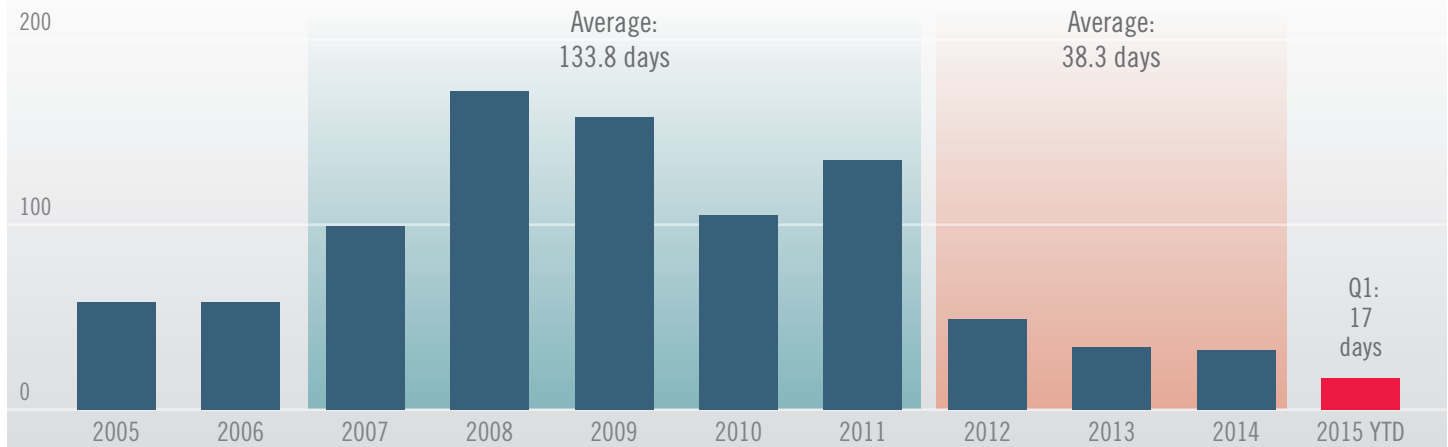


Q1 2015

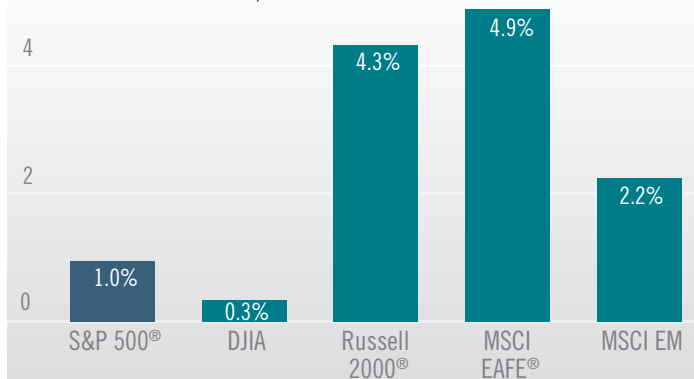
At more than six years in length, we are in the midst of the third longest bull market in modern history.¹ But investor experience isn't just about gains and losses. It's also about how they are achieved. Volatility (or lack thereof) is a critical element for not only how investors experience the market but how they make portfolio decisions.

Days with +/- Changes Greater than 1% in the S&P 500®



As measured by large daily market moves (+/- 1%), the market has been especially quiet in recent years. Compared to the years around the financial crisis, the last three calendar years (2012-2014) witnessed few big moves. Are we now on the cusp of a change in volatility? In the first quarter of 2015, we have already seen a major upturn in daily volatility.

Index Performance, Q1 2015²



Performance of a Diversified Portfolio, Q1 2015³



- In a still narrow market, the top 10 contributors accounted for 1.3% of the gains of the S&P 500 Index
- 175 of 500 companies (35%) posted returns of 5% or more
- 210 of 500 companies (42%) posted negative returns in the quarter
- Apple continued its strong run in Q1, contributing nearly half of the index's gain (48 out of 101 basis points). Down 12% in Q1, Microsoft was the Index's largest performance detractor

- A broadly diversified portfolio achieved solid returns in Q1, led by strength in overseas markets, REITs, and U.S. small-cap stocks. Commodities were the only losing asset class during the period.

¹Source: S&P Dow Jones Indices. Ned Davis Research, Inc. Copyright 2014 Ned Davis Research, Inc. Further distribution prohibited without prior permission. All Rights Reserved. See NDR Disclaimer at www.ndr.com/copyright.html. For data vendor disclaimers refer to www.ndr.com/vendorinfo/. Bull & Bear markets defined as -20/+20% reversals in the S&P 500® Index since inception of the Index (7/15/57).

²Source: Morningstar Direct and FactSet. See following page for definitions.

³Source: JPMorgan. See following page for composition and definitions.

Past performance is not indicative of future results.

VITAL CONSIDERATIONS

- 1 Risk Management** In an era of heightened uncertainty, protecting against losses should be the top focus for investors. That means turning a skeptical eye toward whether the potential returns of an investment are justified by the likely risks.
- 2 Diversification** Predicting the top performers with consistency is just about impossible. Thus, it's no surprise that diversification remains the cornerstone principle of any sound portfolio. It comes with a catch, though: It means that in any period, there will be portions of your plan that just aren't working—or at least “appear” not to be working. However, the fact that not all of the parts of a portfolio are keeping up with the best segment of the market may be more of a validation of diversification than a cause for concern.

Virtus has an Answer. Virtus Investment Partners takes pride in offering a broad and growing array of carefully curated solutions geared toward successfully meeting well-defined investment objectives. These include **lower correlated strategies** to fortify client portfolios by dampening overall volatility, allowing for calmer, better decision making; **opportunistic investments**, to capitalize on global market trends; **portfolio-centric solutions** which may hedge potential losses without sacrificing too much upside; and **evergreen alpha opportunities**, where sound fundamental analysis trumps trend chasing.

The Diversified Portfolio assumes the following weights: 25% in the S&P 500®, 10% in the Russell 2000®, 15% in the MSCI EAFE®, 5% in the MSCI EM, 25% in the Barclays Capital Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays High Yield Index, 5% in the Bloomberg Commodity Index, and 5% in the NAREIT Equity REIT Index. Assumes annual rebalancing. Data represents total return for stated period. Data are as of 3/31/15. Source: JPMorgan. The Diversified Portfolio is not representative of any Virtus portfolio. Investors should consult their financial professional to identify suitable portfolio allocations. There is no guarantee that a diversified portfolio will outperform a non-diversified portfolio, or that diversification among different asset classes reduces risk.

Index Definitions—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 **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The **Russell 2000® Index** is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The **MSCI EAFE® Index (net)** is a free-float-adjusted market-capitalization weighted index that measures developed foreign market equity performance, excluding the U.S. and Canada. The index is calculated on a total return basis with net dividends reinvested. The **MSCI Emerging Markets Index (net)** is a free float-adjusted market capitalization-weighted index designed to measure equity market performance in the global emerging markets. The index is calculated on a total return basis with net dividends reinvested. The **Barclays Capital U.S. Aggregate Index** represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. These major sectors are subdivided into more specific indexes that are calculated and reported on a regular basis. The **Barclays Capital 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible. The **Barclays Capital High Yield Index** covers the universe of fixed rate, non-investment grade debt. Pay-in kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, and 144-As are also included. The **Bloomberg Commodity Index** is composed of futures contracts on physical commodities and represents 22 separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc. The **NAREIT Equity REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Not all products or marketing materials are available at all firms.

Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.

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