

Virtus Investment Partners and Cliffwater LLC Announce Partnership to Offer Liquid Alternative Investments

Files for three multi-strategy alternative mutual funds

HARTFORD, Conn. and LOS ANGELES, Oct. 28, 2013 /PRNewswire/ -- [Virtus Investment Partners, Inc.](#) (NASDAQ: VRTS), which operates a multi-manager asset management business, and [Cliffwater LLC](#), a leading advisory firm that provides institutional investors with portfolio diversification through alternative investments, today announced they have established [Cliffwater Investments LLC](#), an investment adviser that will subadvise a series of multi-strategy, multi-manager alternative mutual funds for retail investors.

(Logo: <http://photos.prnewswire.com/prnh/20121031/NE03346LOGO>)

The new venture will leverage Cliffwater's expertise in portfolio construction and its in-depth research of more than 4,000 alternatives managers. Its open-architecture approach to selecting managers is utilized by some of the largest institutions, pension funds and endowments. Cliffwater has approximately \$70 billion of assets under advisement, including approximately \$52 billion in alternative strategies.

The first set of funds that will be subadvised by Cliffwater Investments will be Virtus Alternative Total Solution Fund, Virtus Alternative Income Solution Fund, and Virtus Alternative Real Assets Solution Fund. Each fund is intended to improve an investor's risk/return profile through diversification and lower correlation to the broad equity and fixed income markets and will feature allocations to multiple alternative strategies from leading hedge fund and alternative investment managers sourced and rated by Cliffwater. Virtus has filed a registration statement with the Securities and Exchange Commission for the three funds.

"There is a growing understanding among financial advisors that portfolios constructed primarily with traditional equity and fixed income securities are reliant on an ongoing bull market and low interest rate environment to address their clients' needs," said George R. Aylward, Virtus' president and chief executive officer. "In order to meet their long-term financial goals, investors need to consider alternative strategies that typically have been available only to institutional investors and high-net-worth clients. Through our partnership with Cliffwater, we can give clients access to institutional-quality alternative investment managers in a retail mutual fund that has the benefits investors appreciate: daily liquidity, timely tax reporting, transparency, and affordability."

"We are leveraging Cliffwater's expertise in alternative investments to develop open-architecture, multi-strategy, multi-manager alternatives funds. Cliffwater is well-regarded as an alternatives research and advisory firm, and with its institutional experience and disciplined approach to risk management, manager sourcing, and portfolio construction, it is the right partner to help us solve the evolving needs of retail investors," Aylward said.

"Institutions have long embraced alternative investments because they understand the benefits of generating more consistent returns and better managing their risk profile," said Stephen Nesbitt, chief executive officer and founder of Cliffwater LLC. "For the past decade, we have provided institutional clients with full-service support for their alternative strategies. Our experience with the largest and most sophisticated institutional investors, proprietary analytical tools and distinctive research approach gives us extensive access to some of the best alternative managers."

"Both Cliffwater and Virtus bring to the partnership unique skills and expertise that, when combined, can

produce significant opportunities for the retail investor," Nesbitt added. "We conducted an extensive search to find the best asset management partner to bridge the gap from serving large institutional clients to retail investors, and after meeting with many mutual fund firms, it was obvious that Virtus had the right combination of leadership, experience and market position that Cliffwater was looking for in a long-term strategic partner."

About the funds

The three new "Virtus Alternative Solution" funds are solutions-oriented and designed to use multiple diversified strategies and managers to emphasize total returns across all market environments to give investors the ability to reach their financial goals.

Cliffwater Investments, the funds' subadviser, will assist the funds' adviser in implementing a multi-stage process that incorporates a disciplined, top-down tactical asset allocation process with bottom-up manager research, selection and ongoing due diligence. Each fund will utilize a variety of alternative strategies subadvised by a collection of leading alternative managers rated by Cliffwater.

The three funds, expected to be available to investors in the first quarter of 2014, are:

- **Virtus Alternative Total Solution Fund.** The fund combines a diversified collection of alternative (income, real assets and long/short) strategies designed to provide the opportunity to generate a positive total return in various market cycles while aiming to maintain a low correlation to traditional equity and fixed income markets.
- **Virtus Alternative Income Solution Fund.** The fund is focused on capturing current yield from a diversified combination of income producing securities.
- **Virtus Alternative Real Assets Solution Fund.** The fund is constructed to help investors protect their purchasing power by producing a total return that exceeds the rate of inflation over the course of a full market cycle.

About Cliffwater LLC

Cliffwater LLC provides alternative advisory and asset management services to institutional investors including endowments, foundations, retirement systems and financial institutions. It is one of the largest alternatives advisory firms, assisting clients globally in their allocations to hedge funds, private equity, real estate, and real assets. Beyond its role in sourcing investments, conducting due diligence, gaining access for clients and monitoring risks, Cliffwater has both the experience and analytical tools to help clients integrate alternative investment allocations into their overall portfolio. Cliffwater is an independent firm with offices in Los Angeles and New York City. For more information about Cliffwater, visit www.cliffwater.com.

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 Investment Partners offers access to a variety of investment styles across multiple disciplines to meet a wide array of investor needs. Its affiliated managers include [Cliffwater Investments](#), [Duff & Phelps Investment Management](#), [Euclid Advisors](#), [Kayne Anderson Rudnick Investment Management](#), [Kleinwort Benson Investors International](#), [Newfleet Asset Management](#), [Newfound Investments](#), [Rampart Investment Management](#) and [Zweig Advisers](#). Additional information can be found at www.virtus.com.

Forward-Looking Information

This press release contains statements that are, or may be considered to be, forward-looking statements. All statements that are not historical facts, including statements about our beliefs or expectations, are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking terminology as "expect," "estimate," "plan," "intend," "believe," "anticipate," "may," "will," "should," "could," "continue," "project," or similar statements or variations of such terms. Our forward-looking statements are based on a series of expectations, assumptions and projections about our company, are not guarantees of future results or performance, and involve substantial risks and uncertainty as described in our 2012 Annual Report on Form 10-K or in any of our filings with the Securities and Exchange Commission ("SEC"), which are available on our website at www.virtus.com under "Investor Relations." All of our forward-looking statements are as of the date of this release only. The company can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. You are urged to carefully consider all such factors.

A registration statement relating to the three new funds described herein has been filed with the Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This communication shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any state in which such an offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such state.

The funds mentioned involve the following risks:

Active Trading Risk. The risk of actively trading portfolio securities may accelerate realization of taxable gains and losses, lower fund performance, and may result in high portfolio turnover rates and increased brokerage costs. **Allocation Risk.** The risk that the fund's exposure to equities and fixed income securities, or to different asset classes, may vary from the intended allocation or may not be optimal for market conditions at a given time. **Call Risk.** The risk that issuers will prepay fixed rate obligations when interest rates fall, forcing the fund to reinvest in obligations with lower interest rates than the original obligations. **Commodity and Commodity-Linked Instruments Risks.** The risks that investments in commodities or commodity-linked notes will subject the fund's portfolio to greater volatility than investments in traditional securities, or that commodity-linked instruments will experience returns different from the commodities they attempt to track. **Commodity Pool Risk.** The risk that the fund's investments in certain instruments deemed to be "commodity interests" under the Commodity Exchange Act ("CEA") and the rules of the Commodity Futures Trading Commission ("CFTC") will cause the fund to be deemed a commodity pool, thereby subjecting the fund to regulation under the CEA and CFTC rules. **Credit Risk.** The risk that the issuer of a security will fail to pay interest or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. **Counterparty Risk.** The risk that a party upon whom the fund relies to consummate a transaction will default. **Derivatives Risk.** The risk that the fund will incur a loss greater than the fund's investment in, or will experience greater share price volatility as a result of investing in, a derivative contract. **Emerging Market Investing Risk.** The risk that prices of emerging markets securities will be more volatile, or will be more greatly affected by negative conditions, than those of their counterparts in more established foreign markets. **Equity Securities Risk.** The risk that events negatively affecting issuers, industries or financial markets in which the fund invests will impact the value of the stocks held by the fund and thus, the value of the fund's shares over short or extended periods. Investments in a particular style or in small or medium-sized companies may enhance that risk. **Foreign Investing Risks.** The risk that the prices of foreign securities in the fund's portfolio will be more volatile than those of domestic securities, or will be negatively affected by foreign economic, political or other developments. **High-Yield/High-Risk Fixed Income Securities Risk.** The risk that the issuers of high yield-

nigh risk securities in the fund's portfolio will default, that the prices of such securities will be volatile, and that the securities will not be liquid. **Income Risk.** The risk that income received from the fund will vary widely over the short- and long-term. **Inflation-Protected Securities Interest Rate Risk.** The risk that inflation-protected securities will react differently from other fixed income securities to changes in interest rates. The value of inflation-protected securities are anticipated to change in response to changes in "real" interest rates, which represent nominal (stated) interest rates reduced by the expected impact of inflation. Generally, the value of an inflation-protected security will fall when real interest rates rise and will rise when real interest rates fall. **Interest Rate Risk.** The risk that when interest rates rise, the values of the fund's debt securities, especially those with longer maturities, will fall. **Leverage Risk.** The risk that the value of the fund's shares will be more volatile or that the fund will incur a loss greater than the fund's investment in a given security when leverage is used. **Liquidity Risk.** The risk that certain securities may be difficult or impossible to sell at the time and price beneficial to the fund. **Loan Participation Risk.** The risk that there may not be a readily available market for loan participation interests and, in some cases, the fund may have to dispose of such securities at a substantial discount from face value. Loan participations also involve the credit risk associated with the underlying corporate borrower. **Market Volatility Risk.** The risk that the value of the securities in which the fund invests may go up or down in response to the prospects of individual companies and/or general economic conditions. Price changes may be temporary or may last for extended periods. **Master Limited Partnership Risk.** The risk that the fund's investments in MLP units will be negatively impacted by tax law changes, regulatory developments or other factors affecting the MLP's underlying assets. **Mortgage-Backed and Asset-Backed Securities Risk.** The risk that changes in interest rates will cause both extension and prepayment risks for mortgage-backed and asset-backed securities in which the fund invests, or that an impairment of the value of collateral underlying such securities, will cause the value of the securities to decrease. **New Fund Risk.** The risk that the fund may not grow to an economically viable size, in which case the fund may cease operations. Investors may be required to liquidate or transfer their investments at an inopportune time. **Multi-Manager Approach Risk.** The risk that, although the investment strategies employed by the subadvisers are intended to be complementary, they may not in fact be complementary and could result in more exposure to certain types of securities and higher portfolio turnover. **Real Estate Investment Risk.** The risk that the value of the fund's shares will be negatively affected by changes in real estate values or economic conditions, credit risk and interest rate fluctuations, changes in the value of the underlying real estate and defaults by lessees and/or borrowers. Investing in real estate through REITs and REOCs also introduces the risk that the fund's shares will be negatively affected by factors specific to investing through a pooled vehicle, such as through poor management of the REIT or REOC, concentration risk, or other risks typically associated with investing in small or medium market capitalization companies. **Short Sales Risk.** The risk that the fund will experience a loss if the price of a borrowed security increases between the date of a short sale and the date on which the fund acquires the security. **Subsidiary Risk.** By investing in the Subsidiary, the fund is indirectly exposed to the risks associated with the Subsidiary's investments, which are generally similar to those that are permitted to be held by the fund. The Subsidiary is not registered under the Investment Company Act of 1940, as amended (the "1940 Act") and is not subject to all of the investor protections of the 1940 Act. Changes in the laws of the United States and/or the Cayman Islands could result in the inability of the fund and/or the Subsidiary to operate as described in this Prospectus and the fund's Statement of Additional Information, and could adversely affect the fund. **Tax Risk.** The risk that the tax treatment of the fund's investments may be adversely affected by future legislation, Treasury Regulations and/or guidance issued by the Internal Revenue Service that could affect whether income derived from such investments is "qualified income" under Subchapter M of the Internal Revenue Code, or otherwise alter the character, timing and/or amount of the fund's taxable income or any gains and distributions made by the fund.

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