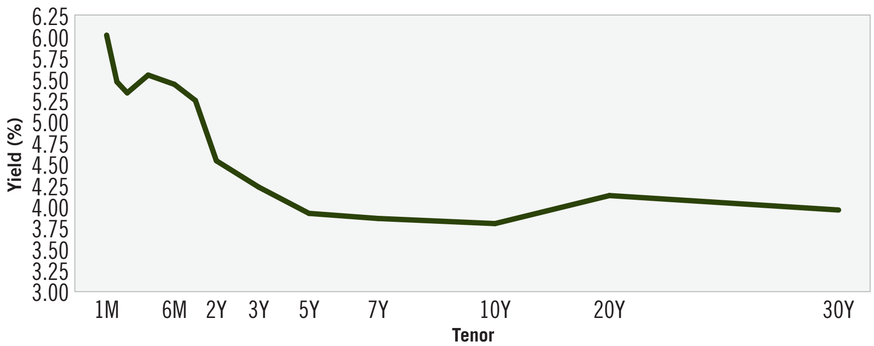
Is It Time to Start Adding Duration?

In an uncertain market environment, diversifying duration across the curve may help investors hedge various risks while preserving income.

Current Trends Favor Short Duration – For Now

As inflation pressures persist and the Federal Reserve (Fed) signals its intent to keep rates higher for longer, short duration shows value relative to the rest of the curve, especially given the current inverted yield curve.

RECESSION FEARS HAVE INVERTED THE YIELD CURVE

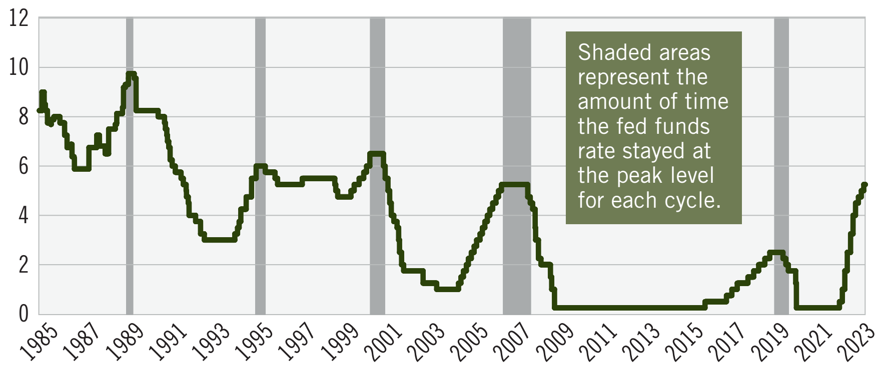


Source: U.S. Department of Treasury, St. Louis Federal Economic Data (FRED). As of May 26, 2023.

However, Longer Duration May Not Be the Enemy for Long

In the past year or so, exposure to longer duration has driven down returns across fixed income as the Fed rapidly hiked rates. Yet in past cycles, the Fed has lowered rates relatively soon after the federal funds rate peaked, with the market following in the other direction.

FEDERAL FUNDS RATE

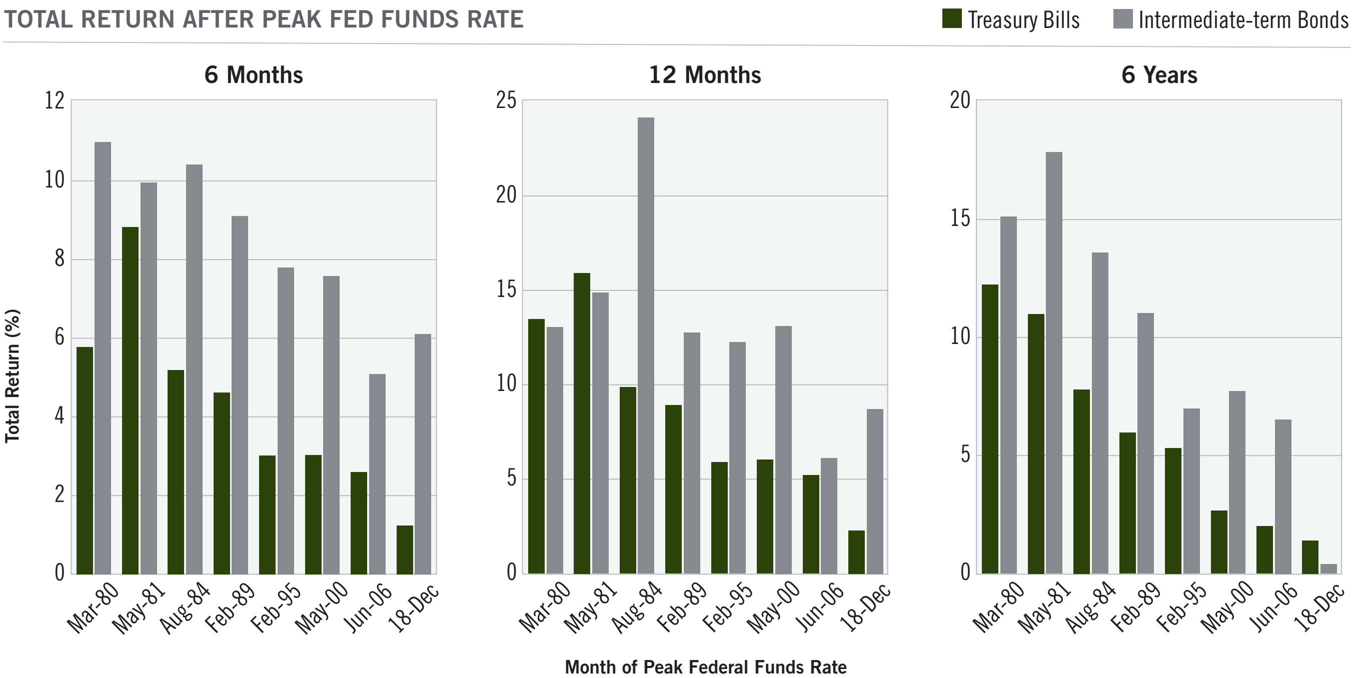


Source: Bloomberg, Federal Funds Target Rate – Upper Bound. Daily data as of May 30, 2023.

Soon After the Fed Finished Hiking Rates, Longer Duration Has Historically Outperformed

Once the rate cycle reverses, longer duration bonds have typically outperformed short-term T-bills both in the short term (six months after rate peak) and long term (six years after rate peak). Trying to time the markets and waiting for the peak to start reinvesting in longer duration bonds may mean investors are already too late in catching much of the short-term upside. Opting out of longer duration altogether may also risk missing significant long-term upside.

TOTAL RETURN AFTER PEAK FED FUNDS RATE

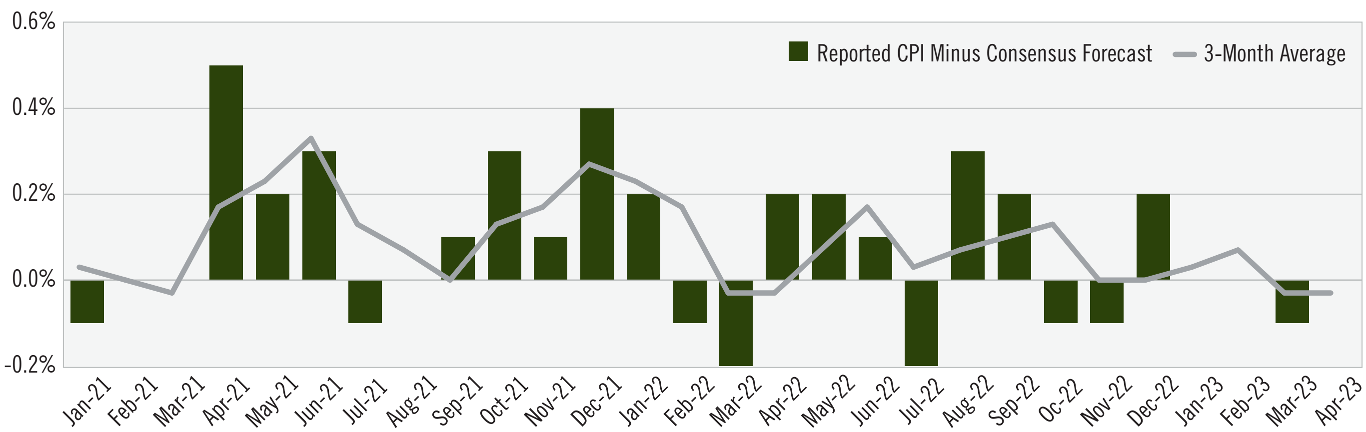


Indexes: Bloomberg U.S. Aggregate Index, ICE BofA U.S. 3-Month Treasury Bill Index.

That Said, Inflation's Trajectory Has Proven Difficult to Predict – And Signals Caution Ahead

Determining the right mix of short and long duration bonds has been complicated in the last year or so by inflation, which has repeatedly thwarted forecasts. Rather than trying to time the market, we think owning exposure across the curve helps investors diversify duration risk on both ends, no matter how inflation or the Fed's interest rate path plays out.

CPI VERSUS FORECASTS – 2021-PRESENT



Source: Bureau of Labor Statistics, Bloomberg data. As of April 30, 2023.

Consider Multi-Sector Products with Diversified Exposure Across the Curve

Outsourcing the complexity of duration management may help investors better capture the upside caused by market swings in either direction while mitigating risk.

VIRTUS NEWFLEET CORE PLUS BOND FUND (SAVYX)

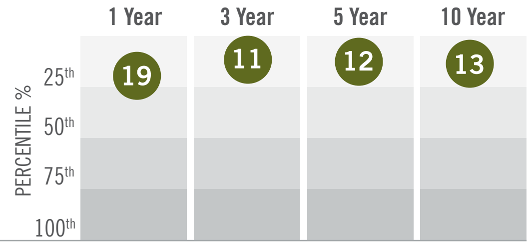
Broad Fixed Income Exposure—Highly diversified, duration-neutral core plus bond allocation, primarily focused on higher-quality, more liquid securities.

Relative Value Focus—Top-down analysis weighs relative attractiveness of 14 global bond sectors, evaluating fundamentals, yields, spreads, and supply/demand dynamics.

Extensive Fundamental Research—Security selection driven by bottom-up analysis of individual bond quality, credit risk, valuation, company management, structure, and technical element.

Effective Duration: 6.16 years

MORNINGSTAR PERCENTILE RANKING FOR RETURNS (I SHARES) Intermediate Core-Plus Bond Category, Based on Total Returns as of 3/31/23



	1 Year	3 Year	5 Year	10 Year
RETURNS RANK	74	47	66	38
FUNDS IN CATEGORY	613	554	508	362

Source: Morningstar Direct.

AVERAGE ANNUAL TOTAL RETURNS Class I (%) as of 3/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Virtus Newfleet Core Plus Bond Fund	3.25	3.25	-4.50	0.43	1.62	2.10	4.87
Bloomberg U.S. Aggregate Bond Index	2.96	2.96	-4.78	-2.77	0.91	1.36	4.30

Inception: 3/7/1996.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 0.78%. The net expense ratio is 0.55%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

VIRTUS NEWFLEET MULTI-SECTOR INTERMEDIATE BOND FUND (VMFIX)

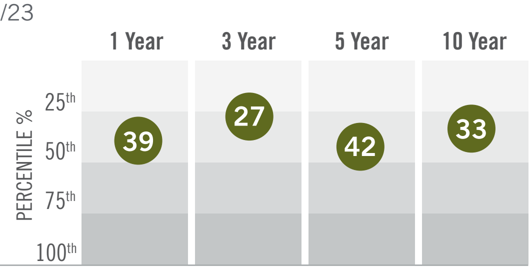
Diversification—Highly diversified, duration-neutral opportunistic bond portfolio, which allows for higher allocations to lower-rated and non-U.S. debt.

Flexibility—Rotates across 14 major bond segments, including ex-U.S. (Yankees and corporate bonds, and non-U.S. dollar bonds in both developed and emerging markets), in order to benefit from opportunity—and manage risk.

Extensive Fundamental Research—Security selection driven by bottom-up analysis of individual bond quality, credit risk, valuation, company management, structure, and technical elements.

Effective Duration: 4.29

MORNINGSTAR PERCENTILE RANKING FOR RETURNS (I SHARES) Multisector Bond Category, Based on Total Return as of 03/31/23



	1 Year	3 Year	5 Year	10 Year
RETURNS RANK	115	73	110	52
FUNDS IN CATEGORY	345	287	250	154

Source: Morningstar Direct.

AVERAGE ANNUAL TOTAL RETURNS Class I (%) as of 3/31/23

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Virtus Newfleet Multi-Sector Intermediate Bond Fund	2.91	2.91	-3.13	4.06	1.79	2.67	4.66
Bloomberg U.S. Aggregate Bond Index	2.96	2.96	-4.78	-2.77	0.91	1.36	2.34

Inception: 10/1/2009.

Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit virtus.com for performance data current to the most recent month end. This share class has no sales charges and is not available to all investors. Other share classes have sales charges. See virtus.com for details.

The fund class gross expense ratio is 0.84%. The net expense ratio is 0.74%, which reflects a contractual expense reimbursement in effect through 1/31/2024.

Average annual total return is the annual compound return for the indicated period and reflects the change in share price and the reinvestment of all dividends and capital gains. Returns for periods of one year or less are cumulative returns.

About Virtus Investment Partners

Virtus Investment Partners (NASDAQ: VRTS) is a distinctive partnership of boutique investment managers singularly committed to the long-term success of individual and institutional investors. The company provides investment management products and services through its affiliated managers and select subadvisers, each with a distinct investment style, autonomous investment process, and individual brand.

VIRTUS FUNDS

To learn more about Newfleet's multi-sector strategies available through Virtus Funds, visit virtus.com or call us at 800-243-4361.

INDEX DEFINITIONS
The **Bloomberg U.S. Aggregate Bond Index** measures the U.S. investment grade fixed rate bond market. The index is calculated on a total return basis. The **ICE BofA 3-month U.S. Treasury Bill Index** measures performance of the three-month Treasury bill, based on monthly average auction rates. The index is calculated on a total return basis. The indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

IMPORTANT RISK CONSIDERATIONS
Credit & Interest: Debt instruments are subject to various risks, including credit and interest rate risk. The issuer of a debt security may fail to make interest and/or principal payments. Values of debt instruments may rise or fall in response to changes in interest rates, and this risk may be enhanced with longer-term maturities. **High Yield Fixed Income Securities:** There is a greater risk of issuer default, less liquidity, and increased price volatility related to high yield securities than investment grade securities. **Bank Loans:** Bank loans may be unsecured or not fully collateralized, may be subject to restrictions on resale, may be less liquid and may trade infrequently on the secondary market. Bank loans settle on a delayed basis; thus, sale proceeds may not be available to meet redemptions for a substantial period of time after the sale of the loan. **Foreign & Emerging Markets:** Investing in foreign securities, especially in emerging markets, subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **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 non-repayment of underlying collateral, including losses to the portfolio. **Market Volatility:** The value of the securities in the portfolio may go up or down in response to the prospects of individual companies and/or general economic conditions. Local, regional, or global events such as war, terrorism, pandemic, or recession could impact the portfolio, including hampering the ability of the portfolio's manager(s) to invest its assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

Effective Duration: The change in the value of a fixed income security that will result from a 1% change in interest rates while taking into account the way changes in rates will affect the expected cash flows of any bond with an embedded option such as call or prepayment option. This measure assigns a probability to the exercise of a call option, where applicable, based on specified shifts in the yield curve. Duration is expressed as a number of years, and generally, the larger the duration, the greater the interest rate risk or reward for a portfolio's underlying bond prices.

Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit virtus.com for a prospectus or summary prospectus. Read it carefully before investing.

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