Monthly Economic and Markets Outlook from InfraCap

Infrastructure Capital Advisors, LLC

Summary of Recent Research & Critical Insights

The First Half of 2024 to be Dominated by a Global Roll Down (Base Effects) of Inflation.

- We forecast that US PCE Core for January released next month will roll down to 2.6% (.51% rolling off from 2023), and February will likely further roll down to approximately 2.4%.
- The roll down to below 2.5% in February sets the stage for a Fed rate cut, although we expect the Fed to be conservative after the "transitory" debacle.
- The Fed's statement and Powell's presser validated our view that rate cuts are coming but not likely until May or June.
  - Of the Fed starts cutting in June and cuts every subsequent 2024 meeting that would result in 5 total cuts, which is our base case- 70% probability.
  - We estimate a 30% probability of a May 1st rate cut.
  - We believe that there is a less than a 10% probability of a March rate cut vs. the market at 47%. It is important to note that the Fed has a bias toward being conservative as it believes in the "expectations" theory of inflation and due to their "transitory" inflation call..

2024 is likely to be defined by a huge wave of global central bank rate cuts driven by a dramatic roll down of global inflation in the first half of the year. We currently project 5-6 ECB cuts and only 5 Fed cuts. These rate cuts and associated increases in the Global Monetary Base (www.infracapfunds.com) are likely to propel the market to at least 5,500 by year end 2024 and drive 10-year treasury rates into the 3-3.5% range. We believe that interest sensitive sectors will outperform in 2024 as these rate cuts occur. In our view, sectors that benefit the most from that are:

- The financial sector, broadly defined, including preferred stocks, financials and REITS.
- Within the financial sector, global investment banks, such as GS and MS, are likely to lead the sector as investment banking is very likely to boom in 2024 due to low volatility, lower rates, and rising stock prices.
- In our view many small cap stocks are very cheap, particularly in the value sector, which has significant concentration in interest rate sensitive sectors such as REITs, financials and utilities.

The US Economy Will Continue to Be Resilient in 2024:

- 11 out of the last 12 recessions were precipitated by a collapse in the housing sector. We have been forecasting for the last two years that the US economy would not go into a recession due to the shortage of housing in the US. We are projecting solid growth in GDP of 2% in 2024 with some headwinds from tight Fed policy causing the economy to grow below the trend growth rate of 3%.
- A decline in personal consumption has never caused a US recession. Consumer spending is 95% driven by employment and wages. Consumer spending only declines when the decline in investment spending on housing and other durables leads to mass layoffs, which causes consumers to reduce spending.
  - The average post WWII recession had over a 10% decline in investment but personal consumption was on average flat.

Summary of Recent Research & Critical Insights

Our biggest contrarian call is that the Euro Zone has stalled and is likely to enter a recession with Euro Zone GDP Growth coming in at 0% for the fourth quarter and with last quarter's GDP down .4%. The ECB is far too optimistic about 2024 GDP growth with an estimate of positive .8% based on a projected resurgence in consumer spending, and the ECB is way too pessimistic about inflation with Y/Y likely to decline well below 2% (See Below). It is important to note that 45% of European mortgages are floating with the recent ECB rate increases yet to fully impact the consumer.

- We forecast that Euro Zone inflation will continue to decelerate rapidly:
    - For the last 8 months headline inflation has only risen .8% so over the next 4 months 2.1% of the 2.9% y/y increase will roll off, resulting in a year-over-year increase as low as 1.6% and a CPI Core at or very close to the ECB target of 2% after the April release setting up an ECB rate cut on June 6th.
    - Declining inflation and the potential onset of a recession in the Euro Zone, particularly in already declining Germany, will force the ECB to cut rates in the first half of 2024. If the ECB cuts 25bp at every policy meeting, there would be only 5 cuts in 2024 but they may be forced to cut by 50bp due to the likely recession.
    - Germany is already in a recession with negative 1.2% change in GDP for the fourth quarter and a .4% decline over the last year with retail sales plunging, down 2.5% in November and negative 2.0% year over year. Construction spending, a critical leading indicator of recessions, is plummeting with the construction PMI well below 40 and housing prices down 10% over the last year.

Why Our Optimistic View has Differed from the Fed and Most Strategists:

- The Global Money Supply Matters
- Most strategists believe corporate earnings growth is dependent on margin expansion and high nominal GDP growth.
    - More than 100% of earnings growth comes from the reinvestment of retained earnings and depreciation and not margin expansion or GDP growth. If businesses do not continue to invest, earnings will stagnate and eventually decline. This dynamic of retained earnings investment driving earnings growth is required by law with regulated utilities but also holds with almost all businesses.
    - Normal US earnings growth is approximately 10% which is driven by a 70% earnings retention and a 15% after tax return on investment.
    - Historical stock price returns are close to 10% and driven almost exclusively by earnings growth.
    - If strategists don't believe consensus aggregate earnings estimates they should specify which companies are going to miss and why. The Dow can be used as a proxy for the S&P as it is 30% of the market cap of the S&P, is 95% correlated with the S&P and has an earnings multiple within one point of the S&P 500.

Market Implied Policy Rates

Market Implied Policy Rates (02/07/2024)

Americas

Country	Rate	3M	6M	1Y	2Y	3Y	Curve
United States	5.38%	5.26%	4.85%	4.10%	3.44%	3.43%	
Canada	5.00%	4.89%	4.65%	3.98%	3.24%	2.95%	
Mexico	11.25%	11.05%	10.67%	9.40%	7.87%	7.63%	
Chile	7.25%	5.93%	4.71%	4.08%	3.96%	4.26%	
Brazil	11.25%	10.48%	9.60%	9.30%	10.31%	11.17%	

EMEA	Rate	3M	6M	1Y	2Y	3Y	Curve
Eurozone	4.00%	3.87%	3.42%	2.68%	2.18%	2.21%	
United Kingdom	5.25%	5.20%	4.95%	4.30%	3.63%	3.46%	
Switzerland	1.75%	1.61%	1.39%	1.06%	0.92%	1.08%	
Norway	4.50%	4.45%	4.30%	3.67%	3.12%	3.06%	
Sweden	4.00%	3.95%	3.52%	2.74%	2.12%	2.17%	
Denmark	3.60%	3.45%	3.09%	2.41%	1.96%	1.97%	
Czech Republic	6.75%	5.52%	4.65%	3.80%	3.29%	3.24%	
Poland	5.75%	5.71%	5.40%	5.11%	4.11%	3.84%	

Asia / Pacific	Rate	3M	6M	1Y	2Y	3Y	Curve
Australia	4.35%	4.30%	4.18%	3.83%	3.52%	3.60%	
New Zealand	5.50%	5.54%	5.34%	4.80%	3.92%	3.80%	
Japan	-0.10%	-0.04%	0.03%	0.17%	0.39%	0.52%	
China	1.80%	1.82%	1.78%	1.75%	1.89%	2.09%	
India	6.50%	6.46%	6.33%	6.09%	5.93%	5.99%	
Korea	3.50%	3.48%	3.42%	3.14%	2.88%	2.94%	

Small Company Stocks Primer

Small Caps - Asset Class Overview

Small cap stocks are generally defined as companies with market capitalizations below $2bn. Due to their relatively small size, exploitable opportunities exist:

Early in Business Life-Cycle

- Small cap companies have the ability for more sustained growth than their large cap counterparts because they are often in the early stages of their business life-cycle

M&A Targets

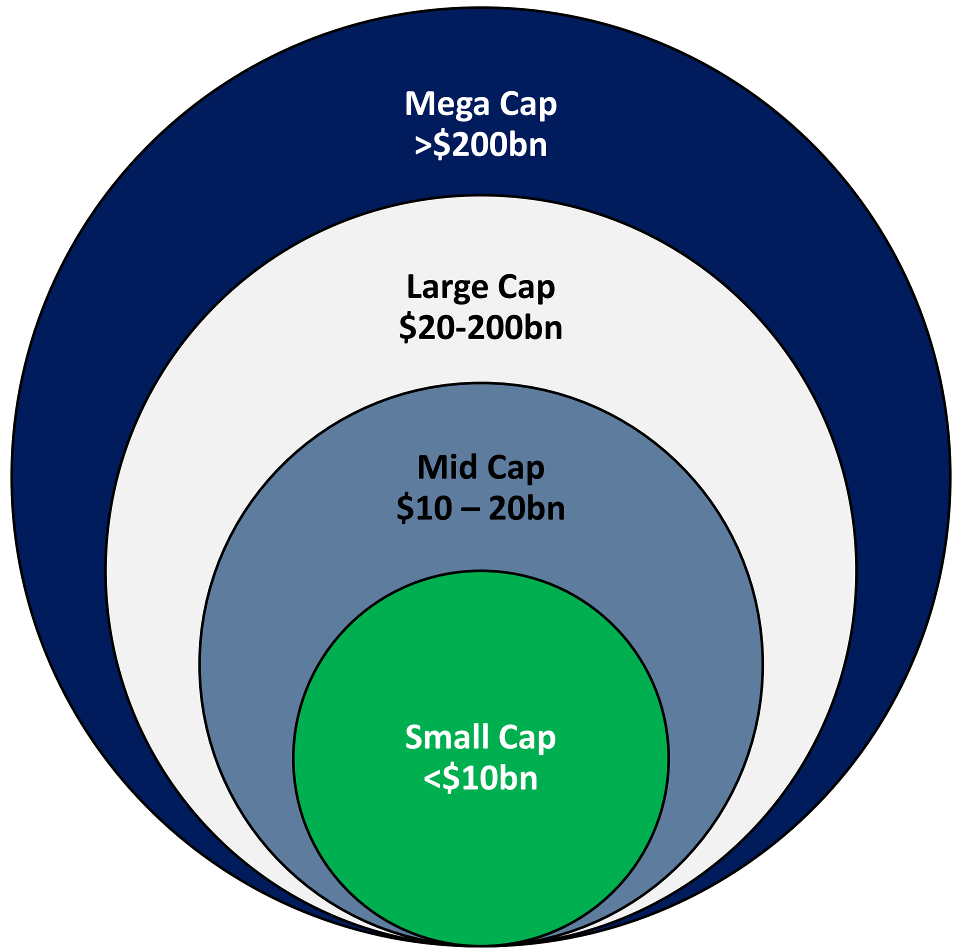
- Opportunity to benefit from M&A activity due as large cap competitors often pay premiums to consolidate or innovate through external investment

Lack of Sell-Side Coverage

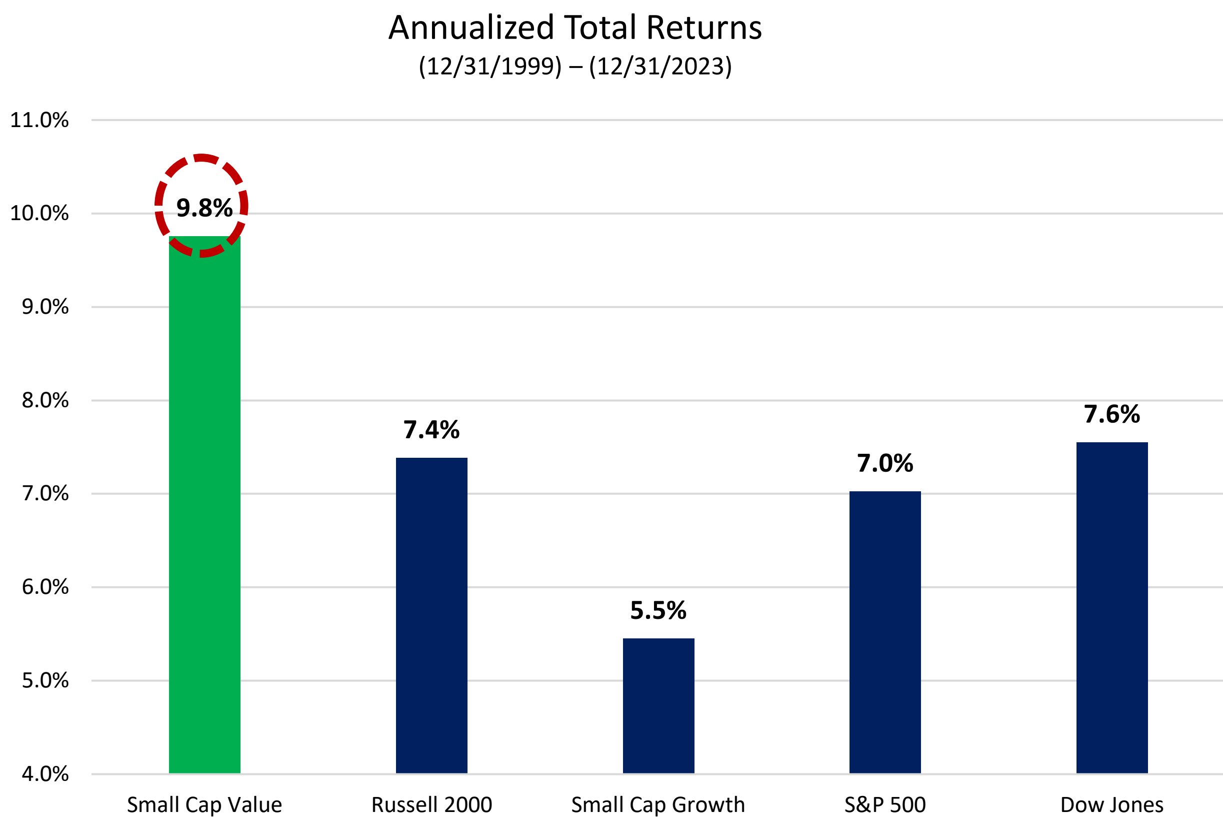
- A lack of analyst coverage can cause truly high-quality businesses to go unnoticed, thus presenting attractive long term investment opportunities

Domestic Exposure

- Concentrated economic exposure can cause pronounced idiosyncratic outperformance



Small Cap Value – Empirical Evidence Supporting a Value-Based Approach



Comparative Statistics

	Small Cap Value	Russell 2000	Small Cap Growth	S&P 500	Dow Jones
Annualized TR	**9.8%**	7.4%	5.5%	7.0%	7.6%
Volatility	**25.3%**	23.6%	23.9%	10.2%	9.0%
Sharpe (4.0% RF)	**0.23**	0.14	0.06	0.30	0.40
Beta (to S&P 500)	**1.11**	1.15	1.22	1.00	0.94

Value = Buying high quality companies at a fair valuation

High Quality Companies

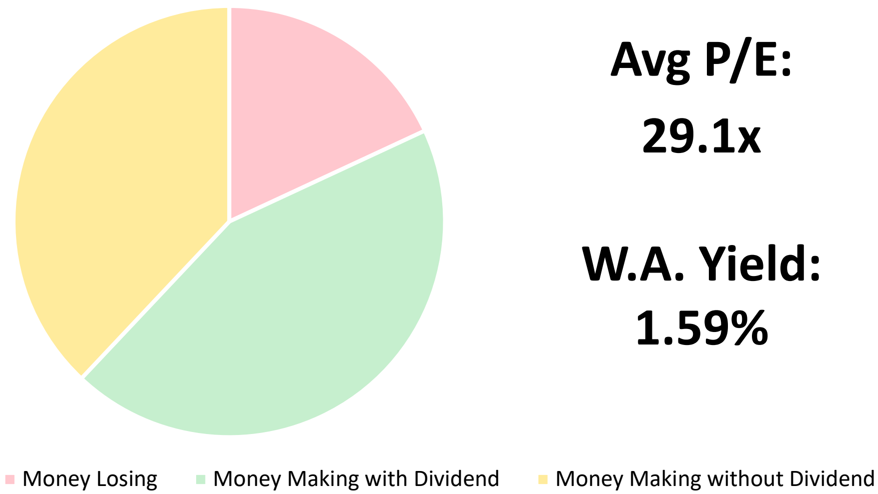
- Manageable debt load
- Stable and growing earnings
- Positive and growing free cash flow
- Fundamental advantages ('moat')

Fair Valuation

- High free cash flow yield
- Reasonable earnings multiple (P/E)
- DCF valuation shows upside
- Establishes a margin of safety

Passive Management Invests in Money-Losing Companies

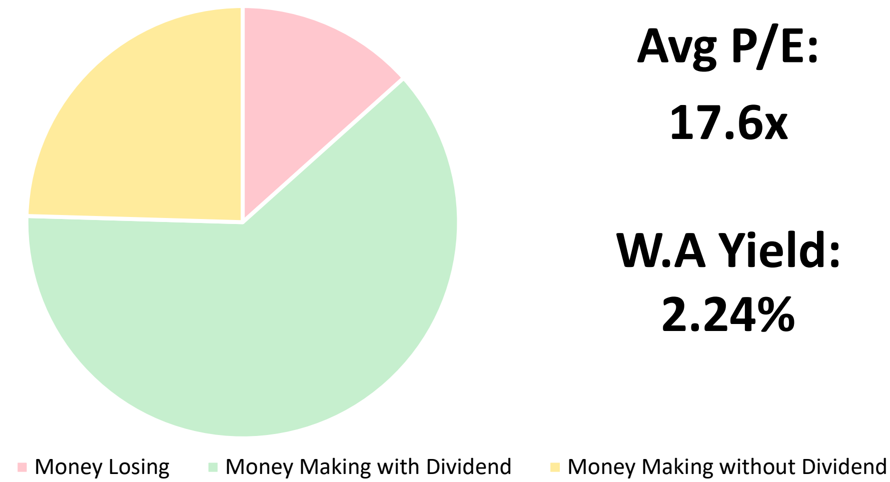
PASSIVE MANAGEMENT (IWM)



Avg P/E:
29.1x

W.A. Yield:
1.59%

PASSIVE MANAGEMENT (IWN)



Avg P/E:
17.6x

W.A Yield:
2.24%

IWM

Bucket	Weight	Proj. Multiple
Money Losing	18.1%	88.6x
Money Making without Dividend	38.0%	28.6x
Money Making with Dividend	44.0%	14.6x

Money Making with Dividend

Dividend	Weight	Proj. Multiple
Dividend > 1%	36.0%	14.0x
Dividend < 1%	7.9%	18.7x

IWN

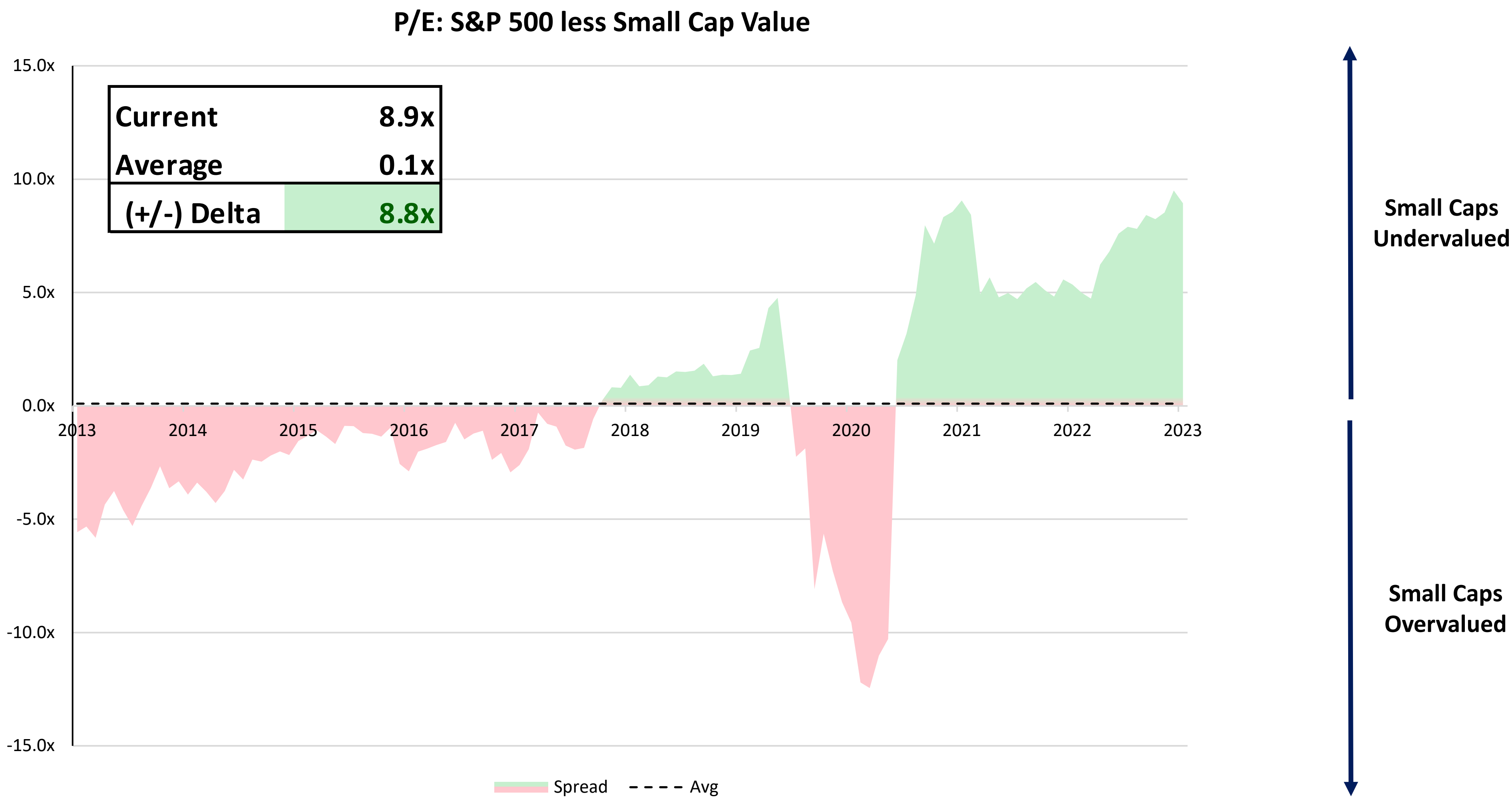
Bucket	Weight	Proj. Multiple
Money Losing	13.4%	111.0x
Money Making without Dividend	24.5%	22.7x
Money Making with Dividend	62.1%	15.0x

Money Making with Dividend

Dividend	Weight	Proj. Multiple
Dividend > 1%	55.2%	14.5x
Dividend < 1%	6.9%	19.6x

InfraCap

Current Valuation Represents a Disconnect (P/E)

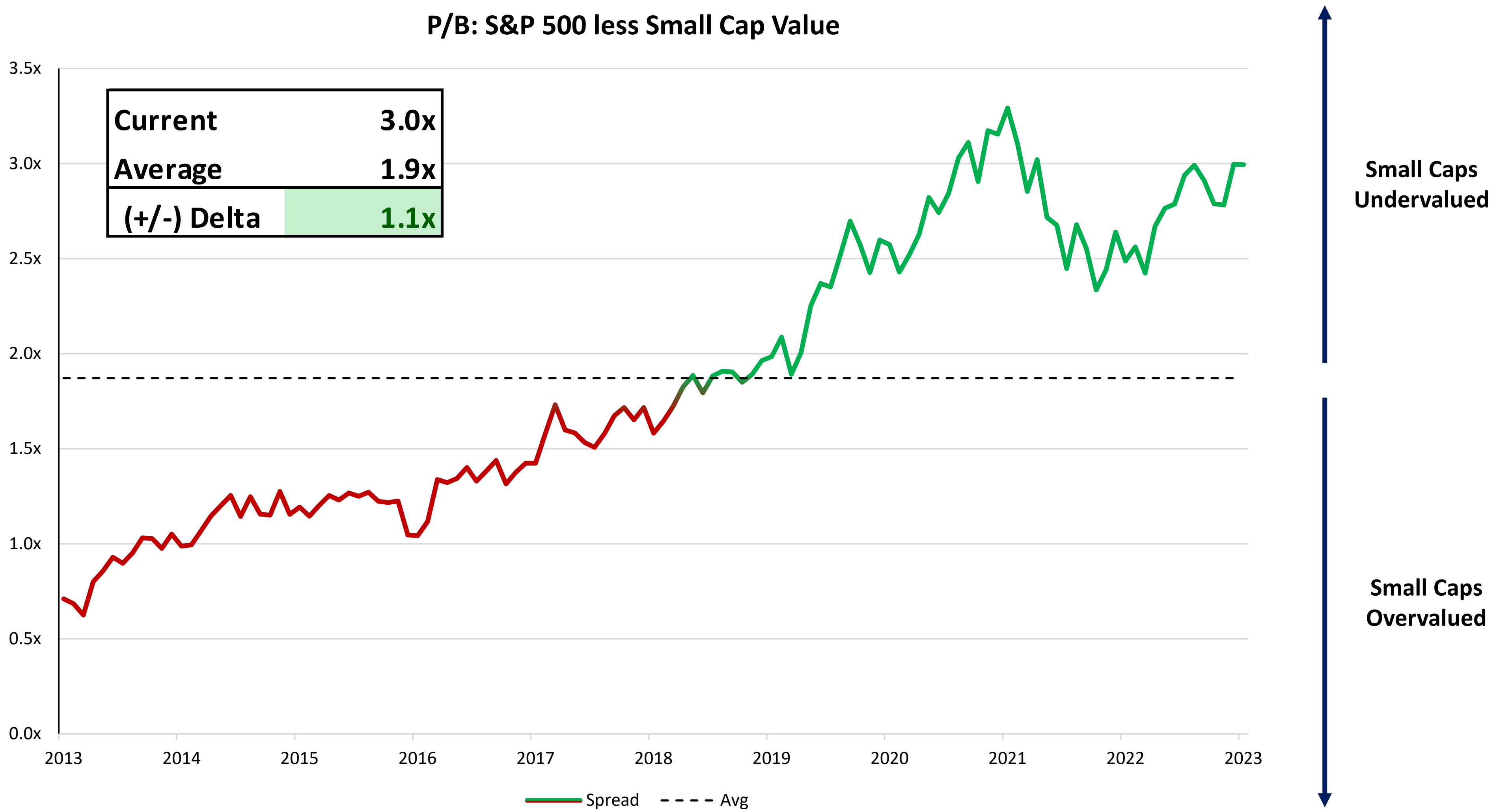


On an P/E basis, the Small Cap Value index currently trades 9.5x turns below the S&P 500

From Bloomberg. This data was prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The comparative data is provided for information purposes only and should not be relied upon for making comparative investment decisions.

Infrastructure Capital Advisors, LLC

Current Valuation Represents a Disconnect (P/B)



On an P/B basis, the Small Cap Value index currently trades 1.1x turns below the S&P 500

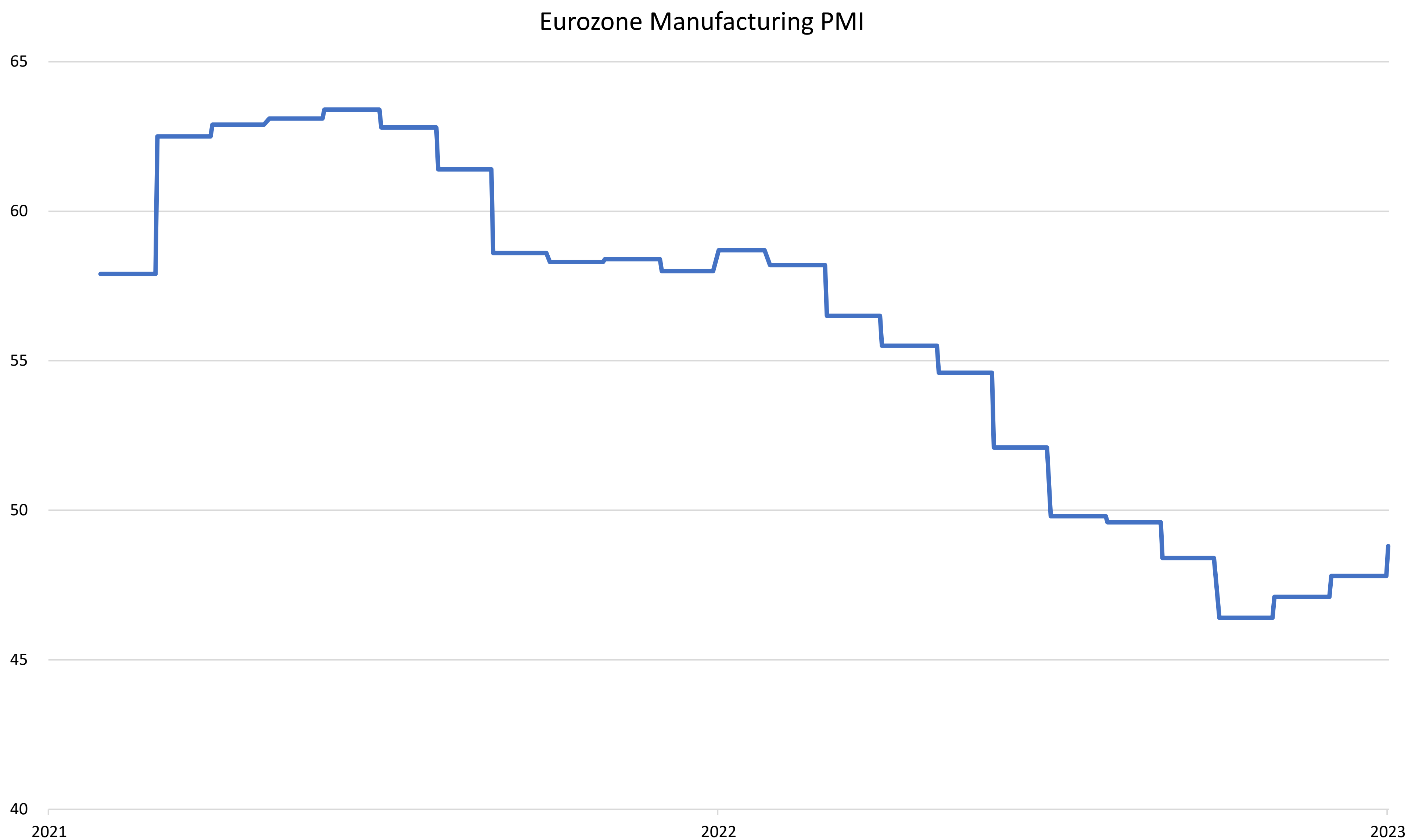
From Bloomberg. This data was prepared using sources of information generally believed to be reliable; however, its accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. The comparative data is provided for information purposes only and should not be relied upon for making comparative investment decisions.

Bond Market Outlook

Bond Market Outlook: We project that 2024 will be the Year of Global Rate Cuts. The futures market in all major economies imply an unprecedented number and magnitude of rate cuts. The global rate cuts are likely to drive the 10-year Treasury rate into the 3-3.5% range.

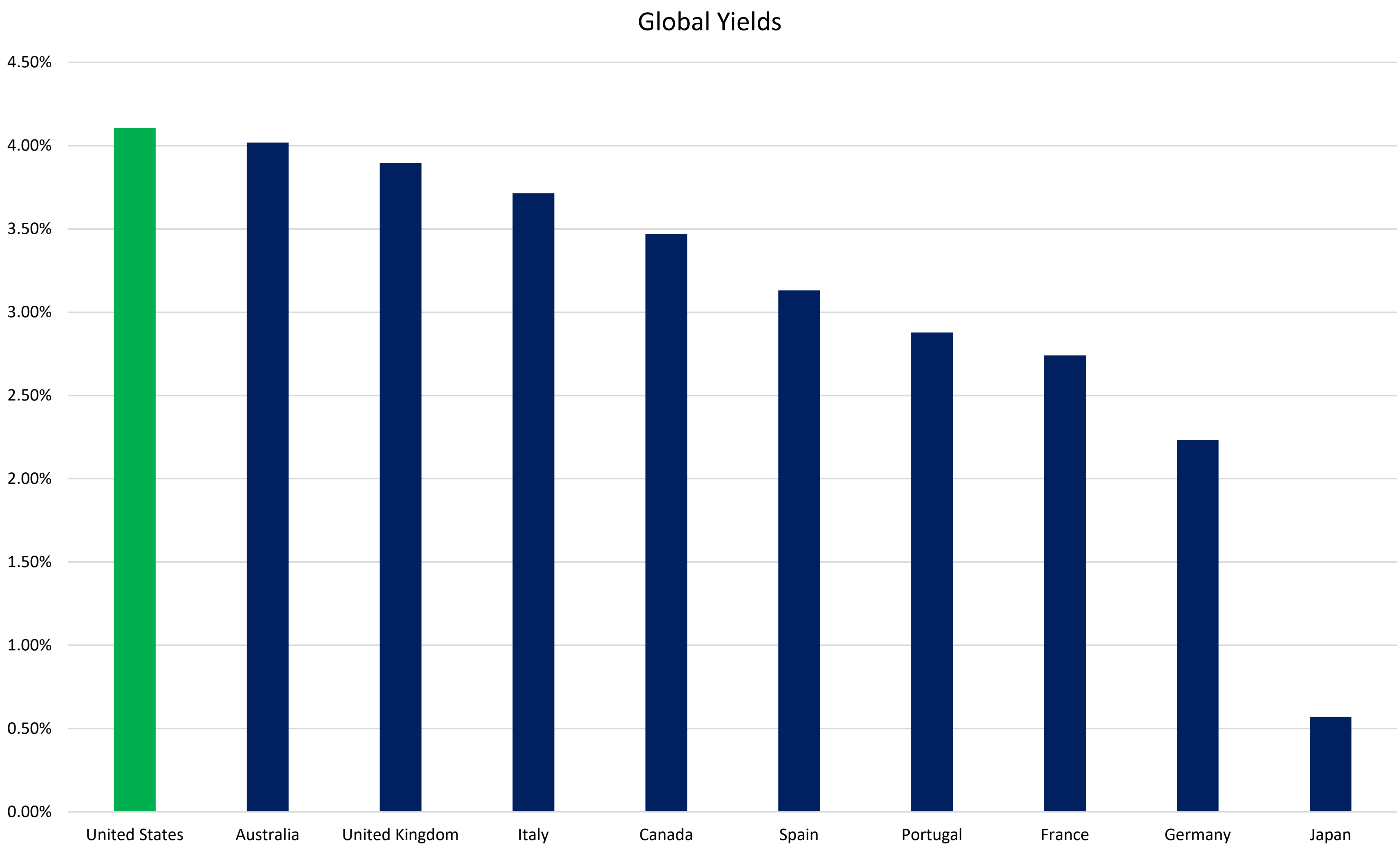
- ECB implied rate cuts are currently approximately 5 (131BP)
    - Euro Zone GDP Now implying a 0.8% recession in Q4
    - CPI data in the Euro Zone is likely to cool dramatically over the next 4 months due to base effects.
    - Every OECD country except Japan is projected to cut rates with the average cut well over 1%.
    - The US has 5 rate cuts priced in which was partially validated by the Fed dot plot implying 3 rate cuts. The Fed pivot marks the first time since the Pandemic started that the Fed has responded appropriately to real time data.
    - The Fed is likely to be slower to cut than most central banks as the US economy is stronger than most and the Fed still believes in the Urban Myth that 70s inflation was caused by starts and stops in monetary tightening while ignoring the 1200% rise in energy prices as the key culprit.
    - Smaller central banks such as Hungary and Chile are already cutting rates.

Eurozone Manufacturing PMI

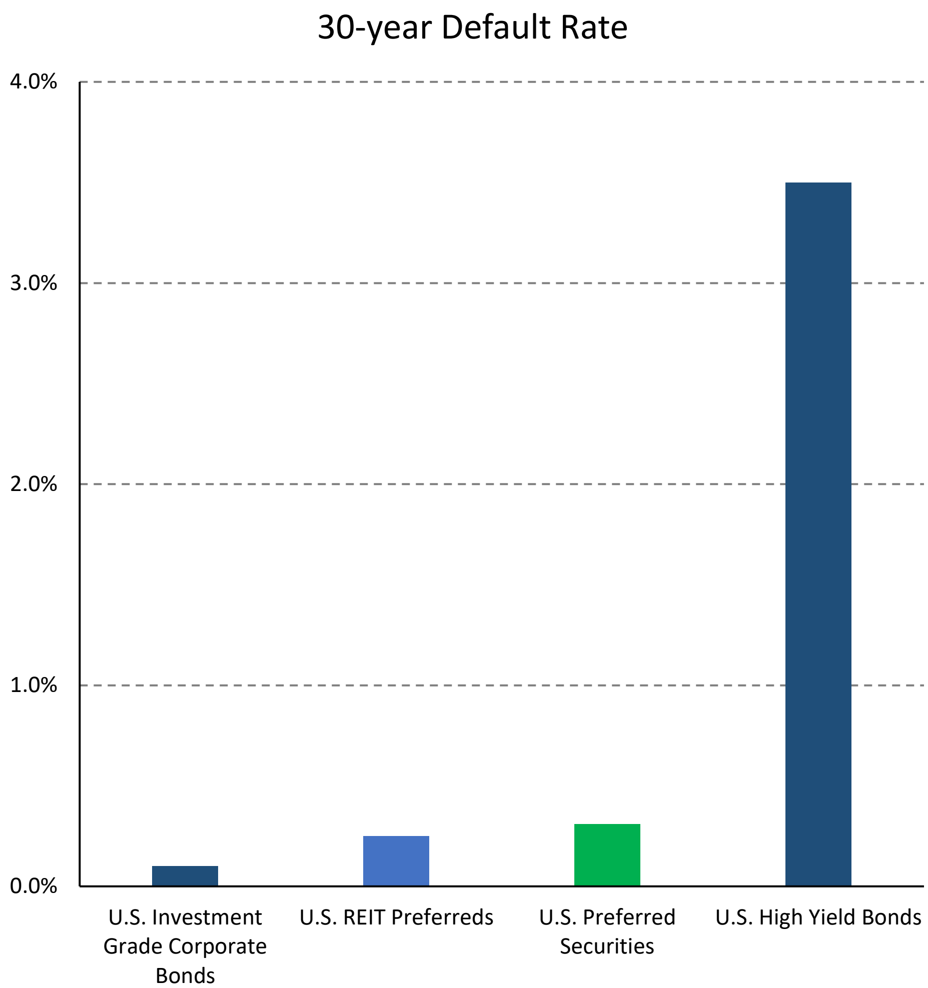


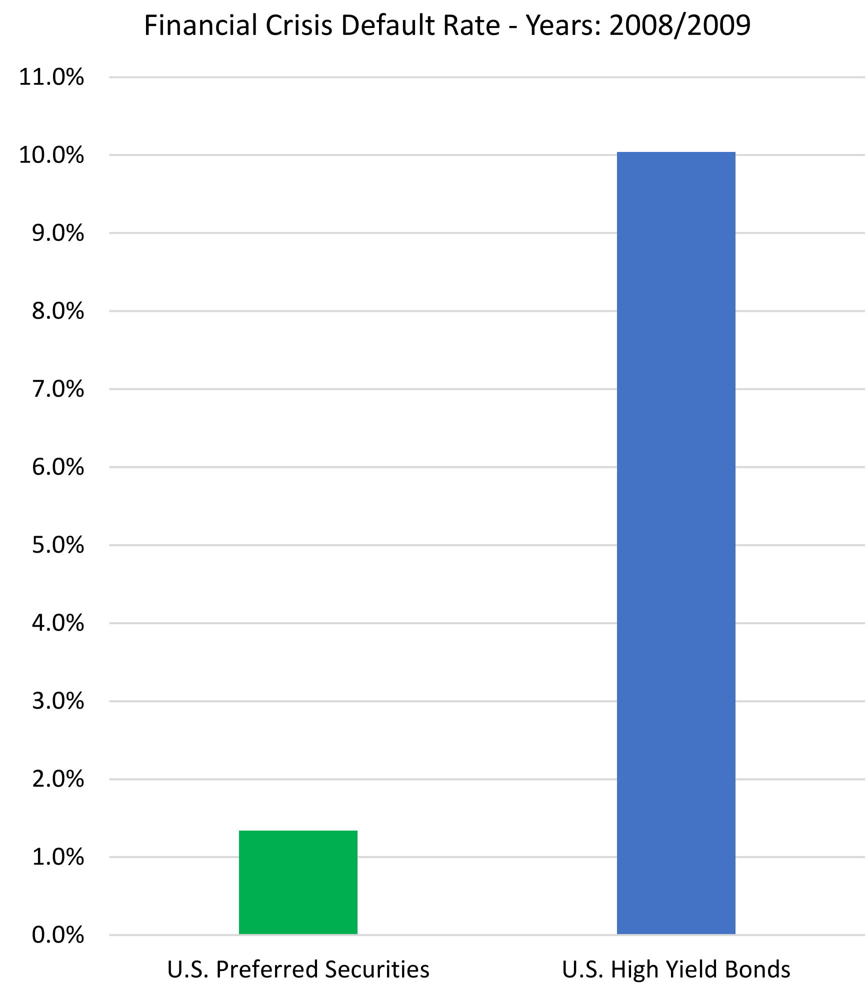
From Bloomberg: MPMIEZMA Index

Global Interest Rates



Credit Outlook

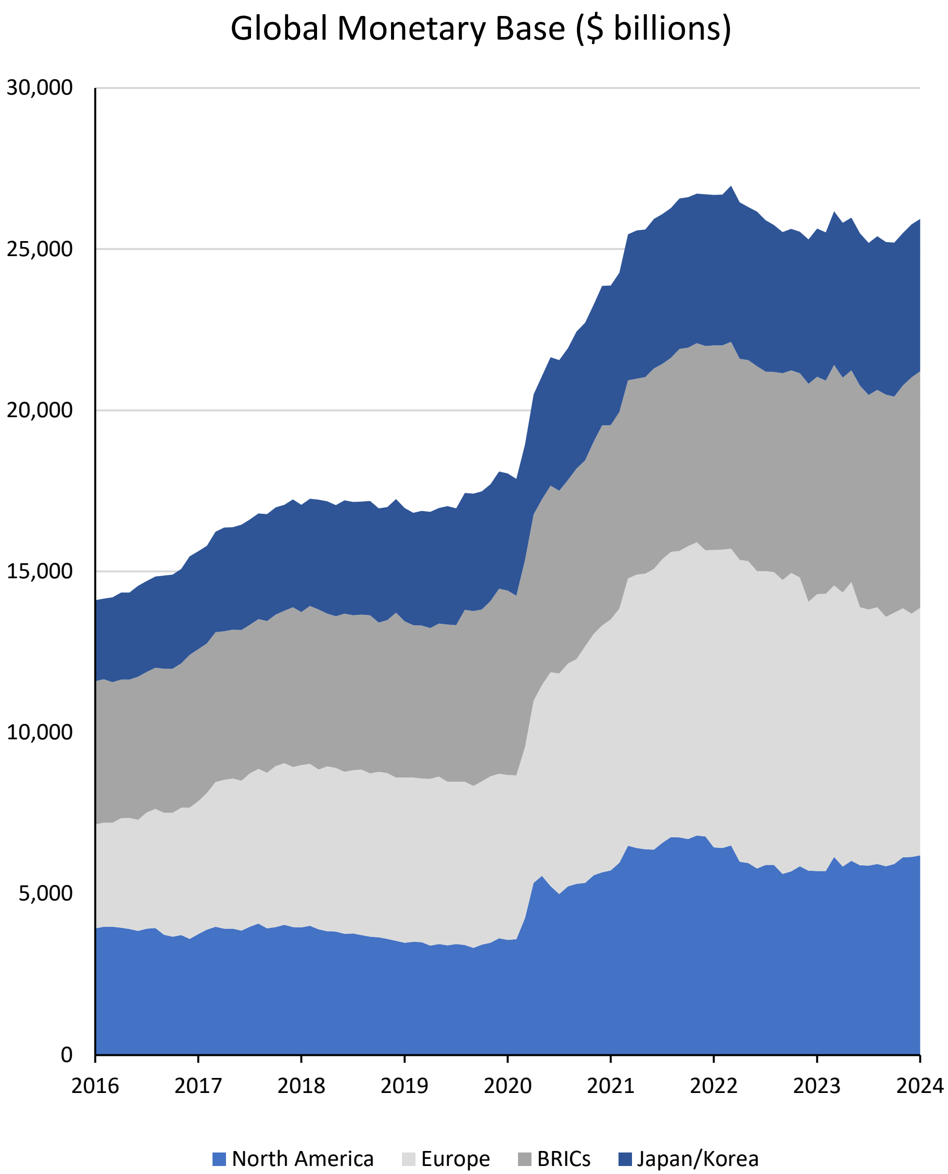




30-Year default rates are sourced from Moody's Investor Services. Default rates during the financial crisis are compiled using Bloomberg. The bond market outlook and observations discussed here are the result of research conducted by the InfraCap portfolio management and research team. These observations reflect their industry expertise and have been prepared using sources of information generally believed to be reliable; however, their accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice. U.S. REIT Preferred Securities are calculated using the 15yr default rate.

Default rates during the financial crisis are compiled using Bloomberg. The bond market outlook and observations discussed here are the result of research conducted by the InfraCap portfolio management and research team. These observations reflect their industry expertise and have been prepared using sources of information generally believed to be reliable; however, their accuracy is not guaranteed. Opinions represented are subject to change and should not be considered investment advice.

Global Monetary Base



Global Monetary Base Index	North America	Europe/UK	BRICs	Japan/Korea	Total
Change in $ Billions					
1Mo	50	131	8	-20	169
QTD	50	131	8	-20	169
T6M	318	-265	681	15	749
YTD	50	131	8	-20	169
TTM	490	-921	601	129	300
18Mo	295	-1,433	1,146	33	41
Percent Change					
1Mo	0.8%	1.7%	0.1%	-0.4%	0.7%
QTD	0.8%	1.7%	0.1%	-0.4%	0.7%
T6M	5.4%	-3.3%	10.2%	0.3%	3.0%
YTD	0.8%	1.7%	0.1%	-0.4%	0.7%
TTM	8.6%	-10.7%	8.9%	2.8%	1.2%
18Mo	5.0%	-15.7%	18.5%	0.7%	0.2%

- The European monetary base has fallen by 15.7% over the past 18 months, and 10.7% over the trailing 12 months.

Fed Outlook

Fed and ECB Outlook: We expect CPI/PPI to continue to print cool as the over 15% plunge in gasoline prices since the beginning of October will gradually bleed into core. There is a 5% bleed through of energy prices to core. The most obvious examples are airline fares and food prices as both have a 40% energy cost component.

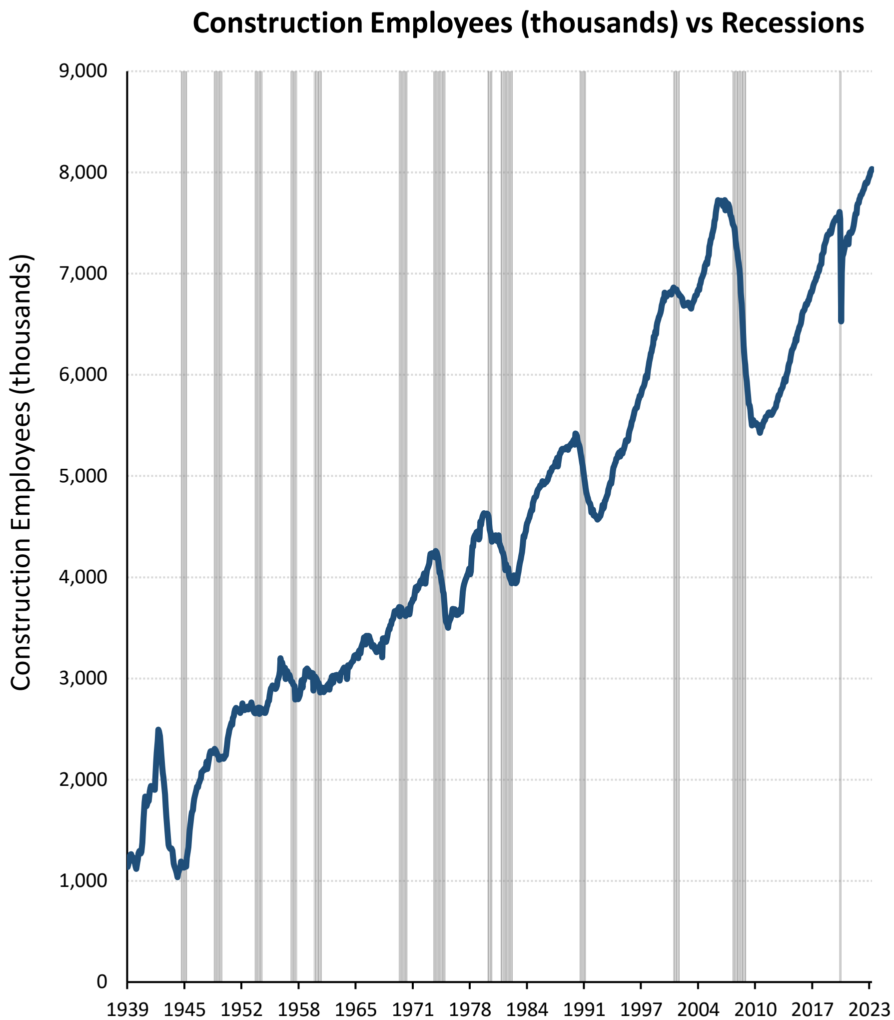
- Energy represents almost 9% of lower income household expenses, which means a 20% drop in energy costs will boost consumer spending and ensure that the US does not enter a recession.
- The Fed does not understand the energy bleed through effect which is why it has developed a whole body of urban mythology about the inflation of the 70's when actually 90% of the problem was a catastrophic 1,200% (not a typo) increase in oil prices. The oil price explosion was exacerbated by draconian price caps on US production.
    - The Fed meeting will be critical for the market with all the focus on the SEP (dot plot). The last dot plot had 1 rate cut implied whereas the fed fund futures imply almost 5 rate cuts, setting up the potential for a disappointment given a Fed biased toward being hawkish given their focus on the discredited "expectations" theory of inflation.
- The Bank of England has launched an inquiry led by Ben Bernanke to determine what went wrong with the central bank's policy framework that led it to miss the surge in inflation.
    - The Fed should launch a similar inquiry and revise their policy framework as it raised rates 3 months after the BOE so was even more incompetent than the BOE.
- The Fed should change its policy framework by targeting a 2-4% range of inflation and look at a variety of measures of inflation including both headline and core for PPI, CPI, PCE and CPI-R and be more attentive to leading indicators of inflation such as the money supply, housing prices, auto prices and energy/commodity prices.

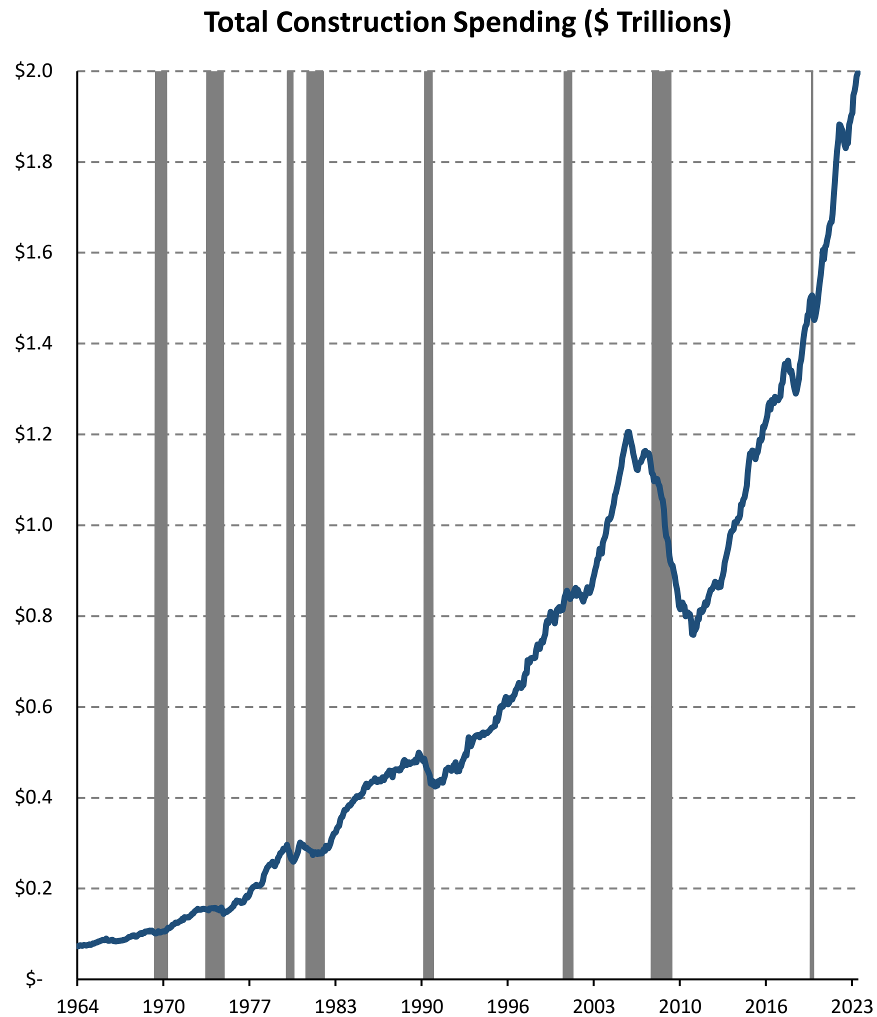
Consumer and Investment Spending

Investment Vs Consumption During Recessions (2012 Dollars)		
Dates	**Private Investment % Chg**	**Personal Consumption % Chg**
Sep-49	-23.9%	2.7%
Mar-54	-9.8%	-0.5%
Mar-58	-12.0%	-0.6%
Dec-60	-19.6%	1.0%
Sep-70	-6.0%	2.8%
Mar-75	-22.2%	-1.0%
Jun-80	-9.1%	-2.4%
Sep-82	-8.6%	1.5%
Mar-91	-10.5%	-0.7%
Sep-01	-6.5%	0.9%
Jun-09	-30.3%	-1.9%
Mar-20	-1.3%	-1.6%
Average	**-13.3%**	**0.0%**

From Bloomberg: Private Investment (GPDITOTC Index) and Personal Consumption (GDPCTOT Index)

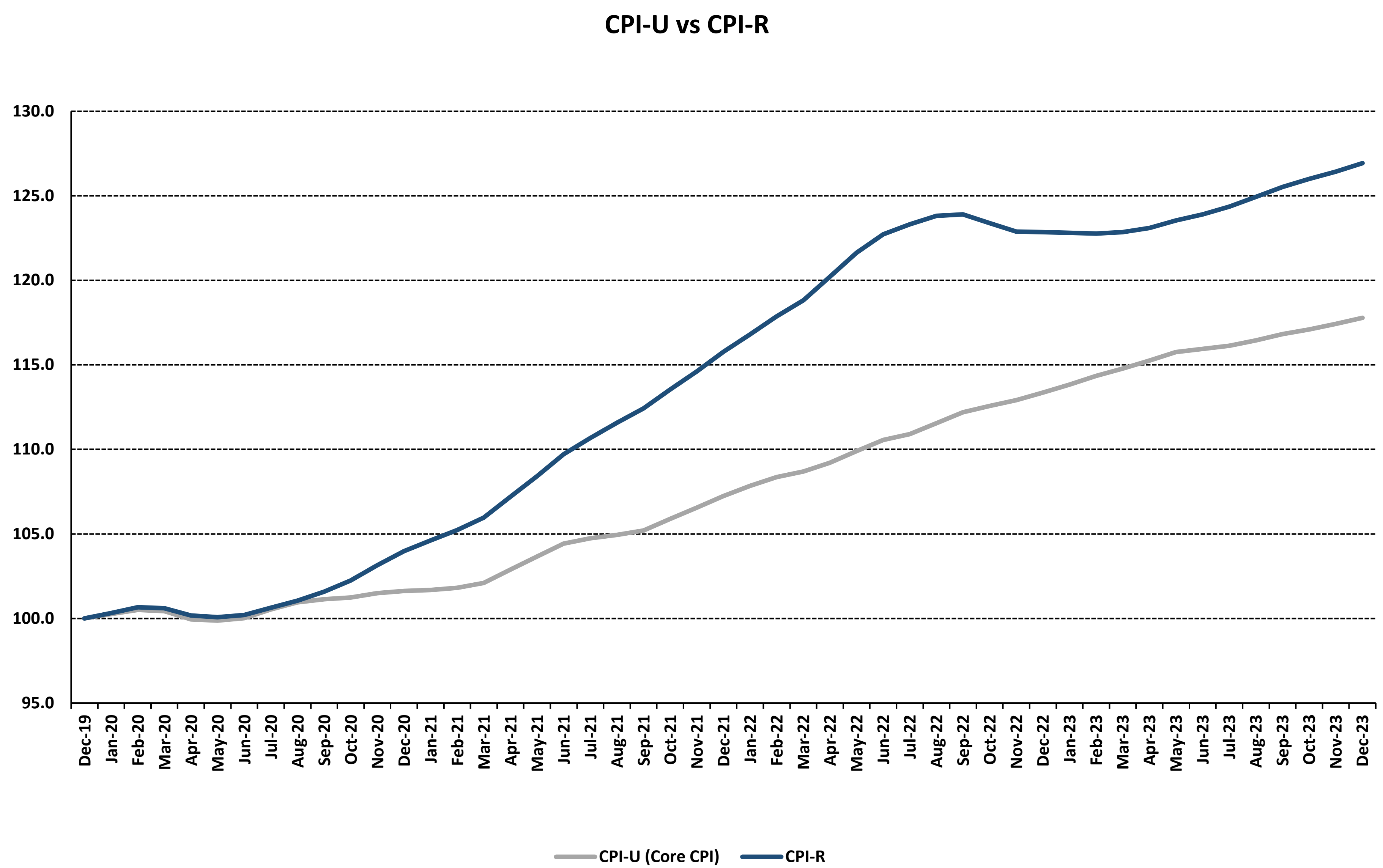
Recession Unlikely





From Bloomberg: USRINDEX Index, CNSTTOTA Index, USECTOT Index

Infrastructure Capital Real Time Consumer Price Index: CPI-R



Stock Market Outlook

Stock Market Outlook: We are bullish on the market for 2024 and have established our target on the S&P of 5,500 based on 20.5x the 2025 EPS consensus estimate of $270, which assumes a 10-year treasury rate of 3.5% to justify the 20.5x multiple. We believe that central banks will ease in 2024, led by the ECB as Europe has already entered a recession. We project that lower long term global interest rates, a resilient US economy, and the ongoing AI boom will drive the S&P to our target by year-end 2024.

- The Stock Market May Stall Out at the 5,000 level Until the Fed Actually Cuts Rates:
  - The Fed is likely to be conservative about the timing of interest rate cuts after the “transitory” debacle.
  - The 10-year is likely to stabilize in the 4% area until rate cuts are implemented and the global monetary base starts to expand.
  - We are through with the bulk of important earnings reports, which were a positive catalyst.

- Many forecasters are too bearish about the consensus implied earnings growth rate of 10% as they fail to recognize that all aggregate earnings growth comes from the reinvestment of retained earnings and depreciation and is not driven by margin expansion or dependent on high GDP growth. The normal S&P earnings growth rate is over 10% as a 70% of earnings are retained and reinvested at approximately at 15% after tax rate.
  - Corporate savings represents almost 75% of gross domestic savings in the US.

- We expect the US economy to be resilient in 2024 with the shortage of homes in the US causing the housing sector to hold up. Housing crashes are almost always the key driver of recessions.

- We expect that in a falling interest rate environment, financial related sectors, including preferred stocks, bank stocks and REITs as financial related stocks are well below fair value due to rising rates and a volatile stock market in 2023. These asset classes are likely to outperform in 2024 on a risk adjusted basis as global interest rates decline.
  - The S&P 500 High Dividend Index is trading at only 11X 2024 Earnings and yields over 5%.

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Preferred Stock Corporate Actions

Over the past 24 months, select credit-sensitive preferred stocks have outperformed due to favorable corporate action events. Acquiring companies found opportunities to engage in M&A activity and purchase companies with strong fundamentals and undervalued asset bases. We highlight a few below:

Public-Public M&A

➔ **On average, the public-public M&A preferreds traded up over 13%**

- **KIM acquires RPT (announced 08/28/2023)**
  - RPT's preferreds traded up 10% with enhanced credit profile
- **ET acquires CEQP (announced 08/16/2023)**
  - CEQP's preferreds traded up 5% with enhanced credit profile. Further, ET increased cash offer to buy out preferreds at a premium of 10% to pre-announcement price
- **REG acquires UBA (announced 5/18/2023)**
  - UBA's preferreds traded up approximately 15% with enhanced credit profile
- **USM/TDS announce strategic review (announced 08/03/2023)**
  - USM/TDS announced a strategic review which led to the preferreds trading up 16% over the next month while potential sale possibilities were explored

Take Private Transactions

➔ **On average, the take private preferreds traded up over 26%**

- **Infrastructure Investments Fund takes SJI private (announced 08/16/2023)**
  - SJI's convertible preferreds traded up 33%, alongside the common stock
- **Poseidon takes ATCO private (announced 08/16/2023)**
  - ATCO's preferreds were redeemed at par - representing a 17% premium to pre-announcement price
- **KSL Capital Partners takes HT private (announced 8/28/2023)**
  - HT's preferreds were redeemed at par - representing a 25% premium to pre-announcement price
- **Stonepeak takes TGH private (announced 10/22/2023)**
  - TGH's preferreds traded up 30% on the news

Redeemed at Par

- **PSX acquires DCP (announced 1/6/2023)**
  - DCP's preferreds were redeemed at par
- **SAFE acquires STAR (announced 8/11/2022)**
  - STAR's preferreds were redeemed at par

Commodity Outlook

Commodity Outlook: Recent Oil Price Weakness Driven By Warm Winter:

- We maintain our $75-95 range estimate for oil in 2024 as continued production constraint from OPEC+ and steady demand growth support the price.
- Middle east war providing only modest support to the oil market.
- We attribute the recent weakness to seasonal/weather factors partially offset by uncertainty created by Houthis attack on Red Sea shipping lanes.
  - December of 2023 was the warmest in 150 years.
- China's Economy is Way More Resilient Than Perceived which Benefits Commodities:
  - China is the only major global economy that is loosening monetary policy. China increased its monetary base over $140 billion in September representing a 2.9% increase vs. a $300 billion drop in the Global Monetary Base.
    - China is projected to grow by 5% this year.
    - China saves 45% of GDP vs. less than 20% in the US, which results in much higher long-term growth as the critical driver of economic growth is savings and investment.
    - The property crisis is a concern, but if it starts to generate contagion, the central government is likely to intervene.
    - The China recovery story is bullish for global commodities and growth.
- The utopian vision of an all-electric economy has now completely imploded as average consumers have limited interest in all electric autos, and renewables development falters due to nimby opposition to offshore wind and massive cost over runs. Europe's failed energy transition is likely to exacerbate a recession and lead to regime change in many countries.
  - The failed attempt to push an all-electric vision has hurt the environment as there was less focus on hybrid electric cars and using natural gas to supplant coal

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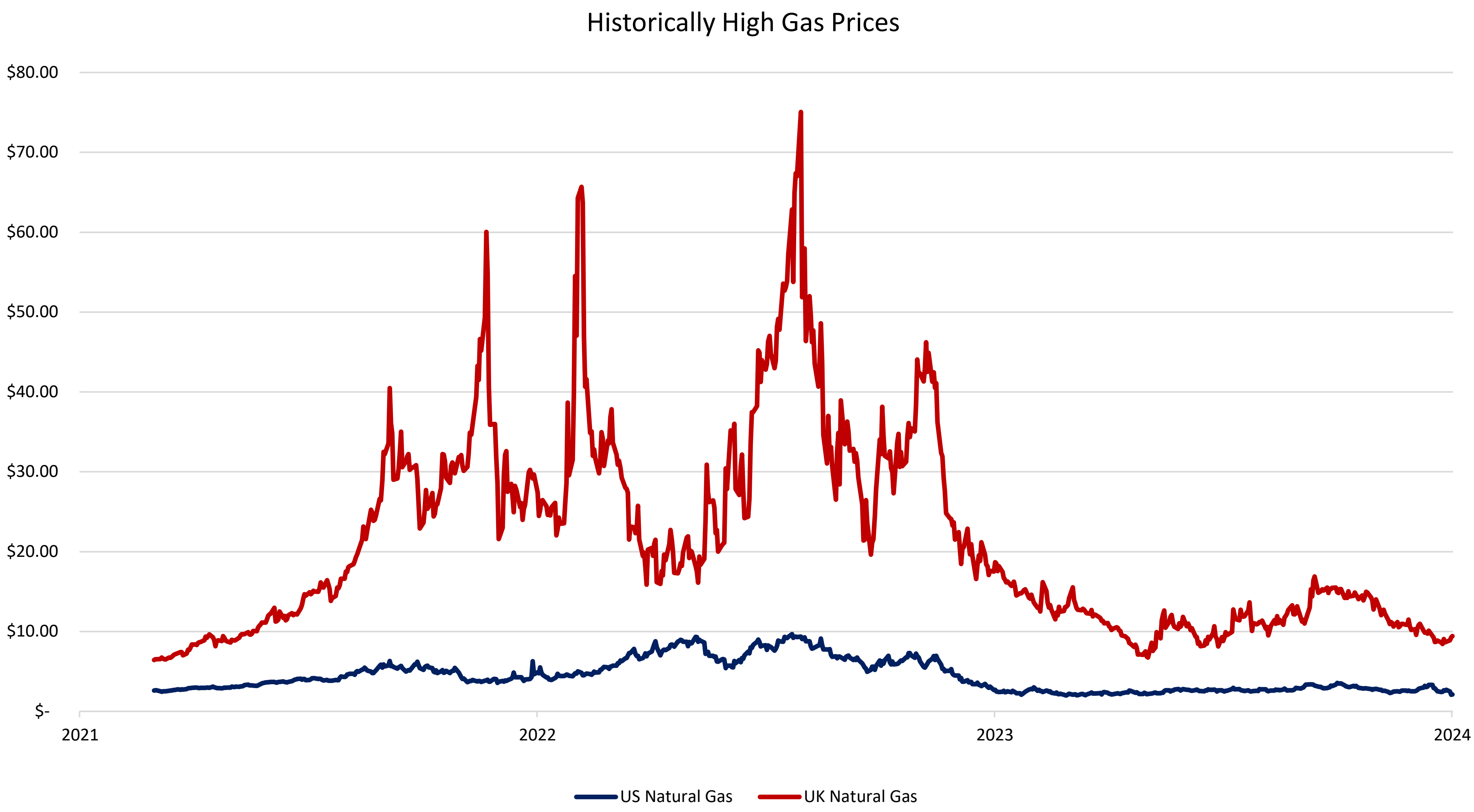
Worldwide Natural Gas Prices



From Bloomberg: US Natural Gas (NG1 COMB Comdty), UK Natural Gas (FSFUM1 Index). 03/31/2021 – 12/31/2023

ABOUT INFRASTRUCTURE CAPITAL ADVISORS

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 total-return opportunities driven by catalysts, largely in key infrastructure sectors. These sectors include energy, real estate, transportation, industrials and utilities. It often identifies opportunities in entities that are not taxed at the entity level, such as master limited partnerships ("MLPs") and real estate investment trusts ("REITs"). It also looks for opportunities in credit and related securities, such as preferred stocks.

Current income is a primary objective in most, but not all, of ICA's investing activities. Consequently, the focus is generally on companies that generate and distribute substantial streams of free cash flow. This approach is based on the belief that tangible assets that produce free cash flow have intrinsic values that are unlikely to deteriorate over time. For more information, please visit infracapfunds.com

Disclosure: 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. Investors should consider each Fund's investment objectives, risks, charges, and expenses carefully before investing. For a prospectus with this and other information about the Fund, please visit each fund page.. Please read the prospectus carefully before investing.

SCAP 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. Diversification cannot assure a profit or protect against loss in a down market. Please see prospectus for discussion of risks. **Distributor, Quasar Distributors, LLC. Visit www.infracapfund.com/scap/prospectus for a copy of the prospectus and other risks.**

A word about ICAP Risk: 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, preferred stocks, leverage, short sales, 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, options, 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, options, leverage, short sales, 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 the prospectus for a discussion of risks. Beta is a measure of a stock's volatility in relation to the overall market. Diversification does not guarantee a profit or protect against loss. ICAP fund distributor, Quasar Distributors, LLC.

PFFA: Exchange Traded Funds: 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.

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You should consider the Fund's investment objectives, risks, charges, and expenses carefully before investing. Contact ETF Distributors LLC at 1-888-383-4184 or visit www.virtusetfs.com to obtain a prospectus that contains this and other information about the Fund. The prospectus should be read carefully before investing.

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: 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.

You should consider the Fund's investment objectives, risks, charges, and expenses carefully before investing. Contact ETF Distributors LLC at 1-888-383-4184 or visit www.virtusetfs.com to obtain a prospectus that contains this and other information about the Fund. The prospectus should be read carefully before investing.

Virtus ETF Advisers, LLC serves as the investment advisor, and Infrastructure Capital Advisors, LLC serves as the subadviser to the funds PFFA, AMZA, and PFFR. PFFA, AMZA, and PFFR are distributed by **VP Distributors, LLC,** member FINRA, and a subsidiary of Virtus Investment Partners, Inc. ICAP and SCAP ETF are distributed by Quaser Disstributors, LLC.

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Disclosure

Indices / Performance Terminology Used:

- MLP (AMZI Index) - The Alerian MLP Infrastructure Index is a composite of energy infrastructure MLPs. The cap-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, was developed with a base level of 100 as of December 29, 1995.
- Telecoms (S5TELS Index) - Standard and Poor's 500 Telecommunication Services Index is a capitalization-weighted index. The index was developed with a base level of 10 for the 1941-43 base period. The parent index is SPXL1. This is a GICS Level 1 Sector group. Intraday values are calculated by Bloomberg.
- REIT (REIT Index) - Dow Jones EQUITY REIT Total Return Index. This index is comprised of REITs that directly own all or part of the properties in their portfolios. Dividend payouts have been added to the price changes. The index is quoted in USD.
- Dividend Arist. (SPDAUDP Index) - The S&P 500 Dividend Aristocrats index is designed to measure the performance of S&P 500 index constituents that have followed a policy of consistently increasing dividends every year for at least 25 consecutive years.
- S&P500 (SPX Index) - Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-43 base period.
- The S&P 500 High Dividend Index (SPXHDUT Index) serves as a benchmark for income seeking equity investors. The index is designed to measure the performance of 80 high yield companies within the S&P 500 and is equally weighted to best represent the performance of this group, regardless of constituent size.
- Treasury 2-Yr (H15T2Y Index) - US Treasury Yield Curve Rate T Note Constant Maturity 2 Year compiled from the Board of Governors Federal Reserve System.
- Treasury 10Yr (H15T10Y Index) - US Treasury Yield Curve Rate T Note Constant Maturity 10 Year compiled from the Board of Governors Federal Reserve System.
- Barclays US Treasury Total Return USD (LUATTRUU Index) - The Bloomberg Barclays US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index.
- Municipal (049M10Y Index) - Fair market value indices are derived from data points on Bloomberg's option-free Fair Market Curves prior to 11/13/14. The yield curve is built using non-parametric fit of market data obtained from the Municipal Securities Rulemaking Board.
- BofA Merrill Lynch US Corporate BBB Effective yield - This data represents the effective yield of the BofA Merrill Lynch US Corporate BBB Index, a subset of the BofA Merrill Lynch US Corporate Master Index tracking the performance of US dollar denominated investment grade rated corporate debt publically issued in the US domestic market. This subset includes all securities with a given investment grade rating BBB. When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments
- Preferreds - The S&P U.S. Preferred Stock Index is a benchmark representing the U.S. Preferred stock market. Preferred stocks are a class of capital stock that pays dividends at a specified rate and has a preference over common stock in the payment of dividends and the liquidation of assets.
- Bloomberg Barclays High Yield Spread - Bloomberg Barclays CDX HY Basket OTR Current Spread
- High Yield (LF98TRUU Index) - The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.
- Current yield is an investment's annual income (interest or dividends) divided by the current price of the security; Volatility is the standard deviation of monthly returns for the respective index; Correlation to Gov't bonds is the correlation between the respective index and the US Treasury Index (LUATTRUU Index), i.e. the correlation coefficient is able to determine the relationship between two properties; Beta to S&P 500 is the measure of the volatility of a respective index compared with the volatility of the S&P 500 Index (SPXT Index), calculated using the SLOPE function on Excel to measure a regression/best fit line between the two return series.
- 30-day SEC Yield – Standardized yield calculated according to a formula set by the SEC, and is subject to change
- Correlation – Shows the strength of a relationship between two variables and is expressed numerically by the correlation coefficient. The correlation coefficient values range between -1.0 and 1.0. A perfect positive correlation means that the correlation coefficient is exactly 1. Volatility is a statistical measure of the dispersion of returns for a specific security or index.