

## InfraCap MLP ETF

NYSE ARCA | NAV Symbol AMZA.NV | IOPV Symbol AMZA.IV | CUSIP 26923G772

### MARKET OVERVIEW

Returns in the midstream master limited partnership (MLP) sector outperformed returns in the broad stock market in the first quarter of 2021. During the quarter, the Alerian MLP Infrastructure Index was up 21.85% while the S&P 500® Index was up 6.17%. For the trailing twelve months, the midstream benchmark was up 99.25% while the S&P 500 returned 56.33%.

The COVID-19 pandemic and the dissolution of the OPEC+ production limit agreement caused midstream MLP stock prices to crash in 2020 despite having relatively stable businesses, particularly relative to more impacted sectors such as airlines, hotels, and restaurants. The fee-based contracts utilized in the midstream sector helped companies protect their cash flow generation during this time. We believe that the stable cash flows seen in the sector have allowed for less volatility compared to the broader energy sector. Many company management teams have worked to protect their balance sheet with cost saving initiatives and deferring or canceling growth capital spending in 2021. Companies have continued to emphasize financial strength, capital discipline, and stable dividends, and a significant number of larger companies have initiated share repurchases.

Notable positive events occurred during the quarter and such events will likely continue to create tailwinds for the MLP sector. In the first quarter of 2021, inventory levels and production remained low, despite reduced economic activity. OPEC maintained production levels after its March 4 meeting and Saudi Arabia extended its unilateral one million barrel per day cut. Exploration and production companies maintained their disciplined capital expenditure guidance despite rising commodity prices. Additionally, the vaccine rollout has continued to progress with U.S. daily doses rising from 0.3 million to 3 million per day during the quarter. Considering the combination of OPEC bringing fewer barrels back to market and normalizing global economic activity, we are raising our oil price forecasts in 2021 from the mid-\$60s to the mid-\$70s.

We continue to focus on investing in large capitalization integrated pipelines and storage companies with stronger contractual protection and visible market demand. We believe these companies are less vulnerable during heightened periods of price volatility and are best suited to take advantage of opportunities that exist in the current environment.

### HOW THE FUND PERFORMED

For the quarter, the Fund had a gain of 30.52%, outperforming the Alerian MLP Infrastructure Index, which had a gain of 21.85%. For the trailing twelve months, the Fund was up 152.08% versus 99.25% for the benchmark.

The Fund's most recent distribution was \$0.22 per share, while NAV per share at quarter-end was \$23.71. At the end of the first quarter, the Fund's 30-day SEC Yield was 10.47%.<sup>1</sup> This annualized figure reflects the MLP distributions and dividends received during the period, after the deduction of Fund expenses.

The top contributors to performance were:

- › **Crestwood Equity Partners** gave positive updated guidance and forecasts EBITDA of \$575-625MM vs. \$550-610MM.
- › **Noble Midstream Partners LP** was supported by a potential takeout from parent sponsor CVX.

- › **Shell Midstream Partners** maintained its distribution despite low distribution coverage.
  - › **Holly Energy Partners** beat consensus EBITDA in four consecutive quarters in 2020.
  - › **Western Midstream Partners** returned 7% after reporting better-than-expected EBITDA and free cash flow.
- The bottom contributors to performance were:
- › **Hess Midstream Partners** announced a secondary unit offering on March 10.
  - › **Magellan Midstream Partners** released weaker-than-expected guidance and capital expenditures above consensus.
  - › **TC Pipelines** traded with TC Energy Corp after it announced an offer to acquire TC Pipelines.
  - › **TC Energy Corp** underperformed due to lower beta to commodity prices and a utility style business.
  - › **Plains All American Pipeline** unexpectedly lowered 2021 guidance despite materially higher commodity prices.

### PORTFOLIO CHANGES

We increased our position in EnLink Midstream LLC after a considerable period of underperformance relative to its peers and it now is screening attractive on a relative basis. Additionally, positive rig activity and guidance from Devon Energy contributed to changing our rating from under- to equal-weight during the quarter. We decreased our position in NuStar Energy LP after a period of outperformance and trading more in line on a relative value basis.

### OUTLOOK

We believe that both the gradual return to normal business activity and the recent OPEC+ agreement are likely to drive oil prices higher and support MLP stock prices as there is a long-term need for North American oil and gas. Further, the COVID-19 vaccine distribution continued to progress in the first quarter, which is likely to lead to a rebound in global travel by the summer of 2021. We believe MLPs will continue to benefit from the defensive nature of their business model with fee-based contracts and added protections like minimum volume commitments. As companies continue to focus on free cash flow generation, companies will have increased flexibility to strengthen their balance sheets and potential to increase capital returns to shareholders.

We continue to believe that there will be significant asset sales and acquisitions of entire companies over the next year as private equity firms and strategic acquirors take advantage of the current historically low valuations of midstream assets. We believe that the MLP sector is still significantly undervalued relative to its private market value and this discrepancy will continue to shrink through share repurchases and acquisitions until the valuation gap is closed. We expect that the stocks will perform well in the second half of 2021 as the global economy recovers and companies continue to buy back stock, or in some cases, go private, merge, or restructure.

<sup>1</sup> 30-day SEC yield is a standardized yield calculated according to a formula set by the SEC and is subject to change.

**PORTFOLIO MANAGEMENT**

Infrastructure Capital Advisors, LLC (ICA)

**INVESTMENT PROFESSIONALS**



**Jay D. Hatfield**  
Chief Investment Officer  
Industry start date: 2000  
Start date as Fund Portfolio Manager: 2014



**Edward Ryan**  
Chief Investment Officer  
Industry start date: 1980  
Start date as Fund Portfolio Manager: 2014

**TOP TEN HOLDINGS**

	% Fund
MPLX LP	16.79
Enterprise Products Partners LP	13.05
NuStar Energy LP	11.80
Western Midstream Partners LP	10.59
Plains All American Pipeline LP	10.13
Magellan Midstream Partners LP	8.54
Energy Transfer LP	7.94
BP Midstream Partners LP	7.58
Crestwood Equity Partners LP	7.11
Phillips 66 Partners LP	6.50

Holdings are subject to change. To view the full list of holdings, please visit [virtus.com](http://virtus.com).

**AVERAGE ANNUAL TOTAL RETURNS (%)** as of 03/31/21



Returns for periods of less than one year are cumulative total returns.

**Performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Please visit [virtus.com](http://virtus.com) for performance data current to the most recent month end.**

The fund class gross expense ratio is 2.01%.

The Total Expense Ratio represents the Fund's Total Annual Fund Operating Expenses, which includes the management fee and other expenses where applicable, except for certain payments that are paid directly by the Fund, as described in the Prospectus. The Fund's accrued deferred tax liability, if any, is included in the Total Annual Fund Operating Expenses and is reflected each day in the Fund's NAV.

The Fund is an exchange-traded fund ("ETF"). The "net asset value" (NAV) of the Fund is determined at the close of each business day, and represents the dollar value of one share of the Fund; it is calculated by taking the total assets of the Fund, subtracting total liabilities, and dividing by the total number of shares outstanding. The NAV of the Fund is not necessarily the same as its intraday trading value. Fund investors should not expect to buy or sell shares at NAV because shares of ETFs such as the Fund are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Thus, shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. NAV returns are calculated using the Fund's daily 4:00 pm NAV, and include the reinvestment of all dividends and other distributions (reinvested at the Fund's NAV on distribution ex-date). Market price returns are calculated using the 4:00 pm midpoint between the bid and offer, and include the reinvestment of all dividends and other distributions (reinvested at the 4:00 pm bid/offer midpoint on distribution ex-date). Market price returns do not represent the return you would receive if you traded at other times.

Benchmark: The **Alerian MLP Infrastructure Index** is a composite of energy infrastructure Master Limited Partnerships (MLPs), whose constituents earn the majority of their cash flow from the transportation, storage, and processing of energy commodities.

**S&P 500® Index:** A free-float market capitalization-weighted index of 500 of the largest U.S. companies. The index is calculated on a total return basis with dividends reinvested.

The index is calculated using a float-adjusted, capitalization-weighted methodology on a total-return basis. The index is unmanaged, its returns do not reflect any fees, expenses, or sales charges, and is not available for direct investment.

The Fund is an actively managed exchange-traded fund and does not seek to replicate the performance of a specified index. The Fund may have a higher portfolio turnover than funds that seek to replicate the performance of an index.

The Fund's distribution rate includes a return of capital. Please refer to periodic Section 19a-1 shareholder notices for estimated amounts and sources of distributions, and please see the Fund's annual report for other financial details, including the Fund's distribution coverage ratio, for the most recent fiscal year.

IOPV, or Indicative Optimized Portfolio Value, is a calculation disseminated by the stock exchange that approximates the Fund's NAV every fifteen seconds throughout the trading day.

**Notes on Risk: 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 to the fund of owning shares of an ETF may exceed the cost of investing directly in the underlying securities. **Master Limited Partnerships:** Investments in MLPs may be adversely impacted by interest rates, tax law changes, regulation, or factors affecting underlying assets. **Energy Industry Concentration:** The portfolio's investments are concentrated in the energy industry and presents greater risks than if the portfolio was broadly diversified over numerous sectors of the economy. **Leverage:** When a portfolio is leveraged, the value of its securities may be more volatile and all other risks may be compounded. **Options:** Selling call options may limit the opportunity to profit from the increase in price of the underlying asset. Selling put options risks loss if the option is exercised while the price of the underlying asset is rising. Buying options risks loss of the premium paid for those options. **Market Price/NAV:** At the time of purchase and/or sale, an investor's shares may have a market price that is above or below the fund's NAV, which may increase the investor's risk of loss. **Market Volatility:** Local, regional, or global events such as war, acts of terrorism, the spread of infectious illness or other public health issues, recessions, or other events could have a significant impact on the portfolio and its investments, including hampering the ability of the portfolio manager(s) to invest the portfolio's assets as intended. **Prospectus:** For additional information on risks, please see the fund's prospectus.

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

**Please consider a Fund's investment objectives, risks, charges, and expenses carefully before investing. For this and other information about any Virtus Fund, contact your financial professional, call 800-243-4361, or visit [virtus.com](http://virtus.com) for a prospectus or summary prospectus. Read it carefully before investing.**

**Not insured by FDIC/NCUSIF or any federal government agency. No bank guarantee. Not a deposit. May lose value.**

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**TOP FIVE PERFORMERS** % Contribution

Crestwood Equity Partners LP	51.48
Noble Midstream Partners LP	41.25
Shell Midstream Partners LP	37.99
Holly Energy Partners LP	37.91
Western Midstream Partners LP	37.36

**BOTTOM FIVE PERFORMERS** % Contribution

Hess Midstream LP - Class A	3.80
Magellan Midstream Partners	4.76
TC Pipelines LP	4.78
TC Energy Corp.	5.50
Plains All American Pipeline LP	12.75

% Contribution: Absolute weighted contribution.

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