

## February Edition

### Your Need-to-Know Monthly Commentary and Economic Outlook

[We also launched a new product - read about it here](#)



**Stock Market and Economic Outlook:** We believe strong sector allocations will be an important theme to building a successful portfolio in 2022 and may be more meaningful than individual stock picks. Further, as the Fed winds down its asset purchase program, we believe the reduction in market liquidity will result in the Dow Index (18x EPS) outperforming the S&P 500 Index (21x EPS) in 2022. We also see oil trading in the \$80-100 range in 2022 with risk to the upside due to Russo-Ukrainian tension and increases in global travel.

- Recovery of international travel in 2022 as global herd resistance (not immunity) increases as a result of widespread vaccination and infection. MRK/PFE Covid drugs should also help contain the virus.
- The retention of the 21% corporate tax rate vs. the planned increase to 26% is still very bullish for GDP as corporate tax rates are 33% negatively correlated with growth globally.
- Mortgage rates have already risen from a low of 2.82% to 3.60% - the swift move upward could moderate the housing bubble created by loose Fed policy.



#### Interest Rate and Inflation Outlook:

We believe 10-year interest rates will head higher as the Fed starts to taper and inflation continues to accelerate (but we do believe there is a ceiling). We are forecasting that 10-year rates will be in the 2% range in 2022. We continue to believe investors should focus on adding defensive dividend stocks in 2022, as we see an increase in stock market volatility and inflation, and a decrease in liquidity and the rate of GDP growth.

- Weaker growth outlook for Europe and China in 2022 makes US 10-year treasuries in the 1.80-2.00% range look very attractive relative to German Bunds at negative rates.
- Tighter Fed policy is likely to flatten the yield curve which will keep a lid on long term rates.



**Quick Tip:** Many investors in 2021 invested based on momentum alone without looking at valuations and price targets. We urge any investor to research and educate themselves about any stock prior to investing, and believe this will be particularly useful in 2022.

<https://twitter.com/InfraCap>



**JAY HATFIELD**  
Chief Executive  
Officer  
and Fund Manager

Mr. Hatfield has almost three decades of experience in the securities and investment industries and currently manages over \$1 billion in assets. At ICA, he is the portfolio manager of InfraCap Equity Income Fund ETF (NYSE: [ICAP](#)) InfraCap MLP ETF (NYSE: [AMZA](#)), InfraCap REIT Preferred ETF (NYSE: [PFFR](#)), Virtus InfraCap U.S. Preferred Stock ETF (NYSE: [PFFA](#)), and a series of hedge funds. He leads the investment team and directs the company's business development.

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### About Us:

Infrastructure Capital Advisors, LLC (ICA) is an SEC-registered investment advisor that manages exchange traded funds (ETFs) and a series of hedge funds. The firm was formed in 2012 and is based in New York City. ICA seeks current income opportunities as a primary objective in most, but not all, of ICA's investing activities.

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**Not for distribution to the public.**

**Opinions represented above are subject to change and should not be considered investment advice.**

**Past performance is not indicative of future results.**

**The links to the fund fact sheets will provide standardized performance and risk disclosures.**

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**Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. For a prospectus with this and other information about the Fund, please click here. Please read the prospectus carefully before investing.**

**ICAP Exchange Traded Funds (ETF):** Investing involves risk, including possible loss of principal. An investment in the Fund may be subject to risks which include, among others, investing in equities securities, dividend paying securities, utilities, small-, mid- and large-capitalization companies, real estate investment trusts, master limited partnerships, foreign investments and emerging, debt securities, depositary receipts, market events, operational, high portfolio turnover, trading issues, active management, fund shares trading, premium/discount risk and liquidity of fund shares, which may make these investments volatile in price. Foreign investments are subject to risks, which include changes in economic and political conditions, foreign currency fluctuations, changes in foreign regulations, and changes in currency exchange rates which may negatively impact the Fund's returns. Small and Medium-capitalization companies, foreign investments and high yielding equity and debt securities may be subject to elevated risks. The Fund is a recently organized investment company with no operating history. Please see prospectus for discussion of risks. **Distributor, Quasar Distributors, LLC**

**PFFA Exchange Traded Funds (ETF):** The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **Preferred Stock:** Preferred stocks may decline in price, fail to pay dividends, or be illiquid. **Non-Diversified:** The Fund is non-diversified and may be more susceptible to factors negatively impacting its holdings to the extent that each security represents a larger portion of the Fund's assets. **Short Sales:** The Fund may engage in short sales, and may experience a loss if the price of a borrowed security increases before the date on which the Fund replaces the security. **Leverage:** When a Fund leverages its portfolio, the value of its shares may be more volatile and all other risks may be compounded. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **No Guarantee:** There is no guarantee that the portfolio will meet its objective. **Prospectus:** For additional information on risks, please see the Fund's prospectus.

**PFFR Exchange-Traded Funds (ETF):** The value of an ETF may be more volatile than the underlying portfolio of securities it is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **Preferred Stocks:** Preferred stocks may decline in price, fail to pay dividends, or be illiquid. **Real Estate Investments:** The Fund may be negatively affected by factors specific to the real estate market, including interest rates, leverage, property, and management. **Industry/Sector Concentration:** A Fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated Fund. **Passive Strategy/Index Risk:** A passive investment strategy seeking to track the performance of the underlying index may result in the Fund holding securities regardless of market conditions or their current or projected performance. This could cause the Fund's returns to be lower than if the Fund employed an active strategy. **Correlation to Index:** The performance of the Fund and its index may vary somewhat due to factors such as Fund flows, transaction costs, and timing differences associated with additions to and deletions from its index. **Market Volatility:** Securities in the Fund may go up or down in response to the prospects of individual

companies and general economic conditions. Price changes may be short or long term. **Prospectus:** For additional information on risks, please see the Fund's prospectus.

**AMZA Exchange Traded Funds (ETF):** The value of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. The costs of owning the ETF may exceed the cost of investing directly in the underlying securities. **MLP Interest Rates:** As yield-based investments, MLPs carry interest rate risk and may underperform in rising interest rate environments. Additionally, when investors have heightened fears about the economy, the risk spread between MLPs and competing investment options can widen, which may have an adverse effect on the stock price of MLPs. Rising interest rates may increase the potential cost of MLPs financing projects or cost of operations, and may affect the demand for MLP investments, either of which may result in lower performance by or distributions from the Fund's MLP investments. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund. **Short Sales:** The Fund may engage in short sales, and may experience a loss if the price of a borrowed security increases before the date on which the Fund replaces the security. **Leverage:** When a Fund leverages its portfolio, the value of its shares may be more volatile and all other risks may be compounded. **Derivatives:** Investments in derivatives such as futures, options, forwards, and swaps may increase volatility or cause a loss greater than the principal investment. **MLPs:** Investments in Master Limited Partnerships may be adversely impacted by tax law changes, regulation, or factors affecting underlying assets. **No Guarantee:** There is no guarantee that the portfolio will meet its objective.

Performance Data: Performance data quoted backtested results. Backtested Performance was derived from the retroactive application of a model developed with the benefit of hindsight. Backtested performance is no guarantee of future results and current performance may be higher or lower than the performance shown. Investment return and principal value will fluctuate so your shares, when redeemed, may be worth more or less than their original cost. Please visit <https://www.virtus.com/products/virtus-infracap-us-preferred-stock-etf#shareclass.742/period.quarterly> for performance data current to the most recent month-end and the Fund's standard performance information.

**You should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing. Contact VP Distributors LLC at 1-888-383-4184 or visit [www.virtusetfs.com](http://www.virtusetfs.com) to obtain a prospectus which contains this and other information about the Fund.**

**The prospectus should be read carefully before investing.**

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