

## Virtus Zevenbergen Technology Fund

A: RAGTX (92837Q801) | ADMIN: DGTAX (92837Q835) | INST: DRGTX (92837Q843) | C: RCGTX (92837Q884) | P: ARTPX (92837Q850)

### MARKET REVIEW

There was no performance intermission in the U.S. equity market's impressive 2024 debut. Investors set aside concerns around interest rate policy, an inverted yield curve, and the continuation of mixed economic indicators. Enthusiasm for artificial intelligence (AI) remained prominent with the perceived "Fourth Industrial Revolution" driving select mega-capitalization companies higher (those with superior financial and intellectual capital). Introducing some breadth and discovery into additional benefactors, interest in companies distributing AI products and services also emerged.

### FUND PERFORMANCE

The Virtus Zevenbergen Technology Fund returned 14.38% (Class I) in the quarter, slightly trailing the 15.31% return of the S&P North American Technology Index. Semiconductors, semiconductor equipment, and electronic componentry were additive, while allocations to the technology hardware, data storage, and internet services lagged versus the benchmark.

NVIDIA and Meta Platforms were the largest contributors to performance in the quarter.

- > Founder-led accelerated computing provider NVIDIA recorded its fourth consecutive quarter of financial results well above consensus estimates. While debates swirled around AI use cases and their economic implications, investors seemed to agree on NVIDIA's role as the predominant supplier of AI "building block" technology. The company's commitment to research and development could strengthen this leading position. At its March developer conference, NVIDIA revealed a new generation of AI chips, datacenter systems, and tools that offer performance, power efficiency, and total cost of ownership improvements over predecessor products and competing alternatives.
- > Founder-led internet company Meta, formerly known as Facebook, amazed investors with its profitable growth at scale, better-than-expected financial outlook, and decision to initiate a quarterly dividend. Meta grew revenue 25% year over year in the quarter and doubled its operating margin, demonstrating strong execution on its goals to improve workplace productivity and overhead costs. Easing some Wall Street angst over the trajectory of free cash flow, management expressed its intent to continue as a "leaner" company. Long term, Meta's investments in AI infrastructure, products, and services should ultimately deepen user engagement and help it attract more digital media spend to its platform.

Tesla and Apple were the largest detractors from performance in the quarter.

- > Never far from the headlines, shares of Tesla were back under pressure to start the year. The founder-led technology company remains in between product waves with the Model Y/3 sales still growing, but maturing, and the highly anticipated "next-generation" vehicle platform not expected to begin production until late next year. With short-term deliveries pressured by the macroeconomic environment and numerous one-time items (Berlin fire, Model 3 refresh, Red Sea conflict), investment conviction remains grounded in the longer-term product roadmap and the company's autonomous driving advancements.
- > Despite inclusion in the mega-cap tech moniker, the "Magnificent Seven," Apple underperformed the broader group given caution around device sales. While it is difficult to question the company's significant presence in the smartphone market, what will catalyze the next iPhone super cycle has been top of mind for investors (particularly as large international markets like China and India have grown increasingly competitive). Ironically, in the same quarter where many have brought up the competitor debate, the U.S. Justice Department announced a lawsuit against the company for monopolistic behavior, weighing further on shares. While resolution will likely take time, the company's upcoming developer conference, pending iPhone 16 launch, and proof points of material AI efforts could serve as positive catalysts around the corner.

### PERSPECTIVE

Geopolitical tensions, a meandering path for interest rates, and upcoming elections continue to unsettle investors. The outcomes of these events, even if correctly predicted, may be unrelated to portfolio performance and a company's share price. Away from these issues, many positive investment considerations mitigate some of these concerns for investors with a longer-term perspective. Within the portfolio, corporate finances are generally robust, with many companies having secured low financing rates. They have also demonstrated improving productivity through the applications of new technologies and workforce recalibrations. Consumer finances remain relatively strong, bolstered by savings and wage increases. ZCI addresses the daily news headlines and opinions by investing in companies led by ambitious management teams that prioritize secular revenue, cash flow, and earnings growth. We view the current environment optimistically, with an eye for investments with significant wealth creation potential.

### INVESTMENT ADVISER

Virtus Investment Advisers, Inc.

### INVESTMENT SUBADVISER

Zevenbergen Capital Investments LLC

### PORTFOLIO MANAGERS



**Nancy Zevenbergen, CFA**  
Industry start date: 1981  
Start date as Fund Portfolio Manager: 2022



**Joseph Dennison, CFA**  
Industry start date: 2011  
Start date as Fund Portfolio Manager: 2022



**Anthony Zackery, CFA**  
Industry start date: 2011  
Start date as Fund Portfolio Manager: 2022

### TOP TEN HOLDINGS

	% Fund
NVIDIA Corp.	10.48
Meta Platforms Inc.	8.19
Microsoft Corp.	8.00
Alphabet, Inc.- Cl C	7.60
Amazon.com Inc.	5.09
Advanced Micro Devices Inc.	4.51
Apple Inc.	4.45
Broadcom Inc.	2.73
Palo Alto Networks Inc.	2.58
Shopify Inc.	2.50

Holdings are subject to change.

### AVERAGE ANNUAL TOTAL RETURNS (%) as of 3/31/24

	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (12/27/95)
Fund Class INST	14.38	14.38	51.39	7.90	17.47	17.80	15.18
Index 1	15.31	15.31	52.97	13.65	21.25	20.19	12.44
Index 2	9.31	9.31	35.08	8.17	17.19	15.73	n/a

### TOP FIVE CONTRIBUTORS % Contribution

NVIDIA Corp.	6.29
Meta Platforms Inc.	2.53
Microsoft Corp.	0.99
Amazon.com Inc.	0.95
Advanced Micro Devices Inc.	0.84

### TOP FIVE DETRACTORS % Contribution

Tesla Inc.	-0.91
Apple Inc.	-0.64
Adobe Inc.	-0.36
Snowflake Inc.	-0.31
MongoDB Inc.	-0.21

% Contribution: Absolute weighted contribution.

To obtain the top/bottom holdings calculation methodology, call 800-243-4361.

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](http://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](http://virtus.com) for details.

The fund class gross expense ratio is 1.17%.

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.

Index 1: The **S&P North American Technology Sector Index** is a modified capitalization-weighted index of selected technology and internet-related stocks. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Index 2: The **Nasdaq Composite Index** is a market capitalization-weighted index of all common stocks listed on the Nasdaq Stock Market. The index is calculated on a total return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

Since inception performance for Index 1 reflects a start date of 2/5/2002, the same date as the inception of the Fund's Class A Shares.

**Notes on Risk: 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. **Issuer Risk:** The portfolio will be affected by factors specific to the issuers of securities and other instruments in which the portfolio invests, including actual or perceived changes in the financial condition or business prospects of such issuers. **Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer-specific events. Focus on a particular style or on small, medium, or large-sized companies may enhance that risk. **Focused Investments:** To the extent the portfolio focuses its investments on a limited number of issuers, sectors, industries or geographic regions, it may be subject to increased risk and volatility. **Foreign Investing:** Investing in foreign securities subjects the fund to additional risks such as increased volatility; currency fluctuations; less liquidity; less publicly available information about the foreign investment; and political, regulatory, economic, and market risk. **Prospectus:** For additional information on risks, please see the fund's prospectus.

The commentary is the opinion of the subadviser. This material has been prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice or an offer of securities.

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