

# Virtus Newfleet Dynamic Credit ETF

1Q17

# BLHY

The Virtus Newfleet Dynamic Credit ETF (Ticker: BLHY) seeks to provide a high level of current income and, secondarily, capital appreciation.

NYSE Arca

## INVESTMENT OPPORTUNITY

The Fund has the potential to generate competitive total return from both income and capital appreciation, as well as to provide a hedge against rising interest rates.

The Fund offers investors the opportunity to outsource the complexity of allocating between two rapidly converging non-investment-grade credit sectors—high yield corporate bonds and floating rate bank loans—to a single manager with deep expertise in both asset classes and longstanding experience managing multi-sector portfolios. The expanded opportunity set created by combining these asset classes may provide enhanced diversification benefits due to low correlation to core fixed income.

The Fund also has the ability to invest up to 100% of its assets in U.S. Treasuries when the managers determine that market conditions warrant a move away from credit sectors.

## INVESTMENT PROCESS

### STEP 1 Top-Down Sector and Industry Analysis

- › Relative value determines the allocation between floating rate bank loans and high yield corporate bonds
- › Industry bias and analysis such as competition, industry cycle, secular trends, and relative value determine industry positioning
- › Formal monthly Newfleet multi-sector meetings strengthen decision-making

### STEP 2 Bottom-Up Security Selection

- › Analyst coverage of both bank loans and high yield allows for determination of best risk-adjusted relative value within the capital structure
- › Perform in-depth fundamental credit analyses including business drivers, financial analysis, management experience, capital markets access, liquidity, and enterprise value
- › Look for companies with a competitive advantage, sustainable capital structure, stable cash flow, and a bias to deleverage

### STEP 3 Portfolio Construction, Opportunistic Trading, and Oversight

- › Construct diversified portfolio across credit ratings, capital structure, issuers, and industries
- › Dedicated traders actively take advantage of mispricings, market dislocations, and special situations
- › Constant evaluation using technology, proprietary credit monitoring tools, and research database provides early detection of potentially deteriorating credits or profitable trading opportunities

## FUND INFORMATION

NAV symbol	BLHY.NV
IOPV symbol	BLHY.IV
CUSIP	92790A207
Inception Date	12/5/2016
Management Fee	0.55
Other Expenses	0.66
Gross Expense Ratio	1.21
Net Expense Ratio*	0.68
Adviser	Virtus ETF Advisers, LLC
Distributor	ETF Distributors LLC
Subadviser	Newfleet Asset Management, LLC

IOPV, or Indicative Optimized Portfolio Value, is a calculation disseminated by the stock exchange that approximates the Fund's NAV every fifteen seconds throughout the trading day.

\*Net expense ratio reflects a contractual expense reimbursement in effect through November 28, 2017.

## FUND MANAGEMENT

Newfleet leverages the knowledge and skill of a team of investment professionals with expertise in every sector of the bond market, including evolving, specialized, and out-of-favor sectors.



## PORTFOLIO MANAGERS

**David L. Albrycht, CFA**  
President and Chief Investment Officer

**Francesco Ossino**  
Senior Managing Director and Senior Portfolio Manager

**Jonathan R. Stanley, CFA**  
Managing Director and Portfolio Manager



For more information, contact us at 1.800.243.4361 or visit us at [www.newfleet.com](http://www.newfleet.com).

## Performance—Total Returns in % as of 3/31/17

	QTD	YTD	1 YR	3 YR	5 YR	10 YR	Since Inception (12/5/16)
NAV	0.73	n/a	n/a	n/a	n/a	n/a	0.81
Market Price	0.47	n/a	n/a	n/a	n/a	n/a	0.59
Index	1.92	n/a	n/a	n/a	n/a	n/a	3.18

Operating Expenses: Gross: 1.21; Net: 0.68. Net expense ratio reflects a contractual expense reimbursement in effect through 11/28/2017.

**Performance data quoted represents past results. Past performance is not a guarantee of future results; current performance may be higher or lower than performance quoted. Investment return and principal value will fluctuate, and Shares, when redeemed, may be worth more or less than their original cost. Please visit [www.Newfleet.com](http://www.Newfleet.com) for performance data current to the most recent month-end.**

The Fund is an exchange-traded fund (“ETF”). The “net asset value” (NAV) of the Fund is determined at the close of each business day, and represents the dollar value of one share of the Fund; it is calculated by taking the total assets of the Fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV of the Fund is not necessarily the same as its intraday trading value. Fund investors should not expect to buy or sell shares at NAV because shares of ETFs such as the Fund are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Thus, shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. NAV returns are calculated using the Fund’s daily 4:00 p.m. NAV, and include the reinvestment of all dividends and other distributions (reinvested at the Fund’s NAV on distribution ex-date). Market price returns are calculated using the 4:00 pm midpoint between the bid and offer, and include the reinvestment of all dividends and other distributions (reinvested at the 4:00pm bid/offer midpoint on distribution ex-date). Market price returns do not represent the return you would receive if you traded at other times.

The fund’s benchmark is **50% S&P LSTA Leveraged Loan / 50% Bloomberg Barclays HY 2% Issuer Cap**. The composite index consists of 50% S&P/ LSTA Leveraged Loan Index (an index that tracks the current outstanding balance and spread over LIBOR for fully funded term loans representing a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers, calculated on a total return basis) and 50% Bloomberg Barclays U.S. High-Yield 2% Issuer Capped Bond Index (a market capitalization-weighted index that measures fixed rate non-investment grade debt securities of U.S. and non-U.S. corporations, with no single issuer accounting for more than 2% of market cap, calculated on a total return basis). The composite index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The Fund is an actively managed exchange-traded fund (“ETF”) and does not seek to replicate the performance of a specified index. The Fund may have a higher portfolio turnover than funds that seek to replicate the performance of an index.

Returns for periods of less than one year are cumulative total returns.

### FUND RISKS

**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.

**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.

**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.

**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.

**Foreign & Emerging Markets:** Investing internationally, especially in emerging markets, involves additional risks such as currency, political, accounting, economic, and market risk.

**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.

**Tax Liability:** Noncompliant conduct by a municipal bond issuer, or adverse interpretations, could cause interest from a security to become taxable, subjecting shareholders to increased tax liability.

**Market Price/NAV:** At the time of purchase and/or sale, an investor’s shares may have a market price that is above or below the fund’s NAV, which may increase the investor’s risk of loss.

**Prospectus:** For additional information on risks, please see the fund’s prospectus.

**Please consider the Fund’s objectives, risks, charges, and expenses before investing. Contact us at 1.800.243.4361 or visit [www.newfleet.com](http://www.newfleet.com) for a prospectus, which contains this and other information about the Fund. Read the prospectus carefully before investing.**

Not FDIC insured	May lose value	Not bank guaranteed
------------------	----------------	---------------------

The Fund is distributed by ETF Distributors LLC, an affiliate of Virtus ETF Advisers LLC.

1121 4-17 © 2017 Virtus ETF Solutions LLC. All Rights Reserved.