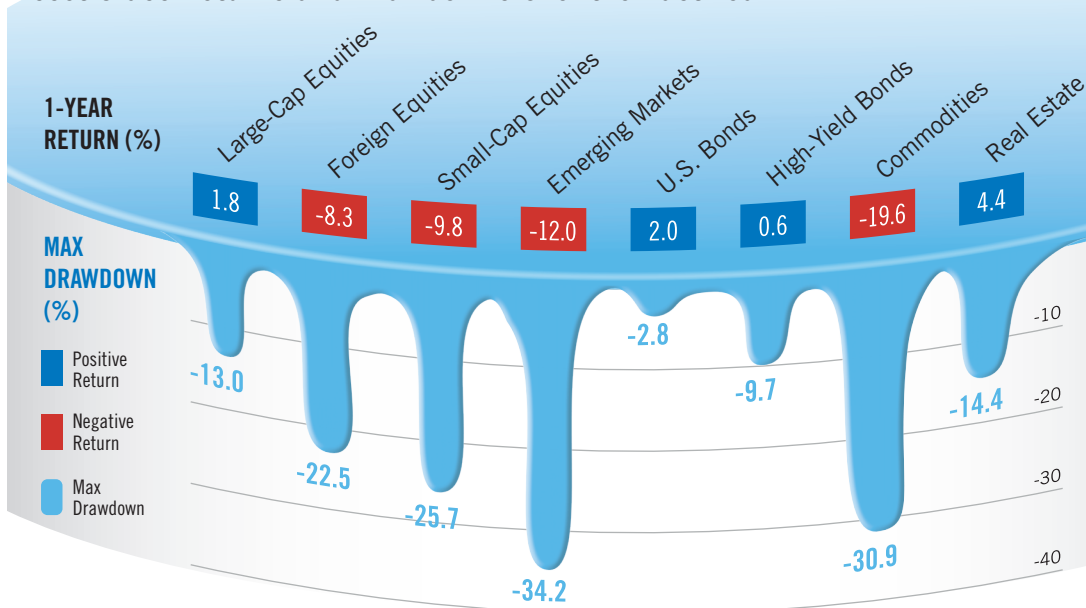


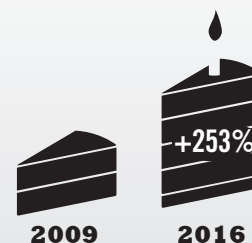
Q1 2016: Happy Birthday?

The S&P 500® bull market notched its 7th anniversary in Q1 2016. It has more than *tripled* off of its March 2009 bottom. Hardly anyone is celebrating, however. That's because nearly all major asset classes have had significant drawdowns over the past year.

Asset Class Returns and Drawdowns Over the Past Year¹



S&P 500® INDEX CHANGE SINCE MARCH 9, 2009²



From its 2009 bottom to the end of this quarter, the Index gained 253% on a total return basis, without a 20% pullback at any point.

Searching for Opportunity...

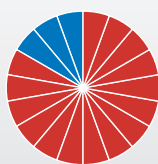
Many stocks, sectors, and countries have entered bear market territory, down >20% from all time highs.³



243 of 504
Stocks in the
S&P 500®



4 of 10
Sectors of the
S&P 500®



12 of 15
Countries

- Nearly half the stocks in the S&P 500® and half the broad sectors (Energy, Technology, Healthcare, and Telecom) were more than 20% below their all-time high at the end of Q1. That's true of most major national markets, including Japan, the U.K., Canada, and Switzerland, too.
- Long-term investors are now searching for value. Indeed, value stocks outpaced growth stocks in Q1.

Performance of a Diversified Portfolio

Trailing 1-Year⁴

-2.6%

- Non-U.S. equities and commodities drove a well-diversified portfolio into the red over the trailing 1-year period.
- In Q1 2016, that same portfolio gained 1.3%. Risk assets rallied strongly after one of the worst starts to a calendar year in market history.
- Somewhat oddly, both highly volatile emerging markets stocks and conservative bonds notched solid gains during the quarter.
- Volatility spiked during Q1. The S&P 500® moved in excess of +/- 1% on 43% of market days (26 of 61 days). That's about double the market's average (22%) since 1933.⁵

¹Source: Morningstar Direct. Period shown is 4/1/2015–3/31/2016. See following page for definitions.

²Source: Bloomberg. Period shown is 3/9/2009–3/31/2016.

³Source: Bloomberg. As of 3/31/2016. See following page for definitions.

⁴Source: Virtus Performance Analytics. Period shown is 4/1/2015–3/31/2016. Returns compounded monthly. See following page for composition and definitions.

⁵Source: Bloomberg.

Past performance is not indicative of future results.

BEARS INSIDE THE BULL

These data show a more comprehensive snapshot of maximum drawdowns and total 1-year returns across many market segments. They also show when each market's drawdown began, when it hit its low point, and for just two cases, when it recouped its losses.

Group/Investment	Max Drawdown (%)	1-Year Return (%)	Drawdown Start Date	Date of Max Drawdown	Recovery Date
Barclays U.S. Aggregate Bond Index	-2.8	2.0	4/18/15	6/10/15	2/2/16
Barclays Global High Yield Index	-9.7	0.6	5/16/15	1/20/16	
S&P 500® Index	-13.0	1.8	7/21/15	2/11/16	
Dow Jones Industrial Average	-13.9	2.1	5/20/15	8/25/15	
FTSE NAREIT Equity REITs Index	-14.4	4.4	4/7/15	9/4/15	3/17/16
NASDAQ Composite Index	-17.7	0.6	7/21/15	2/11/16	
MSCI AC World Index	-19.2	-4.3	5/22/15	2/11/16	
MSCI EAFE® Index	-22.5	-8.3	5/22/15	2/12/16	
Russell 2000® Index	-25.7	-9.8	6/24/15	2/11/16	
Nikkei 225 Average	-27.6	-11.1	7/22/15	2/12/16	
Bloomberg Commodity Index	-30.9	-19.6	5/15/15	1/20/16	
MSCI EM Index	-34.2	-12.0	4/29/15	1/21/16	
MSCI China Index	-42.3	-18.8	4/28/15	2/12/16	

Source: Morningstar Direct.

Virtus Has Answers. 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 market timing.

Asset Classes: Large-Cap Equities represented by the S&P 500® Index; Foreign Equities by the MSCI EAFE® Index; Small-Cap Equities by the Russell 2000® Index; Emerging Markets by the MSCI EM Index; U.S. Bonds by the Barclays U.S. Aggregate Bond Index; High-Yield Bonds by the Barclays Global High Yield Index; Commodities by the Bloomberg Commodity Index; and Real Estate by the FTSE NAREIT Equity REITs Index.

Sectors: Global Industry Classification Standard (GICS) sectors are Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Telecommunications Services, Materials, and Utilities.

Countries: Brazil, Japan, Germany, Taiwan, Italy, U.K., South Korea, Australia, Mexico, Spain, China, and Canada are down 20% or more. Remaining countries are Switzerland, Hong Kong, and India.

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 U.S. Aggregate, 5% in the Barclays 1-3m Treasury, 5% in the Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index, and 5% in the NAREIT Equity REITs Index. Assumes annual rebalancing. Data represents total return for stated period. 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 **Barclays 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 **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 Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities. 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 **FTSE NAREIT Equity REITs 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 **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The **NASDAQ Composite Index** is the market-capitalization weighted index of the more than 3,000 common equities listed on the NASDAQ stock exchange. The index includes all NASDAQ listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debentures. The **MSCI AC World Index (net)** is a free float-adjusted market capitalization-weighted index that measures equity performance of developed and emerging markets. The index is calculated on a total return basis with net dividends reinvested. The **Nikkei 225 Stock Average** is a price-weighted index comprised of Japan's top 225 blue-chip companies on the Tokyo Stock Exchange. The **MSCI China Index** captures large and mid cap representation across China H shares, B shares, Red chips and P chips. With 155 constituents, the index covers about 85% of this China equity universe. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Max Drawdown: the peak to trough decline for an investment during a time period. A smaller maximum drawdown is desirable because that means that the strategy has less of a decline from a high point to a low point.

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

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