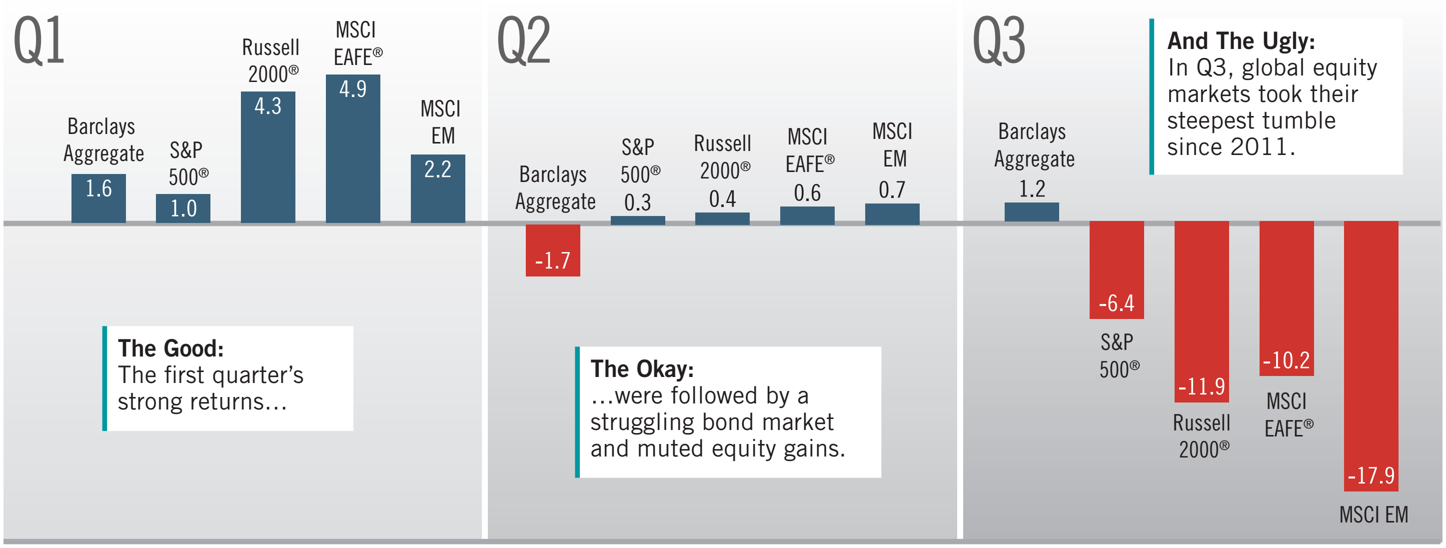
Q3 2015

The market in 2015 has grown progressively weaker. News ranging from a slowing Chinese economy, to sluggish global growth, and challenged corporate earnings clobbered major markets, especially emerging markets. In late August, equity market volatility nearly tripled from its summer average. In response, investors fearful of further losses voted with their feet: On the day following the sharp decline of August 24th, investors' equity fund redemptions were the highest in nine years.

2015 Quarterly Index Returns in %[1]



Frequency and Extent of Market Declines Since 1926[2]

S&P 500® Loss	Number of occurrences	Mean number per year
-5%	300	3.4
-10%	94	1.1
-15%	43	0.5
-20%	25	0.3

- Market declines are a common occurrence. Since 1926, the S&P 500® has dropped 5% 300 times, more than three times per year. On average, a 10% decline happens more than once per year.
- A relatively tranquil market following the 2008 crisis has desensitized some investors to "normal" stock market volatility.
- The bull market in U.S. stocks that began in Q1 2009 is still intact. Despite recent volatility, we have not entered a bear market, which is defined as a 20% decline.

Performance of a Diversified Portfolio, YTD 2015[3]

-4.4%

- "Nowhere to hide" is the emerging theme for 2015. No major liquid market segments have performed well this year. A diversified portfolio has returned -4.4% through the first three-fourths of the year.
- In a diversified portfolio of stocks, bonds, and alternatives, the top performing asset class of the year so far is U.S. investment grade bonds, which returned 1.1%. Dispersion among asset classes has generally been low in 2015.

[1]Source: Virtus Performance Analytics.
[2]Source:Source: Ned Davis Research. © 2015 Ned Davis Research, Inc. Further distribution prohibited without prior permission.

[3]Source: 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 9/30/15. 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 **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 **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 **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 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 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.