maturity date. Remarketed issues (unless converted to fixed rate), bonds with floating rates, and derivatives, are excluded from the benchmark.

**U.S. Treasuries: Bloomberg Barclays U.S. Treasury Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting.

**Yankee High Quality: Bloomberg Barclays Intermediate Yankee Index** contains bonds issued by foreign countries and corporations. These bonds are denominated in U.S. dollars, pay interest in U.S. dollars, and trade on U.S. exchanges. To be eligible for this index, the bonds must have a final maturity between one and ten years.

**Indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and are not available for direct investment.**

## Newfleet Asset Management

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*The Morningstar Rating™ for funds, or “star rating,” is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.*

*Morningstar Ranking / # of Funds in Category displays the fund’s actual rank within its Morningstar Category based on average annual total return and number of Funds in that Category. The Morningstar Percentile Ranking compares a Fund’s Morningstar risk and return scores with all the Funds in the same Category, where 1% = Best and 100% = Worst.*

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**Strong ratings are not indicative of positive fund performance.**

**IMPORTANT RISK CONSIDERATIONS: 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. **Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk. **High Yield-High Risk Fixed Income Securities:** There is a greater level of credit risk and price volatility involved with high yield securities than investment grade securities. **ABS/MBS:** Changes in interest rates can cause both extension and prepayment risks for asset- and mortgage-backed securities. These securities are also subject to risks associated with the repayment of underlying collateral. **Bank Loans:** Loans may be unsecured or not fully collateralized, may be subject to restrictions on resale and/or trade infrequently on the secondary market. Loans can carry significant credit and call risk, can be difficult to value and have longer settlement times than other investments, which can make loans relatively illiquid at times. **Prospectus:** For additional information on risks, please see the fund’s prospectus.

***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](http://Virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.***

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