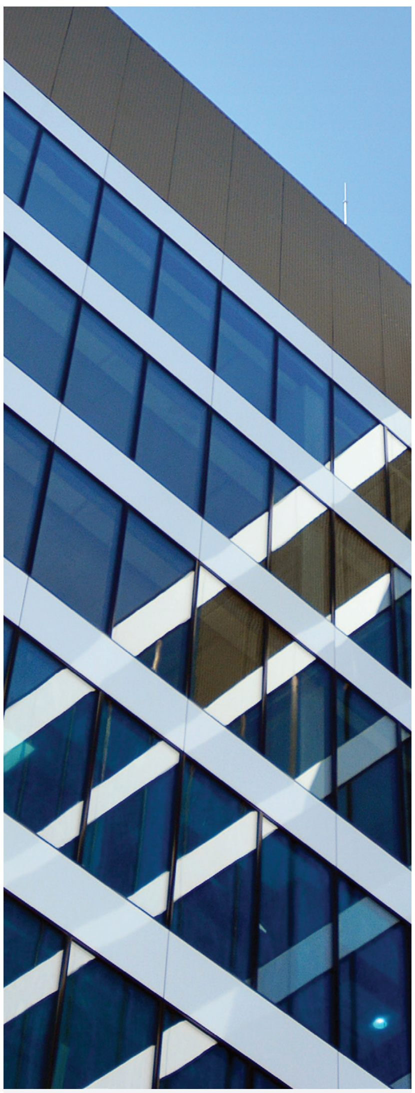
VIRTUS FUNDS

An Introduction to Merger Arbitrage

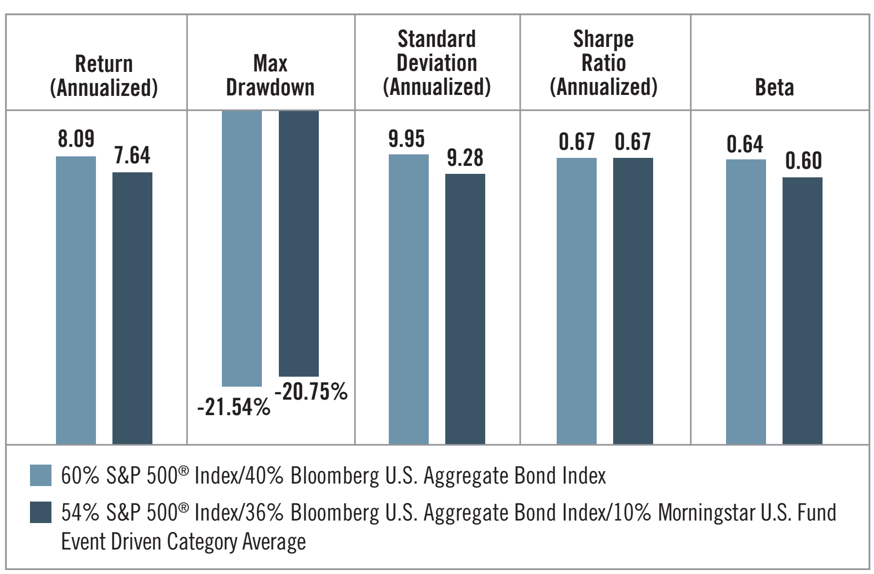
Merger arbitrage is an alternative investment strategy offering traditional stock and bond investors the potential to create a more efficient and diversified portfolio, targeting both steady gains and minimization of drawdowns through up and down markets alike.



WESTCHESTER
CAPITAL MANAGEMENT
A VIRTUS INVESTMENT PARTNER

Merger arbitrage is an absolute return strategy of investing in companies involved in pending mergers, takeovers, and other corporate reorganizations, with the goal of profiting from the timely completion of these transactions. Each investment tends to trade on idiosyncratic deal dynamics and normally exhibits low correlation with other investments in a portfolio. In other words, the outcome of a single transaction will likely not impact the outcome of other portfolio investments. In contrast to traditional long-only strategies, investment returns are driven primarily by the outcome of the specific transaction rather than the direction of equity or bond markets.

POTENTIAL FOR A MORE EFFICIENT PORTFOLIO



Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. All data calculated over a 20-year time period (1/1/04-12/31/23). See page 7 for glossary and index definitions.

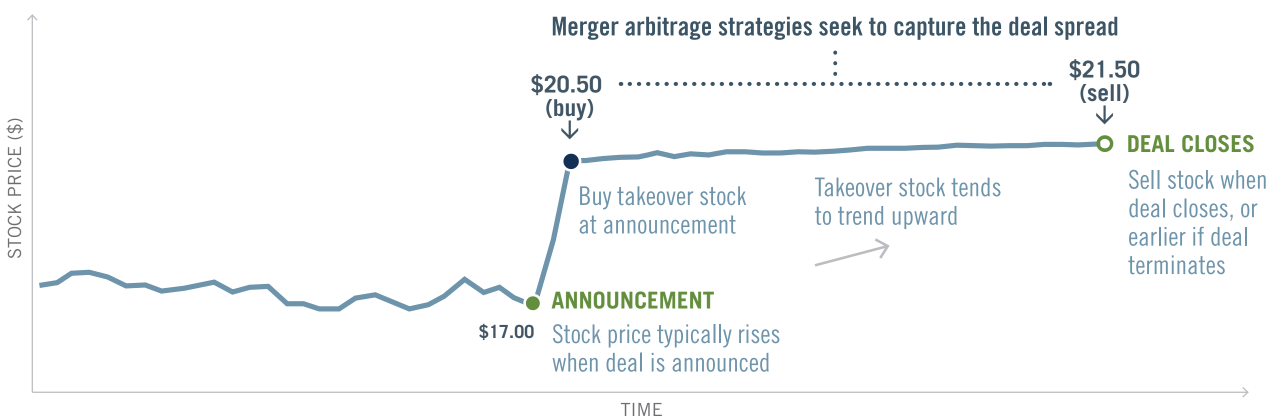
While there are multiple ways to capture merger arbitrage opportunities, in the simplest form of such a transaction, the buyer (acquirer) makes an offer for the seller's (target) stock, almost always at a premium to the market price. Takeover (target) stocks typically trade at a discount to the deal price because there is usually some risk of the transaction being delayed or terminated. The size of this discount, known as the arbitrage spread, is influenced by general market conditions, as well as by deal-specific considerations that affect the transaction's timing and perceived probability of success. Merger arbitrage managers try to profit from this spread while hedging their positions against a variety of risks.

Merger Types

There are three principal categories of mergers: Stock-for-stock, cash, and mixed consideration.

1. Stock-for-Stock Merger	2. Cash Merger	3. Mixed Consideration Merger
In a stock-for-stock merger, the shares of the target company are exchanged for shares of the acquirer.	In a cash merger, the acquiring company purchases shares of the target company for cash.	In a stock and cash merger, the target company's shareholders receive a mix of cash and stock from the acquiring company in exchange for their existing shares of the target company.

SEEKING TO EXPLOIT PRICING INEFFICIENCIES RELATED TO COMPANIES UNDERGOING CHANGE
Cash Deal: Acquiring Company offers $21.50 cash for each share of the Target Company stock.



For illustrative purposes only.

- By purchasing the target company at a discounted price ($20.50) in the open market, the arbitrageur positions itself to receive the difference between the offer price and the current share price when the deal closes, earning a spread.
- Regardless of whether the market goes up or down during the pendency of the transaction, because the value of the consideration to be received is a fixed dollar amount the arbitrageur stands to make a potential return, or spread, upon the successful closing of the deal.

The Merger Arbitrage Spread

Because there is some risk of the transaction either being delayed or terminated, the target company will typically trade at a discount to the offer price. This discount (or deal spread) is the measurement of potential returns for this strategy.

Acquiring company is currently trading at **$21.50**

The potential return earned, or "spread" is $1.00 per share

Target company is currently trading at **$20.50**

The Merger Arbitrage "Spread" is comprised of the following:

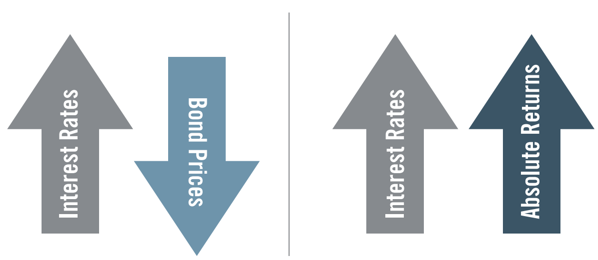
Deal Risk Premium	"Time to Close" Premium	"Risk-free" Rate
– Regulatory issues/hurdles – Financing conditions and agreements – Shareholder vote(s) – Material adverse changes and termination clauses – Pending litigation risk	– Number of approvals needed – Expected time to close – Time value of money	– Short-term interest rates—typically U.S. Treasury bills

Components of the Spread:

- **Risk premium:** The return in excess of the risk-free rate that an investment is expected to provide. Since the risk-free rate can be obtained with no risk, it is implied that any additional risk an investor takes on would be rewarded with a potential rate of return higher than the risk-free rate.
- **Time to close premium:** The time value of money plays a pivotal role in the calculation of the return of the arbitrageur. The longer a deal takes to complete, the lower the deal's annualized return.
- **Risk-free rate**: The interest an investor would expect from a risk-free investment over a specified period. The interest rate on a three-month U.S. Treasury bill is often used as the proxy for the risk-free rate. The risk-free rate will increase or decrease as interest rates rise and fall.

Bonds:
Negative Correlation

Bond prices move in the opposite direction of interest rates. Therefore, when interest rates rise, bond prices fall.



Event Driven:
Positive Correlation

Absolute return strategies tend to exhibit a positive correlation to interest rates. Therefore, as rates climb, so do total potential returns.

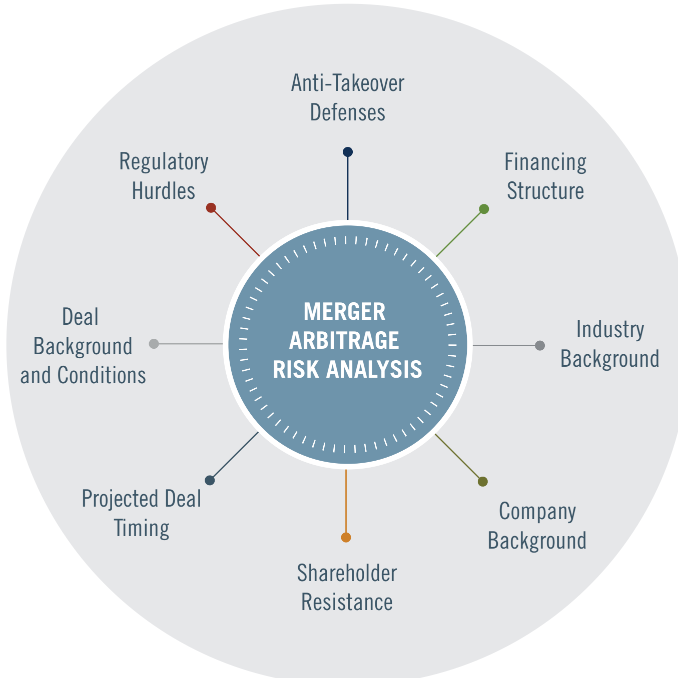
Example: If you can earn a risk-free return from Treasury bonds of two percent, that becomes your baseline. The return the investment provides over two percent is known as the risk premium.

The higher the risk-free rate is, the wider deal spreads are likely to be.

How Do Merger Arbitrage Managers Evaluate Deals?

When considering a deal, arbitrageurs must:

- **Analyze public information regarding the companies in the transaction** and the markets in which they compete
- **Estimate the probabilities of a government antitrust investigation and enforcement action** and the likely outcome of such events
- **Monitor litigation by government and private parties** and assess the likelihood of antitrust and other regulatory actions
- **Mitigate various potential deal risks** such as: transaction termination, deal delay, material adverse changes to either party, shareholder disapproval, tax obligations, and financing concerns
- **In hostile transactions**, analyze target company anti-takeover defenses

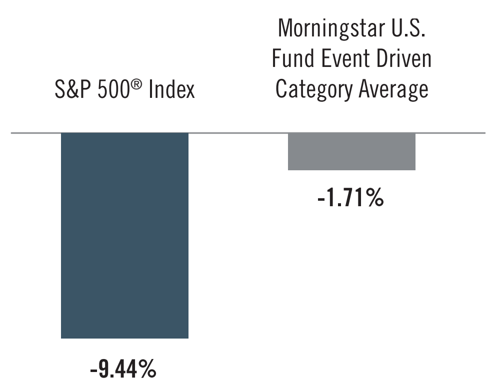


The Benefits of Merger Arbitrage Strategies

In general, merger arbitrage managers seek to make their investment strategies as market neutral (avoiding general market risk) as possible, leaving the bulk of the portfolio's exposure to whether specific corporate events occur. As a result, **merger arbitrage strategies have been able to generate positive returns in most market environments, providing significantly less downside in bear markets.**

By including merger arbitrage in a diversified portfolio, investors have the potential to create a more efficient portfolio, targeting both steady gains and minimization of drawdowns through up and down markets alike.

MERGER ARBITRAGE STRATEGIES IN BEAR MARKETS
Average Quarterly Returns: 1/1/04-12/31/23



Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. Merger arbitrage strategies performance represented by the Morningstar U.S. Fund Event Driven Category Average using the average of quarterly cumulative returns. Bear markets represented by negative quarterly performance of the S&P 500® Index.

A Differentiated Source and Pattern of Returns — Returns historically have had low correlation with the stock market and near zero correlation the with bond market.

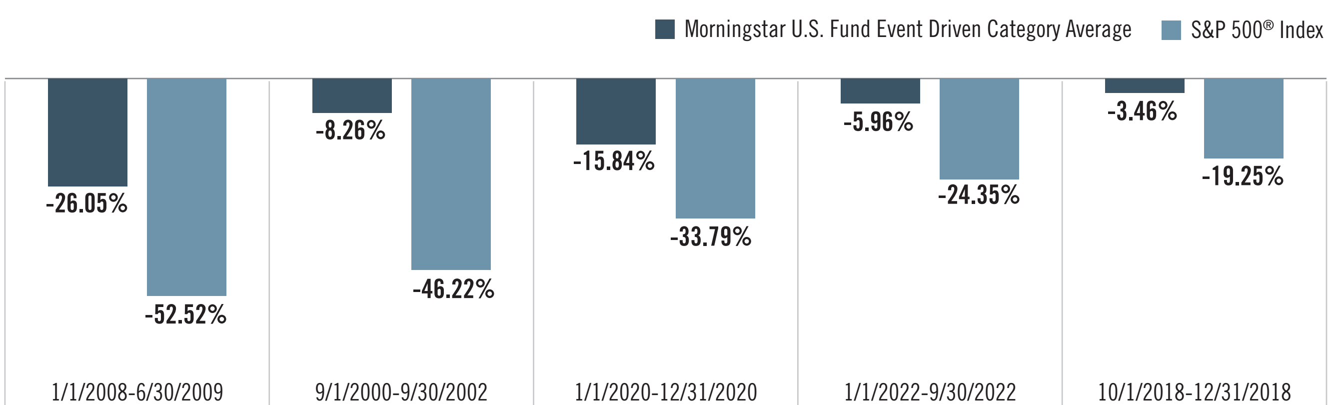
HISTORICALLY LOW CORRELATION OF MERGER ARBITRAGE
1/1/04-12/31/23

Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. Merger Arbitrage: Morningstar U.S. Fund Event Driven Category Average, Stocks: S&P 500® Index, Bonds: Bloomberg U.S. Aggregate Bond Index, Treasury Bills: Bloomberg U.S. 1-3 Month Treasury Bill Index, Commodities: S&P Goldman Sachs Commodity Index, Inflation: U.S. Consumer Price Index. See page 7 for glossary and index definitions.

The Potential for Absolute Returns — Merger arbitrage is an absolute return strategy that harnesses return sources associated with idiosyncratic corporate deal dynamics while limiting downside risk. Unlike traditional investments, the performance of event driven investments is largely dependent on a number of identifiable variables, as opposed to market conditions.

A Potential Hedge for Traditional Portfolios — The historical relative performance in both up and down markets relative to traditional portfolios is a key differentiator for merger arbitrage strategies.

POTENTIAL FOR DIVERSIFICATION IN TOUGH MARKETS
Performance of Merger Arbitrage Strategies During Largest S&P 500® Index Drawdowns



Past performance is not indicative of future results. Source: Morningstar Direct and Virtus Performance & Analytics. Time periods reflect the five largest S&P 500® Index drawdowns using peak to trough performance. Merger Arbitrage Strategies' performance during periods represented are annualized for periods longer than 12 months and cumulative for periods shorter than 12 months. Merger Arbitrage Strategies represented by the Morningstar U.S. Fund Event Driven Category Average. See page 7 for glossary and index definitions.

Westchester Capital Management, a leader in global event driven investing for over 30 years

Founded in 1980, Westchester, an investment affiliate of Virtus Investment Partners (Nasdaq: VRTS), specializes in liquid alternative investment strategies with a proven track record dating to 1989. Westchester is committed to providing solutions that strive to reduce overall portfolio risk while generating absolute returns, regardless of the market environment. They have employed a rigorous investment process focused on identifying corporate restructurings that present attractive arbitrage (price discrepancies) opportunities with a high likelihood of being completed.

Differentiated Investment Strategies	Westchester is committed to providing solutions that offer clients the ability to reduce total portfolio risk and earn absolute returns, regardless of the direction of the markets. This is done by investing in publicly announced event opportunities such as mergers, acquisitions, takeovers, spin-offs, and other corporate reorganizations, with the goal of profiting from the timely completion of these transactions.
Proven Track Record	Westchester has a proven track record of identifying profitable event-driven opportunities which has resulted in competitive risk-adjusted returns. Since the launch of the firm's flagship fund, The Merger Fund®, in 1989, the team has evaluated more than 10,000 potential transactions, and invested in over 5,000 corporate reorganizations, over 98% of which were completed.
Experienced and Stable Team	Roy Behren and Michael Shannon, who lead Westchester's portfolio management team, have worked together for more than 20 years through a variety of market cycles. Aside from retirement, there has been no investment professional turnover since inception. The firm leverages the combined knowledge of a team of investment specialists with vast and varied experience, to deliver solutions and strategies targeted to investors' needs.
Specialized Risk Management Process	Westchester's proprietary risk management infrastructure dynamically analyzes, monitors, and evaluates opportunities specific to the event-driven universe, with additional portfolio management tools covering operational, manager, counterparty, and market risks. As a matter of principle, the team does not speculate on future takeover targets or invest based upon rumors, seeking to invest in those transactions that may provide the highest risk-adjusted returns, not those that produce the highest returns without regard to potential drawdowns.
Well-Established Network of Global Resources	Westchester's size and strong Wall Street relationships create a competitive advantage and institutional access with respect to research, trading capabilities, and sourcing hard-to-borrow securities.
Strong Alignment with Investor Interests	The firm's principals and employees hold a significant percentage of their investable assets in the strategies.

To learn more, please contact us at 800-243-4361 or visit virtus.com.

IMPORTANT RISK CONSIDERATIONS

Fundamental Risk of Investing: There can be no assurance that the portfolio will achieve its investment objectives. An investment in the portfolio is subject to the risk of loss of principal; shares may decrease in value. **Merger-arbitrage & Event-driven:** Merger-arbitrage and event-driven investing involve the risk that the adviser's evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue, or other event, will prove incorrect and that the Fund's return on the investment may be negative. **Short Sales:** The portfolio may engage in short sales and may incur a loss if the price of a borrowed security increases before the date on which the portfolio replaces the security. **Foreign:** Investing in foreign securities subjects the portfolio to additional risks such as increased volatility, currency fluctuations, less liquidity, and political, regulatory, economic, and market risk. **Portfolio Turnover:** The portfolio's principal investment strategies may result in a consistently high portfolio turnover rate. A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when the portfolio is held in a taxable account. **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. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **Hedging:** The portfolio's hedging strategy will be subject to the portfolio's investment adviser's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. **Technology Concentration:** Because the portfolio is presently heavily weighted in the technology sector, it will be impacted by that sector's performance more than a portfolio with broader sector diversification. **Sector Focused Investing:** Events negatively affecting a particular industry or market sector in which the portfolio focuses its investments may cause the value of the portfolio to decrease. **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 or military conflict, 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.

Glossary

Absolute Return is the return that an asset achieves over a specified period. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period. **Beta** is a quantitative measure of the volatility of a given portfolio relative to the overall market. Higher beta suggests higher volatility. Beta can also refer to relative volatility to a portfolio's stated benchmark. **Correlation:** A measure that determines the degree to which two variables' movements are associated. The correlation will vary from -1 to +1. A -1 indicates perfect negative correlation and +1 indicates perfect positive correlation. **Maximum Drawdown** measures the peak-to-trough decline during a specific record period of an investment, fund, or commodity. A drawdown is usually quoted as the percentage between the peak and the trough. **Sharpe Ratio** measures the efficiency, or excess return per unit of risk, of a manager's returns. It is calculated by taking the portfolio's annualized return, minus the annualized risk-free rate (typically the 30-Day T-Bill return), divided by the portfolio's annualized standard deviation. The greater the Sharpe Ratio, the better the portfolio's risk adjusted return. **Standard Deviation** measures variability of returns around the average return for an investment portfolio. Higher standard deviation suggests greater risk.

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 **Bloomberg U.S. Treasury Bill 1-3 Month 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 **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The **FTSE Nareit All Equity REITs Index** is a free-float market capitalization-weighted index measuring equity tax-qualified real estate investment trusts, which meet minimum size and liquidity criteria, that are listed on the New York Stock Exchange, the American Stock Exchange and the Nasdaq National Market System. The **S&P 500® Index** is a free-float market capitalization-weighted index of 500 of the largest U.S. companies. The **Morningstar U.S. Fund Event Driven Category Average** contains strategies that attempt to profit when security prices change in response to certain corporate actions, such as bankruptcies, mergers and acquisitions, emergence from bankruptcy, shifts in corporate strategy, and other atypical events. Activist shareholder and distressed investment strategies also fall into this category. These portfolios typically focus on equity securities but can invest across the capital structure. The category average is calculated on a total return basis with dividends reinvested. The category average is unmanaged and is not available for direct investment. All indexes are unmanaged, their returns do not reflect any fees, expenses, or sales charges, and they are not available for direct investment.

Investing involves risks and the possible loss of principal. This report is based on the assumptions and analysis made and believed to be reasonable by the Adviser. However, no assurance can be given that the Adviser's opinions or expectations will be correct. This report is intended for informational purposes only and should not be considered a recommendation or solicitation to purchase securities.

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.

Distributed by **VP Distributors, LLC,** member FINRA and subsidiary of Virtus Investment Partners, Inc.