VIRTUS INVESTMENT PARTNERS, INC.
Form 10-K
March 01, 2011
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10994

VIRTUS INVESTMENT PARTNERS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-4191764**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

100 Pearl St., 9th Floor, Hartford, CT 06103

(Address of principal executive offices)

Registrant s telephone number, including area code

(800) 248-7971

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $.01 par value (including attached Preferred Share Purchase Rights)	**NASDAQ Global Market**

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ¨ Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ¨ Yes ¨ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	x
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ¨ Yes x No

The aggregate market value of the registrant s voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold (based on the closing price share as quoted on the NASDAQ Global Market) as of the last business day of the registrant s most recently completed second fiscal quarter was $108,578,621. For purposes of this calculation, shares of common stock held or controlled by executive officers and directors of the registrant have been treated as shares held by affiliates.

There were 6,220,728 shares of the registrant s common stock outstanding on February 24, 2011.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s Proxy Statement which will be filed with the SEC in connection with the 2011 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

Table of Contents

Virtus Investment Partners, Inc.

Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2010

Table of Contents

PART I

Item 1. Business.

Organization

Virtus Investment Partners, Inc. (the Company, we, us, our or Virtus) commenced operations on November 1, 1995 through a reverse merge with Duff & Phelps Corporation. From 1995 to 2001, we were a majority-owned indirect subsidiary of The Phoenix Companies, Inc. (PNX). On January 11, 2001, a subsidiary of PNX acquired the outstanding shares of Virtus Partners, Inc. not already owned and the Company became an indirect wholly-owned subsidiary of PNX. On October 31, 2008, after the sale of convertible preferred stock to Harris Bankcorp, Inc. (Harris Bankcorp), a subsidiary of the Bank of Montreal, we became an indirect, majority-owned subsidiary of PNX. On December 31, 2008, PNX distributed 100% of Virtus common stock to PNX stockholders in a spin-off transaction, excluding the net assets and business of the Company s subsidiary, Goodwin Capital Advisers, Inc. (Goodwin), which had historically been a wholly owned subsidiary of the Company. Following the spin-off, PNX has no ownership interest in the Company and Harris Bankcorp owns 100% of the Company s outstanding shares of Series B Convertible Preferred Stock.

Our Business

We are a provider of investment management products and services to individuals and institutions. We operate a multi-manager investment management business, comprised of affiliated managers and unaffiliated sub-advisors, each having its own distinct investment style, autonomous investment process and brand. We believe our customers value this approach and appreciate individual managers with distinctive cultures and styles.

We provide our products in a number of forms and through multiple distribution channels. Our retail products include open-end mutual funds, closed-end funds, variable insurance funds and separately managed accounts. Our fund family of open-end funds is distributed primarily through intermediaries. Our closed-end funds trade on the New York Stock Exchange. Our variable insurance trust provides investment options in variable annuities and life insurance products distributed by third party life insurance companies. Retail separately managed accounts are comprised of intermediary programs, sponsored and distributed by unaffiliated brokerage firms, and private client accounts, which are offerings to the high net-worth clients of our affiliated managers. We also manage institutional accounts for corporations, multi-employer retirement funds and foundations, endowments and special purpose funds. Our earnings are primarily driven by asset-based investment management fees charged on these various products. These fees are based on a percentage of assets under management and are calculated using daily or weekly average assets or assets at the end of the preceding quarter.

Our Investment Managers

Our investment management services are provided by our affiliated managers as well as by unaffiliated sub-advisors. The affiliated managers, who are registered investment advisors under the Investment Advisers Act of 1940, as amended (the Investment Advisers Act), manage our mutual funds and closed-end funds, and provide investment management services for institutional and separately managed accounts. We provide our managers with distribution, operational and administrative support, thereby allowing each affiliated manager to focus on investment management. Our affiliated managers participate in the earnings they generate through compensation arrangements that include incentive bonus pools based primarily on their profits. For certain of our open-end mutual funds, we complement our affiliated managers skills with those of unaffiliated boutique sub-advisors who offer strategies that we believe also appeal to investors. At December 31, 2010, $12.1 billion or 41% of our assets under management were managed by unaffiliated sub-advisors. We monitor the quality of the managers products by assessing their performance, style, consistency and the discipline with which they apply their investment process.

Table of Contents

Our affiliated firms and their respective assets under management, styles and products are as follows:

	Affiliated Managers				
	Duff & Phelps Investment Management	**Kayne Anderson Rudnick Investment Management**	**SCM Advisors**	**Zweig Advisors**	**Other**
Assets Under Management at December 31, 2010 *($ in billions)*	$7.2	$4.7	$3.4	$1.7	$0.4
Location	Chicago, IL	Los Angeles, CA	San Francisco, CA	New York, NY	Various
Investment Style	Quality-oriented, focusing on income	Quality at a reasonable price	Value-driven fixed income; fundamental growth equity	Growth at a reasonable price; high quality fixed income	Fundamental
Investment Types					
Equities	REITs Utilities/ Infrastructure Passive Equity	Small Cap: Core/Growth/ Value Mid Cap Core Large Cap Value	Large, Mid, Small, Micro and All Cap	Large Cap Core Tactical Asset Allocation	
Fixed Income	Tax Advantaged High Quality Core	California Municipals	Core Core Plus High Quality High Yield	Tactical Asset Allocation	Municipals
Products					
Open-End Funds	ü	ü	ü	ü	ü
Closed-End Funds	ü			ü	
Variable Insurance Funds	ü	ü	ü	ü	
Separately Managed Accounts		ü	ü		ü
Institutional	ü	ü	ü		ü

Table of Contents

Our Investment Products

Our assets under management are comprised of mutual fund assets (open- and closed-end), variable insurance funds, separately managed accounts (intermediary sponsored and private client) and institutional accounts (traditional institutional mandates and structured products).

Assets Under Management By Product as of December 31, 2010

($ in billions)

Retail Products	
Mutual fund assets	
Open-end funds	$ 14.7
Closed-end funds	4.4
Total mutual fund assets	19.1
Variable Insurance Funds	1.5
Separately managed accounts	
Intermediary sponsored programs	1.9
Private client accounts	1.9
Total managed account assets	3.8
Total retail assets	**24.4**
Institutional Products	
Institutional accounts	4.1
Structured finance products	1.0
Total institutional assets	**5.1**
Total Assets Under Management	**$ 29.5**

Open-End Mutual Funds

As of December 31, 2010, we managed 44 open-end funds, in a variety of equity and fixed income styles, including money market, asset allocation and alternative investments, with total assets of $14.7 billion.

Our equity fund offerings encompass a number of market caps and investment styles, including large-, mid- and small-cap funds offered in value, core and growth styles, and including international, global, emerging market and sector-specific funds. Our fixed income fund offerings cover a broad range of fixed income asset classes, including core, multi-sector, tax-exempt and high yield. We also offer individual money market funds focused on corporate, tax-exempt and government securities.

Table of Contents

Our family of open-end mutual funds as of December 31, 2010 is comprised of the following:

Fund Type/Name	Inception	Assets *($ in millions)*	Advisory Fee (1) *(%)*	3-Year Return(2) *(%)*
Alternative				
Virtus Real Estate Securities Fund	1995	$ 1,006.3	0.75-0.65	0.80
Virtus Market Neutral Fund	1998	92.6	1.50-1.40	0.63
Virtus Alternatives Diverifier Fund (3)	2005	79.6	n/a	(1.73)
Virtus Global Infrastructure Fund	2004	69.6	0.65-0.55	(4.60)
Virtus International Real Estate Securities Fund	2007	26.4	1.00-0.90	(4.06)
Virtus Global Real Estate Securities Fund	2009	3.5	0.85-0.75	n/a
Asset Allocation				
Virtus Balanced Fund	1975	640.0	0.55-0.45	0.77
Virtus Tactical Allocation Fund	1940	196.3	0.70-0.60	1.34
Virtus Balanced Allocation Fund	1997	69.4	0.50-0.45	0.41
Virtus AlphaSector Allocation Fund (3)	2003	30.4	0.45-0.40	0.42
Equity				
Virtus Premium AlphaSector Fund (3)	2010	450.4	1.10	n/a
Virtus AlphaSector Rotation Fund (3)	2003	446.9	0.45-0.40	(1.51)
Virtus Strategic Growth Fund	1995	440.2	0.70-0.60	(4.27)
Virtus Mid-Cap Value Fund	1997	385.8	0.75-0.70	(0.24)
Virtus Quality Small-Cap Fund	2006	252.0	0.70	2.11
Virtus Value Equity Fund	1996	140.9	0.70-0.65	(5.55)
Virtus Small-Cap Core Fund	1996	139.7	0.75	3.19
Virtus Growth & Income Fund	1997	122.8	0.75-0.65	(3.22)
Virtus Mid-Cap Growth Fund	1975	92.9	0.80-0.70	(1.03)
Virtus Core Equity Fund	1996	84.0	0.70-0.65	(3.85)
Virtus Small-Cap Sustainable Growth Fund	2006	62.2	0.90-0.80	(0.26)
Virtus Quality Large-Cap Value Fund	2005	47.1	0.75-0.65	(6.52)
Virtus Mid-Cap Core Fund	2009	0.8	0.80-0.70	n/a
Fixed Income				
Virtus Multi-Sector Short Term Bond Fund	1992	3,378.5	0.55-0.45	7.18
Virtus Senior Floating Rate Fund	2008	239.4	0.60-0.50	n/a
Virtus Multi-Sector Fixed Income Fund	1989	212.9	0.55-0.45	7.77
Virtus Bond Fund	1996	164.1	0.45-0.40	6.82
Virtus Tax-Exempt Bond Fund	1996	143.0	0.45	4.32
Virtus High Yield Fund	1980	100.9	0.65-0.55	3.96
Virtus Intermediate Tax-Exempt Bond Fund	1996	88.4	0.45	4.15
Virtus Short/Intermediate Bond Fund	1996	79.0	0.55-0.45	5.86
Virtus CA Tax-Exempt Bond Fund	1983	55.3	0.45-0.35	2.69
Virtus High Yield Income Fund	2002	50.9	0.45	4.97
Virtus Institutional Bond Fund	1983	45.7	0.45-0.40	6.43
Virtus Intermediate Government Bond Fund	1997	32.4	0.45	4.89
International/Global				
Virtus Foreign Opportunities Fund	1990	1,182.7	0.85-0.75	(6.88)
Virtus Emerging Markets Opportunities Fund	1997	1,057.2	1.00-0.95	0.98
Virtus Global Opportunities Fund	1960	62.4	0.85-0.75	(8.22)
Virtus Greater Asia ex Japan Opportunities Fund	2009	13.6	1.00-0.95	n/a
Virtus International Equity Fund	2010	9.9	0.85-0.75	n/a
Virtus Greater European Opportunities Fund	2009	5.1	0.85-0.80	n/a
Money Market Funds				
Virtus Insight Money Market Fund	1988	1,920.1	0.14-0.10	1.19
Virtus Insight Tax-Exempt Money Market Fund	1988	716.8	0.14-0.10	0.88
Virtus Insight Government Money Market Fund	1988	278.6	0.14-0.10	0.66

Total Open-End Funds	**$**	**14,716.7**

4

Table of Contents

(1) Percentage of average daily net assets of each fund. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the funds increase. Percentage listed represents the range of gross management advisory fees paid by the funds, from the highest to lowest. We pay subadvisory fees on funds managed by unaffiliated subadvisors which are not reflected in the percentages listed.
(2) Average return reflects performance of the largest share class as measured by net assets for which performance data is available.
(3) These funds invest in other Virtus open-end mutual funds as well as electronically traded funds (ETFs). The related assets of Virtus open-end funds are reflected in the balances of the respective funds.

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.

Closed-End Funds

We manage the assets of five closed-end funds as of December 31, 2010, each of which is traded on the New York Stock Exchange, with total assets of $4.4 billion. Closed-end funds do not continually offer to sell and redeem their shares; rather, daily liquidity is provided by the ability to trade the shares of these funds at prices that may be above or below the shares net asset value. Our closed-end products include utility, municipal and corporate taxable and tax-exempt bonds and tactical asset allocation strategies provided by two of our affiliated managers.

Our family of closed-end funds as of December 31, 2010, is comprised of the following:

Fund Type/Name	Assets ($ in billions)	Advisory Fee %
Balanced		
Zweig Total Return	$ 0.5	0.70(1)
DNP Select Income Fund Inc.	2.8	0.60-0.50(2)
Equity		
Zweig Fund	0.4	0.85(1)
Fixed		
DTF Tax-Free Income Inc.	0.2	0.50(2)
Duff & Phelps Utility and Corporate Bond Trust Inc.	0.5	0.50(2)
Total Closed-End Funds	**$ 4.4**	

(1) Percentage of average daily net assets of each fund.
(2) Percentage of average weekly net assets. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the fund increase. Percentage listed represents the range of gross management advisory fees paid by the funds, from the highest to lowest. We pay subadvisory fees on funds managed by unaffiliated subadvisors which are not reflected in the percentages listed.

Table of Contents

Variable Insurance Trust

We established a Variable Insurance Trust (VIT) in the quarter ended December 31, 2010. On November 5, 2010, we acquired the rights to advise and distribute the former Phoenix Edge Series Funds (excluding certain of the funds to be merged into a third-party variable insurance trust) from Phoenix Variable Advisors, Inc. (PVA). Our variable insurance trust provides investment options in variable annuities and life insurance products distributed by third- party life insurance companies. Our family of variable insurance funds as of December 31, 2010, is comprised of the following:

Fund Type/Name	Assets ($ in billions)	Advisory Fee (1) %
Equity		
Virtus Capital Growth Series	$ 0.2	0.60-0.70
Virtus Growth and Income Series	0.2	0.60-0.70
Virtus Small-Cap Growth Series	0.1	0.90
Virtus International Series	0.4	0.65-0.75
Virtus Duff & Phelps Real Estate Series	0.1	0.65-0.75
Virtus Small-Cap Value Series	0.1	0.85
Fixed Income		
Virtus Multi-Sector Fixed Income Series	0.2	0.40-0.50
Asset Allocation		
Virtus Strategic Allocation Series	0.2	0.50-0.60
Total Variable Products Funds	**$ 1.5**	

(1) Percentage of average daily net assets of each fund. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the fund increase. Percentage listed represents the range of gross management advisory fees paid by the funds, from the highest to lowest. We pay subadvisory fees on funds managed by unaffiliated subadvisors which are not reflected in the percentages listed.

Separately Managed Accounts

Separately managed accounts are individually owned portfolios that are managed by an investment manager. Separately managed accounts include broker-dealer sponsored programs, whereby an intermediary assists individuals in identifying their investment objectives and hires investment managers that have been approved by the broker-dealer to fulfill those objectives; and private client accounts that are accounts of high net worth individuals who are direct clients of our affiliates. Intermediary sponsored programs and private client account assets totaled $3.8 billion at December 31, 2010.

Institutional Accounts

We offer a variety of equity, fixed income and real estate investment trust strategies to institutional clients, including corporations, multi-employer retirement funds and foundations, endowments and special purpose funds. Our institutional assets under management totaled $5.1 billion as of December 31, 2010.

Table of Contents

Our Investment Management, Administration and Transfer Agent Fees

Our net investment management fees, administration fees and net transfer agent fees earned in each of the last three years were as follows:

	Years Ended December 31,		
($ in thousands)	**2010**	**2009**	**2008**
Investment management fees			
Open-end funds	$ 42,090	$ 31,377	$ 46,972
Closed-end funds	22,131	20,766	24,078
Separately managed accounts	17,057	14,800	21,068
Institutional products	10,299	10,224	18,415
Structured finance products	4,581	2,484	4,956
Variable insurance funds	1,838		
Institutional - PNX General Account			12,148
Total investment management fees (1)	97,996	79,651	127,637
Administration fees	10,502	9,819	13,034
Transfer agent fees	4,822	2,845	5,251
Total	$ 113,320	$ 92,315	$ 145,922

(1) Includes $13.7 million of Goodwin investment management fees for the year ended December 31, 2008, which are no longer earned by the Company post spin-off.

Investment Management Fees

We provide investment management services to funds and accounts pursuant to investment management agreements. With respect to open-end funds, closed-end funds and variable insurance funds, we receive fees based on each fund s average daily or weekly net assets. Most fee schedules provide for rate declines as asset levels increase to certain thresholds. For those funds for which we have sub-advisory agreements, the sub-advisors receive a management fee based on the percentage of the aggregate amount of average daily net assets in the funds they sub-advise. For separately managed accounts and institutional accounts, fees are negotiated and are based primarily on asset size, portfolio complexity and individual client requests, and range from 0.30% to 1.25% for equity strategies and from 0.10% to 0.75% for fixed income strategies.

Each of our mutual funds has entered into an investment management agreement with a Company advisory subsidiary (each, an Adviser). Although specific terms of agreements vary, the basic terms are similar. Pursuant to the agreements, the Adviser provides overall management services to a fund, subject to supervision by the fund s board of directors. The investment management agreements are approved initially by fund shareholders and must be approved annually by each fund s board of directors, including a majority of the directors who are not interested persons of the Adviser. Generally, agreements may be terminated by either party upon 60 days written notice, and may terminate automatically in certain situations, such as a change in control of the Adviser. In arrangements where our funds are managed by a sub-advisor, the agreement calls for the sub-advisor to manage the day-to-day operations of the fund s portfolio.

Each fund bears all expenses associated with its operations, including the costs associated with the issuance and redemption of securities, where applicable. The funds do not bear compensation expenses of directors or officers of the fund who are employed by the Company or its subsidiaries. In some cases, to the extent total expenses exceed a specified percentage of a fund s or a portfolio s average net assets for a given year, the Adviser has agreed to reimburse the funds for such excess expenses.

We act as the collateral manager for structured finance products, such as collateralized debt obligations (CDOs). Fees consist of both senior management fees and subordinated management fees. Senior management fees are calculated at a contractual fee rate applied against the current par value of the total collateral being managed. Subordinated management fees, also calculated against the current par value of the total collateral being managed, are recognized only after certain portfolio criteria are met. The underlying collateral is primarily comprised of high yield, asset-backed and mortgage-backed securities and loans. The Company has no financial or operational obligations with respect to the underlying performance of the collateral. For the investment management services being provided for existing structured finance products, management expects this revenue to decline over time as CDOs experience redemptions and liquidations. Structured finance product assets under management totaled $1.0 billion at December 31, 2010.

Administration Fees

We provide fund administration services to our open-end funds, variable insurance funds and certain of the closed-end funds. As provided in arrangements with these funds, our subsidiary VP Distributors Inc. (VPD), subject to the oversight of the funds trustees or directors, is responsible for managing the business affairs of our mutual funds. Administrative services include recordkeeping, preparing and filing documents required to comply with federal and state securities laws, legal administration and compliance services, supervising the activities of the funds other service providers, providing assistance with fund shareholder meetings, as well as providing office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds.

Transfer Agent Fees

We provide transfer agent services to our open-end funds and certain of the closed-end funds. As provided in arrangements with these funds, VPD, subject to the oversight of the funds trustees or directors, is responsible for acting as transfer and dividend disbursing agent for our open-end funds. VPD is responsible for handling orders for shares of our mutual funds. Transfer agent services include receiving and processing orders for purchases, exchanges and redemptions of fund shares; conveying payments; maintaining shareholder accounts; preparing shareholder meeting lists; mailing, receiving and tabulating proxies; mailing shareholder reports and prospectuses; withholding taxes on shareholder accounts; preparing and filing required forms for dividends and distributions; preparing and mailing confirmation forms, statements of account and activity statements; and providing shareholder account information.

Our Distribution Services

Our principal retail marketing strategy is to distribute funds and separately managed accounts through financial intermediaries to individuals. We have broad access in this marketplace, with distribution partners that include national and regional broker-dealers, independent broker-dealers and independent financial advisory firms. We support these distribution partners with a team of regional sales professionals (wholesalers), a national account relationship group and separate teams for the retirement market and the registered investment advisor market. Our sales and marketing professionals serve as a resource to financial advisors seeking to help clients address wealth management issues and support the marketing of our products and services tailored to this marketplace.

We also commit significant resources to serving high-net-worth clients who access investment advice outside of traditional retail broker-dealer channels. Specialized teams at our affiliated managers develop relationships in this market and deal directly with these clients.

Our institutional distribution strategy combines both a coordinated and affiliate-centric model. Our product specialists, who are part of the portfolio management teams at our affiliated managers, team with sales generalists and consultant relationship personnel, representing all of our investment strategies. Through relationships with consultants, they target key market segments, including foundations and endowments, corporate, public and private pension plans.

Our Broker-Dealer Services

VPD, a broker-dealer registered under the Securities Exchange Act of 1934, as amended (the Exchange Act), serves as principal underwriter and national wholesale distributor of our open-end mutual funds and managed accounts. Mutual fund shares are distributed by VPD under sales agreements with unaffiliated national and regional broker-dealers and financial institutions. VPD also markets advisory services of affiliated managers to sponsors of managed account programs.

Our Competition

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors including investment performance, access to distribution channels, service to advisors and their clients and fees charged. Our competitors, many of which are larger than we are, often offer similar products, use similar distribution sources, offer less expensive products, have greater access to key distribution channels and have greater resources than us.

8

Table of Contents

Our Regulatory Matters

We are subject to regulation by the Securities and Exchange Commission (SEC), Financial Industry Regulatory Authority (FINRA) and other federal and state agencies and self-regulatory organizations. Each advisor, including unaffiliated sub-advisors, is registered with the SEC under the Investment Advisers Act. Each closed-end fund, open-end fund and defined portfolio is registered with the SEC under the Investment Company Act of 1940 (the Investment Company Act). VPD is registered with the SEC under the Exchange Act and is a member of FINRA.

The financial services industry is one of the most highly regulated in the United States and failure to comply with related laws and regulations can result in the revocation of registrations, the imposition of censures or fines, and the suspension or expulsion of a firm and/or its employees from the industry. All of our funds currently available for sale are qualified in all 50 states, Washington, D.C., Puerto Rico and the U.S. Virgin Islands. Most aspects of our investment management business, including the business of the sub-advisors, are subject to various federal and state laws and regulations.

Our officers, directors, and employees may, from time to time, own securities that are also held by one or more of our funds. Our internal policies with respect to personal investments are established pursuant to the provisions of the Investment Company Act and/or the Investment Advisers Act. Employees, officers and directors who, in the function of their responsibilities, meet the requirements of the Investment Company Act or Investment Advisers Act, or of FINRA regulations, must disclose personal securities holdings and trading activity. Those employees, officers and directors with investment discretion or access to investment decisions are subject to additional restrictions with respect to the pre-clearance of the purchase or sale of securities over which they have investment discretion or beneficial interest. Other restrictions are imposed upon access persons with respect to personal transactions in securities held, recently sold or contemplated for purchase by the Company s open-end and closed-end funds. All access persons are required to report holdings and transactions on an annual and quarterly basis pursuant to the provisions of the Investment Company Act and Investment Advisers Act. In addition, certain transactions are restricted so as to seek to avoid the possibility of improper use of information relating to the management of client accounts.

Our Employees

As of December 31, 2010, we had 273 full time equivalent employees. None of our employees is a union member. We consider our relations with our employees to be good.

Relationship with Harris Bankcorp

Pursuant to an Investment and Contribution Agreement dated as of October 30, 2008, among PNX, Phoenix Investment Management Company (PIM), the Company, and Harris Bankcorp (the Investment Agreement), PIM sold Harris Bankcorp 9,783 shares of our Series A Preferred Stock on October 31, 2008 for a nominal amount. In connection with the proposed spin-off of the Company, on December 31, 2008, Harris Bankcorp and PIM exchanged the 9,783 shares of Series A Preferred Stock for an equal number of shares of our Series B Convertible Preferred Stock (the Series B). PIM then sold an additional 35,217 shares of our Series B to Harris Bankcorp for $35.0 million.

On August 6, 2010, the Company converted 9,783 shares of the Series B from Harris Bankcorp, and preferred stock dividends that had been accrued but not yet declared, into 378,446 shares of our common stock, pursuant to a call option in the Investment Agreement. As of December 31, 2010, Harris Bankcorp held 35,217 shares of our Series B. The Series B ranks senior to our common stock and to any class or series of stock of the Company that we may issue in the future unless, subject to the approval of the Series B, the terms of such stock expressly provides otherwise, and ranks junior to our existing and future indebtedness and liabilities. The Series B is currently convertible into approximately 19% of our fully diluted common stock. As a condition of the Investment Agreement, Harris Bankcorp has the right to nominate one director to our board of directors, so long as it beneficially owns at least 10% of our common stock (including shares issuable on the conversion of our Series B). Additionally, so long as at least 66-2/3% of the Series B initially sold to Harris Bankcorp remains outstanding, the holders of a majority of the outstanding shares of Series B have the right to elect one director to our board of directors pursuant to the Series B Certificate of Designations.

For additional information on the terms of the Series B and Harris Bankcorp s rights under the Investment Agreement and Certificate of Designations, see Management s Discussion and Analysis of Financial Condition and Results of Operations Series B Convertible Preferred Stock .

Table of Contents

Available Information

The Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act will be available free of charge on the Company s website located at www.virtus.com as soon as reasonably practicable after they are filed with or furnished to the SEC. These reports are also available at the SEC s website at www.sec.gov.

A copy of the Company s Corporate Governance Principles, its Code of Conduct, and the charters of the Audit Committee, the Compensation Committee and the Governance Committee are posted on the Company s website, www.virtus.com, under Investor Relations, and are available in print to any person who requests copies by contacting Investor Relations by email to: investor.relations@virtus.com or by mail to Virtus Investment Partners, Inc., c/o Investor Relations, 100 Pearl Street, Hartford, CT 06103. Information contained on the website is not incorporated by reference or otherwise considered part of this document.

Table of Contents

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this Annual Report, in evaluating the Company and our common stock. If any of the risks described below actually occurs, our business, results of operations, financial condition and stock price could be materially adversely affected.

Assets under management drive revenues and are subject to significant fluctuations.

Our major sources of revenue are generally calculated as percentages of assets under management. Therefore, fluctuations in the value of assets under management have a direct correlation to the revenues of the Company. Assets under management are affected primarily by sales, redemptions, and changes in the securities markets globally.

The economic environment has a direct impact on the investing activities of both retail and institutional investors. Investors in the open-end mutual funds that we manage may withdraw or redeem their investments at anytime. An increase in redemptions (withdrawals) by existing clients or a decline in sales of our investment products would decrease assets under management and consequently negatively impact revenue. Additionally, since we earn higher fees on some products, fluctuation in the mix of assets under management could negatively impact our results of operations.

The financial markets have experienced a period of significant volatility over the past three years, which impacted asset outflows and the value of assets under management. Security markets may continue to experience weakness, volatility and disruption. Funds and portfolios that we manage related to certain geographic markets and industry sectors are vulnerable to political, social and economic events. If the security markets decline or continue to experience weakness or volatility, this would likely have a negative impact on our assets under management and our revenues. If our revenues decline without a commensurate reduction in our expenses, our net income will be reduced.

Our historical consolidated financial information is not necessarily representative of the results we would have achieved as a standalone company and may not be a reliable indicator of our future results.

Our historical consolidated financial information prior to January 1, 2009 included in this Annual Report does not reflect the financial condition, results of operations or cash flows we would have achieved as a standalone company during the periods presented or those we will achieve in the future. This is primarily a result of the following:

- our historical financial information prior to January 1, 2009 reflects the assets and business of Goodwin; however, the Goodwin assets and business are no longer part of the Company following the spin-off;

- our historical financial results prior to January 1, 2009 reflect allocations of corporate expenses from our former parent company, which may be different from the comparable expenses we would have actually incurred in prior years or will incur as a standalone company;

- our current cost of debt and capitalization are different from that reflected in our historical consolidated financial statements prior to January 1, 2009; and

- significant changes have occurred in our cost structure, management, financing and business operations as a result of our separation from our former parent company, including additional costs for us to establish our new operating infrastructure. Such costs include, but are not limited to, (i) additional employees required to perform tasks previously handled by PNX, (ii) a new board of directors for our company, (iii) standalone insurance coverage, (iv) standalone audit, legal and other professional services and costs and (v) costs associated with standalone SEC reporting and compliance.

Poor investment performance of our products could adversely affect our assets under management, sales, revenues and earnings.

The performance of our investment products is critical to our success. While positive performance can increase our sales and total assets under management (and hence our revenues and earnings), negative performance individually or in comparison to competing products could have a negative effect in the following ways: reduction of fee revenue by the reduction in assets under management, decrease in sales of our investment products, withdrawal of assets by existing clients from our investment products, and increasing the risk of litigation and regulatory action.

Net flows related to our investment management strategies can be affected by investment performance relative to other investment management companies. Our investment management strategies are rated or ranked by independent third parties and individual distribution partners, and many industry periodicals and services provide assessments of the relative performance of our strategies. These assessments often affect the investment decisions of customers. If the relative performance or assessments of our strategies decline materially, the assets under management related to these strategies may decrease as customers select strategies with better performance.

Our ability to continue to satisfy financial covenants under our existing credit facility is dependent upon our continued positive operating results and investment performance, which cannot be assured.

Under the Company s senior secured revolving credit facility (the Credit Facility), the Company must maintain certain financial covenants. A summary of the Credit Facility terms and financial covenants is included in this report under Management s Discussion and Analysis of Financial Condition and Results of Operations. There can be no assurance that at all times in the future we will satisfy all such financial covenants or obtain any required waiver or amendment, in which event all outstanding indebtedness could become immediately due. This could result in a substantial reduction in the liquidity of the Company and could challenge our ability to meet future cash needs of the business.

Our ability to meet all future cash needs is dependent upon our operating results, our access to financing, our ability to raise capital, and our continued ability to generate working capital and positive cash flows.

We may need to raise additional capital or refinance existing debt in the future, and financing may not be available to us in sufficient amounts or on acceptable terms. Our ability to meet the future cash needs of the Company is dependent upon our ability to generate cash or obtain financing. Although the Company has been successful in generating sufficient cash in the past, it may not be successful in the future. Additionally, global credit markets and the financial services industry have been experiencing a period of unprecedented turmoil, and these events have adversely impacted the availability and cost of credit. If additional financing becomes necessary to fund operations, fund new business initiatives, refinance our existing Credit Facility or for any other purpose, there can be no assurance that such financing would be available on favorable terms or at all, given the continued weakness in the credit markets and our limited operating history as a standalone public company. Our ability to access capital markets efficiently depends on a number of factors, including the state of global credit and equity markets, interest rates, credit spreads and our credit ratings. If we are unable to access capital markets to issue new debt, refinance existing debt or sell shares of our Common Stock as needed, or if we are unable to obtain such financing on acceptable terms, our business could be adversely impacted.

Our business operations, investment returns and profitability could be adversely impacted by inadequate performance of third parties.

We are dependent on certain third-party relationships to maintain essential business operations. These services include, but are not limited to, information technology infrastructure, mutual fund and investment accounting services, transfer agent and cash management services, custodial services and security pricing services. In addition, we maintain contractual relationships with certain unaffiliated investment management firms to sub-advise our portfolios. At December 31, 2010, $12.1 billion or 41% of our assets under management were managed by unaffiliated sub-advisors.

We periodically negotiate provisions and renewals of these contracts and there can be no assurance that such terms will remain consistent. Any material disruption, deficiency or increase in the cost of these contracted services could materially affect our business operations and profitability.

Any damage to our reputation could harm our business and lead to a loss of assets under management, revenues and income.

Maintaining a strong reputation with the investment community is critical to our success. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate even if they are without merit or satisfactorily addressed. Any damage to our reputation could impede our ability to attract and retain clients and key personnel, and lead to a reduction in the amount of our assets under management, any of which could have a material adverse effect on our revenues and income.

Our financial performance could be negatively affected by the loss of key employees.

The success of our business is dependent to a large extent on our ability to attract and retain key employees such as senior executives, portfolio managers, securities analysts and sales personnel. Competition in the job market for these professionals is generally intense. Most of our employees are not subject to employment contracts or non-compete agreements so they may voluntarily terminate their employment at any time. Any inability to retain our key employees, attract qualified employees or replace key employee positions in a timely manner when vacated, could have a negative impact on our business. There could be additional costs to replace, retain or attract new talent which would result in a decrease in net income.

Clients, distribution partners and fund boards could terminate or amend their contracts with us and our open-end fund investors may redeem their investments in those funds at any time, any of which could reduce our revenues and earnings.

Each of the mutual funds and closed-end funds for which we act as investment advisor or sub-advisor is registered under the Investment Company Act of 1940 (the Investment Company Act) and is governed by a board of trustees or board of directors. Each fund s contract is renewed annually by the fund s board. Either the board members or, in limited circumstances, the shareholders may terminate an advisory contract with us and move the assets to another investment advisor. In certain situations, such as a change in control of an advisor, advisory contracts may terminate. The board members also may deem it to be in the best interests of a fund s shareholders to make other decisions adverse to us, such as reducing the compensation paid to us, requesting that we subsidize fund expenses over certain thresholds or imposing restrictions on our management of the fund.

Our investment management agreements with intermediary program sponsors, private clients and institutional clients may be terminated upon short notice without penalty. As a result, there would be little impediment to these sponsors or clients terminating our agreements if they became dissatisfied with our performance.

Our contracts with our funds, intermediary program sponsors, managed account clients and institutional investment management clients could from time to time be subject to varying interpretations of key terms, resulting in perceived or actual requirements to amend such contracts. In such circumstances, we could be subject to adverse outcomes resulting from our need to resolve such matters.

In addition, open-end fund investors may redeem their investments in those funds at any time without prior notice and the pace of mutual fund redemptions may accelerate in a declining stock market.

The termination or amendment of any of the above agreements or redemption of investments relating to a material portion of assets under management would adversely affect our investment management fee revenues and earnings and could possibly require us to take a charge to earnings as a result of the impairment of the goodwill or intangible assets associated with our asset managers.

We face strong competition in our businesses from mutual fund companies, banks and investment management firms, which could impair our ability to retain existing customers, attract new customers and maintain our profitability.

We face strong competition in our businesses. We believe that our ability to compete is based on a number of factors, including, but not limited, to investment performance, service, reputation, distribution capabilities, product mix and fees charged. We are also highly dependent on our distribution relationships. Our actual and potential competitors include a large number of mutual fund companies, banks and investment management firms, many of which have advantages over us. Industry consolidation has resulted in larger competitors with financial resources, marketing and distribution capabilities, and brand identities that are stronger than ours. Larger firms also may be able to offer, due to economies of scale, lower cost products. In addition, new or alternative product offerings frequently emerge or may increase in popularity, such as electronically traded funds, which could create additional competition and could result in decreased demand for our historical product offerings. If we do not compete effectively in this environment, our profitability and financial condition would be materially adversely affected.

We are subject to extensive, complex and frequently changing regulations and legal interpretations. Changes in regulations could limit the sources and amounts of our revenues, increase our costs of doing business, decrease our profitability and materially and adversely affect our business.

We are subject to the Sarbanes-Oxley Act of 2002, as well as regulation by the SEC, FINRA and other federal and state agencies and self-regulatory organizations (including NASDAQ). In addition, the Company must comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act enacted in 2010. Each advisor (including unaffiliated sub-advisors) is registered with the SEC under the Investment Advisers Act. Each closed-end fund and open-end fund is registered with the SEC under the Investment Company Act. Our broker-dealer, VPD, is registered with the SEC under the Exchange Act and is a member of FINRA. All of our funds currently available for sale are qualified in all 50 states, Washington, D.C., Puerto Rico, and the U.S. Virgin Islands. Most aspects of our investment management business, including the business of the sub-advisors, are subject to various federal and state laws and regulations.

These laws generally grant supervisory agencies and bodies the power to limit or restrict us and any sub-advisor from carrying on its investment management business in the event that it fails to comply with such laws and regulations. Sanctions may include the suspension of individual employees, limitations on our investment management activities for specified periods of time, the revocation of the advisors registrations as investment advisors or other censures and fines.

Although we spend substantial time and resources on our compliance policies, procedures and practices, non-compliance with applicable statutes, laws, rules, regulations and other requirements or our inability to timely and properly modify and update our compliance policies, procedures and practices to this frequently changing and highly complex regulatory environment, could result in our being subject to sanctions, fines, penalties, cease and desist or other relief, license revocation, suspensions or even expulsion from particular activities or markets.

Compliance with these laws and regulations is time consuming and personnel-intensive, and changes in these laws, regulations and legal interpretations may increase materially our direct and indirect compliance costs and other expenses of doing business, thus having an adverse effect on our business and operating results.

Legal and regulatory actions are inherent in our businesses and could result in financial losses or harm to our businesses.

We are at various times involved in litigation and arbitration. In addition, various regulatory bodies regularly make inquiries of us and, from time to time, conduct examinations or investigations concerning our compliance with, among other things, securities laws and laws governing the activities of broker-dealers. At various times we and our employees have also been subject to other claims alleging violations of rules and regulations of the SEC, FINRA and other regulatory authorities. Alleged misconduct by an employee, sub-advisor or distribution partner could be determined to be a violation of law resulting in regulatory sanctions or claims for damages against the Company or could result in significant reputational or financial harm. There has been a significant increase in federal and state regulatory activity relating to financial services companies. We may be subject to further related or unrelated inquiries or actions in the future.

Uncertain economic conditions and heightened volatility in the financial markets, such as those which have been experienced over the past few years, may increase the likelihood that clients, regulators or other persons may present or threaten legal claims or that regulators increase the scope or frequency of their examination of the Company or the investment management industry in general.

There can be no assurance that our assessment of any claim or regulatory inquiry or proceeding will reflect the ultimate outcome and the outcome of any particular matter may be material to our operating results for a particular period.

It is not feasible to predict or determine the ultimate outcome of all legal or regulatory proceedings or to provide reasonable ranges of potential losses. Because of the inherent difficulty of predicting the outcome of any legal claims or regulatory inquiries or other matters, we cannot provide assurance as to the outcome of this or other pending or future matters, or if ultimately determined adversely to us, the loss, expense or other amounts or sanctions attributable to such matter, particularly where the matter presents complex or new or unsettled claims or legal theories. The resolution of such matter or matters, if unfavorable, could have a material adverse effect on our operating results and financial condition.

While we maintain insurance that we believe is appropriate relative to our business and the potential claims and liabilities to which we may be exposed, we cannot be assured that insurance will cover all of our potential liabilities or losses. Some regulatory and other liabilities or penalties are not generally covered by insurance. In addition, insurance coverage may become more costly and require higher deductibles or co-insurance arrangements. Should this occur, it would expose us to greater non-insured losses, increase our expenses and negatively impact our earnings.

Changes in tax laws, exposures to additional income tax liabilities or limitations on tax attributes currently available to the Company could have a material impact on our financial condition, results of operations and liquidity.

We are subject to federal and state income taxes in the United States. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of

these audits, and the actual outcomes of these audits could be unfavorable. Results of tax audits, changes in tax laws or tax rulings could have a material adverse impact on the Company s financial condition, results of operations and liquidity.

Our ability to utilize tax attributes currently available to us is limited under section 382 of the Internal Revenue Code of 1986, as amended (Section 382). Section 382 imposes annual limitations on the amount of net operating loss carryforwards and other tax attributes that can be used to offset taxable income in the event an ownership change has occurred. An ownership change, as defined by Section 382, is triggered by substantial changes in the ownership of our outstanding stock, which are generally outside of our control. We currently have limitations as a result of Section 382 and could experience additional, more restrictive limitations in the event another ownership change occurs. In addition, our ability to use net operating loss carryforwards and other tax attributes available to us will be dependent on our ability to generate taxable income.

Changes in tax law or tax rulings could materially impact our effective tax rate. There are recent proposals which, if enacted, could increase the amount of taxes we are required to pay and have a significant adverse affect on our future results of operations and net income.

We distribute funds and managed accounts through intermediary channels and a loss of key distribution relationships could reduce our revenues and earnings.

Intermediary distribution channels account for a substantial portion of our sales and of our assets under management. Our success in our intermediary distribution channel depends upon our continuing to maintain strong relationships with third-party intermediaries. Any material reduction in these distribution relationships would impact the sales of our products, our assets under management and our revenues. In addition, these intermediaries generally offer their customers a significant array of investment products which are in addition to, and which compete with, our own investment products, and there is no assurance that these intermediaries or their customers may not favor competing investment products over those we offer. Further, consolidation in the financial services industry, of which our distribution channels are a part, could negatively impact future relationships and distribution channels and, therefore, our assets under management and results of operations.

Our intangible assets could become impaired which could have an adverse impact on our results from operations.

At December 31, 2010, the Company had total assets of $148.9 million which included $57.8 million of goodwill and other intangible assets. We cannot be certain that we will ever realize the value of such intangible assets. It could be necessary to recognize impairment of these assets should we experience significant decreases in assets under management, the termination of one or more material investment management contracts or material outflows if clients withdraw their assets following the departure of a key employee or for any other reasons.

Any failure to comply with established client investment guidelines or other contractual requirements could result in claims from clients and regulatory sanctions.

The agreements under which we manage assets often have established investment guidelines or other contractual requirements that we are required to comply with in providing our investment management services. Any allegation of a failure to comply with these guidelines or other requirement could result in client claims, hurt reputation, withdrawal of assets, and potential regulatory sanctions, any of which may negatively impact our revenues and earnings.

We or our key vendors could experience temporary business interruptions in our technology infrastructure which would negatively impact our operations, operating expenses and net income.

Our technology systems are critical to our operations and any failure or interruption of those systems or of our operations, whether resulting from technology or infrastructure breakdowns, defects or external causes such as fire, natural disaster or power disruptions, could result in financial loss and impact our reputation, growth and prospects. Although we have in place disaster recovery plans, we may experience temporary interruptions if a natural disaster or prolonged power outages were to occur which could have a material negative impact on operations.

Table of Contents

The relatively limited trading volume of our common stock as well as the concentration of shares owned by a limited number of shareholders could lead to our stock trading at prices that are significantly lower than what might be expected of issuers with our market capitalization as well as larger purchases and sales may more dramatically affect our share price.

A large percentage of our stock is held by a limited number of shareholders. If our larger shareholders decide to liquidate their positions, it could cause significant fluctuation in the share price. Public companies with relatively small market capitalizations, such as we have, often have difficulty generating trading volume in their stock. This illiquidity and our size can result in relative price discounts as compared to industry peers or to the stock s inherent value. It can also result in limited or no research analyst coverage, the absence of which makes it difficult for a company to establish and hold a market following.

The market price of our common stock may also fluctuate in response to a number of events and factors, including:

- general economic, market and political conditions;
- quarterly variations in our results of operations or financial position or the fact that our results of operations or financial position could be below the expectations of the public market, analysts or investors;
- changes in financial estimates and recommendations by securities analysts;
- operating and market price performance of other companies that investors may deem comparable;
- press releases or publicity relating to us or our competitors or relating to trends in our markets;
- large purchases or sales of our common stock by significant shareholders; and
- purchases or sales of our common stock by insiders.

In addition, broad market and industry fluctuations, as well as investor perception and the depth and liquidity of the market for our common stock, may adversely affect the trading price of our common stock, regardless of our actual operating performance.

Our rights plan and applicable laws may discourage takeovers and business combinations that our stockholders might consider to be in their best interests.

Under our stockholders rights agreement, if any person or group (other than Bank of Montreal and its controlled affiliates) acquires, or begins a tender or exchange offer that could result in such person acquiring 15% or more of our common stock without approval by our board under specified circumstances, our other stockholders will have the right to purchase shares of our common stock, or shares of the acquiring company, at a substantial discount to the public market price. In addition, provisions of Section 203 of the Delaware General Corporation Law also restrict certain business combinations with interested stockholders. The Delaware General Corporation Law and our stockholders rights agreement may discourage takeovers and business combinations that our stockholders might consider to be in their best interests.

The agreements the Company entered into in connection with the Series B Convertible Preferred Stock investment made by Harris Bankcorp contains restrictions that could limit our ability to issue additional equity or to obtain additional equity financing.

The approval of the holders of our Series B Convertible Preferred Stock is required to affect certain significant issuances of equity securities of the Company or any of its controlled subsidiaries. Such required approval may restrict our ability to carry out our business objectives. It may also preclude us from opportunities such as acquisitions that could supplement and grow our business.

The voting power of the holders of our Series B Convertible Preferred Stock may discourage third party acquisitions of the Company at a premium.

We are required to obtain the approval of holders of our Series B Convertible Preferred Stock for any merger, consolidation, acquisition, and business combination, sale of all or substantially all of the assets of the Company or its

Table of Contents

subsidiaries, or any similar transaction or pledge of assets, in certain circumstances until December 31, 2011. This may have the effect of discouraging offers to acquire control of the Company and may preclude holders of Company common stock from receiving any premium above market price for their shares that may otherwise be offered in connection with any attempt to acquire control of the Company.

For further information, restrictions and obligations concerning our Series B Convertible Preferred Stock, see Management s Discussion and Analysis of Financial Condition and Results of Operations Series B Convertible Preferred Stock and the Certificate of Designations and Investment Agreement filed as Exhibits 3.4 and 10.9 to this Form 10-K.

Our outstanding Series B Convertible Preferred Stock may be converted into common stock, in the future, which would increase the number of shares eligible for future resale in the public market. This might have an adverse effect on the market price of the common stock.

As of December 31, 2010, 35,217 shares of our Series B Convertible Preferred Stock were outstanding. Each outstanding share of Series B Convertible Preferred Stock is currently convertible into 38.3139 shares of common stock, subject to customary anti-dilution adjustments.

Holders of Series B Convertible Preferred Stock may convert any or all of their shares into shares of common stock of the Company at any time. In the event that the holders of a majority of the outstanding Series B Convertible Preferred Stock approve a conversion of the Series B Convertible Preferred Stock, all of the shares of Series B Convertible Preferred Stock will be converted automatically into shares of common stock of the Company. During the fourth quarter of 2010, a conversion feature of the Preferred Stock agreement was triggered when the Company s common stock exceeded 175% of the then applicable conversion price for twenty days in which the common stock was traded. As a result of this triggering event, the Company may elect to cause each share of Series B Convertible Preferred Stock to be converted into shares of common stock of the Company at the conversion rate in effect. However, if the Company makes such an election, holders of Series B Convertible Preferred Stock may alternatively elect to retain their shares of Series B Convertible Preferred Stock and forfeit their right to thereafter participate in any dividends paid on our common stock while they continue to hold the preferred shares. The Company has not made this election as of the date of this filing.

To the extent shares of Series B Convertible Preferred Stock are converted, additional shares of our common stock will be issued, and would increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of our common stock.

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report contains statements, including under the captions Business, Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations, that are, or may be considered to be, forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995, as amended, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act. All statements that are not historical facts, including statements about our beliefs or expectations, are forward-looking statements. These statements may be identified by such forward-looking terminology as expect, estimate, plan, intend, believe, anticipate, may, s 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, including assumptions and projections concerning our assets under management, net cash inflows and outflows, operating cash flows, and future credit facilities, for all forward periods. All of our forward-looking statements contained in this Annual Report are as of the date of this Annual Report only.

The Company can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. The Company does not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Annual Report, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us which modify or impact any of the forward-looking statements contained in or accompanying this Annual Report, such statements or disclosures will be deemed to modify or supersede such statements in this Annual Report.

Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including those discussed under Risk Factors, and Management s Discussion and Analysis of Financial Condition and Results of Operations in this Annual Report, as well as the following risks and uncertainties: (a) the effects of adverse market and economic developments, including those related to global economic, political or social instability, on all aspects of our business; (b) any poor relative investment performance of our investment management strategies and any resulting outflows of assets; (c) any lack of availability of additional financing, as may be needed, on satisfactory terms or at all; (d) any inadequate performance of third-party relationships; (e) the withdrawal of assets from under our management; (f) our ability to attract and retain key personnel in a competitive environment; (g) the ability of independent trustees of our mutual funds and closed-end funds and other clients to terminate their relationships with us; (h) the possibility that our goodwill or intangible assets could become impaired, requiring a charge to earnings; (i) the increased competition we face in our business, including competition related to investment products and fees; (j) potential adverse regulatory and legal developments; (k) the difficulty of detecting misconduct by our employees, sub-advisors and distribution partners; (l) changes in accounting standards or rules, including the impact of proposed rules which may be promulgated related to Rule 12b-1 fees; (m) the ability to satisfy the financial covenants under existing debt agreements; and (n) certain other risks and uncertainties described in this Annual Report or in any of our other filings with the SEC.

An occurrence of, or any material adverse change in, one or more of the risk factors or risks and uncertainties referred to in this Annual Report or included in our other periodic reports filed with the SEC could materially and adversely affect our operations, financial results, cash flows, prospects, and liquidity.

Other factors which may impact our continuing operations, prospects, financial results and liquidity or which may cause actual results to differ from such forward-looking statements are discussed or included in the Company s periodic reports filed with the SEC and are available on the our website at www.virtus.com under Investor Relations. You are urged to carefully consider all such factors.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal offices are located at 100 Pearl St., 9th Floor, Hartford, CT 06103 and our customer support call center is located in Greenfield, Massachusetts. In addition, our affiliated managers lease office space in Illinois, California, and New York. We believe our office facilities are suitable and adequate for our business as it is presently conducted. Given the service nature of our business and the fact that we do not own real property, we do not anticipate that compliance with federal, state and local provisions regarding the discharge of materials into the environment, or otherwise relating to the protection of the environment, will have a material effect upon our capital expenditures, revenue or competitive position.

Item 3. Legal Proceedings.

The Company is regularly involved in litigation and arbitration as well as examinations, inquiries, and investigations by various regulatory bodies, including the SEC, involving our compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting our products and other activities. Legal and regulatory matters of this nature may involve activities as an employer, issuer of securities, investor, investment advisor, broker-dealer or taxpayer. The Company believes that the outcomes of its legal or regulatory matters are not likely, either individually or in the aggregate, to have a material adverse effect on its consolidated financial condition. However, it is not feasible to predict the ultimate outcome of all legal claims or matters or provide reasonable ranges of potential losses, and in the event of unexpected subsequent developments and given the inherent unpredictability of these legal and regulatory matters, there can be no assurance that our assessment of any claim, dispute, regulatory examination or investigation or other legal matter will reflect the ultimate outcome and an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s results of operations or cash flows in particular quarterly or annual periods.

Item 4. [Removed and Reserved]

18

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company s common stock is traded on the NASDAQ Global Market under the trading symbol VRTS. As of December 31, 2010, the reported closing sale price per share of common stock was $45.37 and we had 6,251,821 shares of our common stock outstanding that were held by approximately 113,129 holders of record. The table below sets forth the quarterly high and low closing sales prices of our common stock on the NASDAQ Global Market for each quarter in the last two fiscal years.

Quarter Ended	High	Low
December 31, 2010	$ 50.12	$ 30.85
September 30, 2010	$ 30.72	$ 18.11
June 30, 2010	$ 24.93	$ 18.72
March 31, 2010	$ 21.09	$ 16.00
December 31, 2009	$ 16.50	$ 14.63
September 30, 2009	$ 16.33	$ 13.50
June 30, 2009	$ 16.55	$ 6.28
March 31, 2009	$ 9.91	$ 4.04

We have not declared a cash dividend on our common stock with respect to the periods presented. We currently do not have any plans to pay cash dividends on our common stock. The payment of any dividends on our common stock and the amount thereof will be determined by the board of directors depending upon, among other factors, the Company s earnings, operations, financial condition, capital requirements, and general business outlook at the time payment is considered. Additionally, our ability to pay common stock dividends is limited under the terms of our Credit Facility and Series B Convertible Preferred Stock as described further in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

The holders of our Series B Convertible Preferred Stock are entitled to receive quarterly dividends, when and if declared by our board of directors, equal to 8.0% per annum of the stated value of the Series B Convertible Preferred Stock, before any dividends are declared or paid upon any equity securities of the Company that rank junior to the Series B Convertible Preferred Stock with respect to payment of dividends or rights upon liquidation. Subject to certain limitations, these dividends may be paid either in cash or additional shares of our Series B Convertible Preferred Stock, at the discretion of the Company and, in the case of payment of any dividend in the form of additional shares, subject to the approval of additional authorized Series B shares by the Series B holders. In addition, the holders of our Series B Convertible Preferred Stock are currently entitled to share in any dividends paid on shares of our common stock on a pro rata basis with the holders of our common stock. During the year ended December 31, 2010, we paid $3.4 million of preferred stock dividends related to the quarters ended December 31, 2009, March 31, 2010, June 30, 2010 and September 30, 2010. During the year ended December 31, 2009, we paid $2.9 million of preferred stock dividends related to the quarters ended December 31, 2008, March 31, 2009, June 30, 2009 and September 30, 2009. On January 27, 2011, the Board of Directors of the Company declared cash dividends on its Series B Convertible Preferred Stock for the three month period ended December 31, 2010 of $0.7 million which the Company expects to pay in March of 2011. Additional information regarding the Company s payment of dividends on shares of Series B Convertible Preferred Stock is set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Series B Convertible Preferred Stock .

Table of Contents

Issuer Purchases of Equity Securities

In the fourth quarter of 2010, the Company implemented a share repurchase program allowing for the repurchase of up to 350,000 shares of the Company s common stock. Under the terms of the program the Company may repurchase its common stock from time to time in its discretion through open market repurchases and/or privately negotiated transactions, depending on price and prevailing market and business conditions. The program is intended to return capital to shareholders and to generally offset shares issued under equity-based plans. The program may be suspended or terminated at any time and the authorization for the program expires three years from inception.

Period	Total number of shares purchased	Average price paid per share (1)	Total number of shares purchased as part of publicaly announced plans or programs (2)	Maximum number of shares that may yet be purchased under the plans or programs (2)
October 1 - 31, 2010				350,000
November 1 - 30, 2010				350,000
December 1 - 31, 2010	20,000	$ 46.17	20,000	330,000

(1) Average price per share is calculated on a settlement basis and excludes commissions.
(2) The share repurchases above were completed pursuant to a program announced October 14, 2010. The Company is authorized to purchase a maximum of 350,000 shares. The program expires three years from inception.

Shares of the Company s common stock purchased by participants in the Company s Employee Stock Purchase Plan were delivered to participant accounts via open market purchases at fair value by the third-party administrator under the plan. The Company does not reserve shares for this plan or discount the purchase price of the shares.

Table of Contents

Item 6. Selected Financial Data.

The following table sets forth our selected consolidated financial and other data at the dates and for the periods indicated. The selected financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report.

	Years Ended December 31,				
($ in thousands)	**2010 (1)**	**2009 (1)**	**2008 (1)**	**2007 (2)**	**2006 (2)**
Results of Operations (5)					
Revenues	$ 144,556	$ 117,152	$ 178,274	$ 226,217	$ 218,636
Goodwill and intangible asset impairments			559,264	301	32,471
Expenses	135,285	123,775	760,080	220,869	262,523
Operating income (loss)	9,271	(6,623)	(581,806)	5,348	(43,887)
Net income (loss)	9,642	(6,484)	(529,088)	(14,150)	(47,553)
Earnings (loss) per share basic (3)	0.87	(1.76)	(91.75)	(2.45)	(8.24)
Earnings (loss) per share diluted (3)	0.81	(1.76)	(91.75)	(2.45)	(8.24)

	As of December 31,				
	2010 (1)	**2009 (1)**	**2008 (2)**	**2007 (2)**	**2006 (2)**
Balance Sheet Data (5)					
Cash and Cash Equivalents	$ 43,948	$ 28,620	$ 51,056	$ 36,815	$ 33,862
Intangible assets, net	52,977	54,844	60,985	208,176	237,746
Goodwill	4,795	4,795	4,795	454,369	454,369
Total assets	148,911	134,023	159,009	752,163	781,052
Accrued compensation and benefits	19,245	14,707	22,867	34,115	35,258
Long-term debt (4)	15,000	15,000	20,000	42,019	436,262
Total liabilities	64,720	58,393	77,377	127,236	527,571
Convertible preferred stock	35,921	45,900	45,000		
Total stockholders equity	48,270	29,730	36,632	624,927	253,481
Working capital (6)	$ 44,206	$ 32,120	$ 33,175	$ (3,211)	$ (57,966)
Assets Under Management (5)					
($ in millions)					
Total assets including Goodwin	$ 29,473	$ 25,440	$ 36,587	$ 55,545	$ 58,061
Total assets excluding Goodwin	29,473	25,440	22,636	40,417	43,627

(1) Derived from audited consolidated financial statements included elsewhere in this Annual Report.
(2) Derived from audited consolidated financial statements not included in this Annual Report.
(3) Following the spin-off from PNX, the Company had 5,772,076 common shares outstanding. This amount is being used to calculate the loss per share for the periods prior to the spin-off. The same number of shares has been used to calculate basic earnings per share and diluted earnings per share for all such periods as there were no shares of Virtus common stock publicly traded prior to December 31, 2008, and no Virtus share options nor restricted stock units were outstanding prior to the spin-off.
(4) All outstanding long-term debt on or prior to the spin-off on December 31, 2008 was due to either PNX or Phoenix Life Insurance Company (Phoenix Life), which had been a related party of the Company.
(5) Historical financial results included in the table above for the year ended December 31, 2008 and prior reflect the inclusion of Goodwin in the Company s consolidated results.
(6) Working capital is defined as current assets less current liabilities.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report.

This discussion contains forward-looking statements that involve risks and uncertainties. See Special Note About Forward-Looking Statements above for more information. Actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Annual Report, particularly under the caption Risk Factors.

Overview

Organization

Virtus Investment Partners, Inc. (the Company, we, us, our or Virtus), a Delaware corporation, operates a multi-manager asset management business through its wholly-owned subsidiaries.

Virtus commenced operations on November 1, 1995 through a reverse merger with Duff & Phelps Corporation. From 1995 to 2001, we were a majority-owned indirect subsidiary of PNX. On January 11, 2001, a subsidiary of PNX acquired the outstanding shares of the Company not already owned and the Company became an indirect wholly-owned subsidiary of PNX. On October 31, 2008, after the sale of convertible preferred stock to Harris Bankcorp, we became an indirect, majority-owned subsidiary of PNX. On December 31, 2008, PNX distributed 100% of Virtus common stock to PNX stockholders in a spin-off transaction, excluding the net assets and business of the Company s subsidiary, Goodwin, which had historically been a wholly owned subsidiary of the Company. Following the spin-off, PNX has no ownership interest in the Company and Harris Bankcorp (Harris Bankcorp), a subsidiary of the Bank of Montreal, owns 100% of the Company s outstanding shares of Series B Convertible Preferred Stock.

Our Business

We are a provider of investment management products and services to individuals and institutions. We operate a multi-manager investment management business, comprised of affiliated managers, each having its own distinct investment style, autonomous investment process and brand. We believe our customers value this approach, especially institutional customers who appreciate individual managers with distinctive cultures and styles.

Investors have an array of needs driven by factors such as market conditions, risk tolerance and investment goals. A key element of our business is offering a variety of investment styles and multiple disciplines to meet those needs. To that end, for our mutual funds, we supplement the investment capabilities of our affiliated managers with those of select unaffiliated sub-advisors. We do that by partnering with unaffiliated sub-advisors whose strategies we believe appeal to investors and are not typically available to retail mutual fund customers.

We provide our products in a number of forms and through multiple distribution channels. Our retail products include open-end mutual funds, closed-end funds, variable insurance funds and separately managed accounts. Our fund family of open-end funds is distributed primarily through intermediaries. Our closed-end funds trade on the New York Stock Exchange. Our variable insurance trust provides investment options in variable annuities and life insurance products distributed by third-party insurance companies. Retail separately managed accounts are comprised of intermediary programs, sponsored and distributed by unaffiliated brokerage firms, and private client accounts, which are offerings to the high net-worth clients of our affiliated managers. We also manage institutional accounts for corporations, multi-employer retirement funds and foundations, endowments and special purpose funds. Our earnings are primarily driven by asset-based investment management fees charged on these various products. These fees are based on a percentage of assets under management and are calculated using daily or weekly average assets or assets at the end of the preceding quarter.

Market Developments

The global financial markets showed improvements in 2010 and the major U.S. equity indexes rose for a second consecutive year, demonstrating that the post-recession recovery which has been long anticipated may be gaining traction. The fourth quarter of 2010 marked the sixth consecutive quarter of positive real GDP growth for the nation. Despite modest improvements late in the fourth quarter, unemployment remained at historically high levels throughout 2010, leading the Federal Reserve to announce a second round of quantitative easing with plans to purchase an additional $600 billion in Treasury securities by mid-2011 in an attempt to keep longer-term interest rates low. The markets ended the year by reacting positively to bipartisan support for extending Bush-era tax cuts for two more years.

Changes in our assets under management are driven in great part by the performance of the equity markets. The Dow Jones Industrial Average ended the year at 11,577, with a 14.1% total return for the year, while the Standard & Poor s 500 Index closed out 2010 at 1257, with a 15.1% total return for the year. We saw growing interest in equity funds earlier in the year and, by the fourth quarter, 62 percent of our mutual fund sales came from equity products, compared with 43 percent in the fourth quarter of 2009. However uncertainties remain about the long-term nature of the economic recovery. The inconsistent nature of the recovery, and the possibility that further economic gains could be disrupted by local or global events such as adverse changes in interest rates, significant shifts in commodity supplies or prices, political unrest, or even government initiatives, could adversely impact interest in our investment products and services and, consequently, revenue and earnings.

Assets Under Management

Assets under management increased 16% to $29.5 billion at December 31, 2010 from $25.4 billion at December 31, 2009. The increase in assets under management was driven primarily by positive net flows of $1.6 billion, market appreciation of $2.3 billion, and completion of a strategic initiative with the establishment of the Virtus Variable Insurance Trust, representing $1.2 billion in additional assets. Positive net flows of $1.6 billion in 2010 were primarily due to strong sales of long-term open-end mutual funds. During 2010, the Company s equity assets increased to 49% of total assets under management compared with 45% in 2009. Fixed income assets represented 41% of total assets under management at December 31, 2010, compared with 39% at the end of 2009, and money market assets declined to 10% of total assets under management at the end of 2010 from 16% at December 31, 2009.

Operating Results

In 2010 total revenue increased 23% to $144.6 million from $117.2 million in 2009. Revenues increased in 2010 as compared with 2009 primarily as a result of increased mutual fund revenue and the addition of the Virtus Variable Insurance Trust. Average assets under management, which correspond to the Company s fee-earning asset levels, were $26.5 billion for the year ended December 31, 2010, an improvement of 14% from $23.2 billion for the year ended December 31, 2009. Operating income improved by $15.9 million from an operating loss of $6.6 million in 2009 to operating income of $9.3 million in 2010 primarily due to increased revenues driven by higher levels of average fee earning assets under management and a continued expense discipline that allowed the Company to improve profitability in spite of the increased variable expenses that come with the growing levels of sales achieved by the Company in 2010.

Table of Contents

Assets Under Management by Product

The following table presents our assets under management by product for the periods indicated:

	As of December 31,		
	2010	**2009**	**2008**
($ in millions)			
Retail Assets			
Mutual fund assets			
Money market open-end funds	$ 2,915.5	$ 3,930.6	$ 4,654.1
Long-term open-end funds	11,801.3	8,902.2	6,753.0
Closed-end funds	4,321.1	4,256.9	3,991.2
Total mutual fund assets	19,037.9	17,089.7	15,398.3
Variable Insurance Funds (1)	1,538.5		
Separately managed accounts			
Intermediary sponsored programs	1,893.5	1,661.3	1,418.2
Private client accounts	1,939.5	1,890.5	1,656.1
Total managed account assets	3,833.0	3,551.8	3,074.3
Total retail assets	**24,409.4**	**20,641.5**	**18,472.6**
Institutional assets			