

January Edition

Your Need-to-Know Monthly Commentary and Economic Outlook

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



Stock Market and Economic Outlook: We believe that the stock market will have a total return of approximately 10% with value and income stocks outperforming growth and hyper growth stocks; this implies an S&P 500 index target of approximately 5,200 at year-end 2022. We have upgraded our forecast for US GDP growth from 2-3% to 3-4% in 2022. We also see oil trading in the \$80-100 range in 2022 with risk to the upside.

- The Omicron variant created a great deal of near-term uncertainty, however, the uncertainty is largely mitigated by the production and development of a class of drugs to be used for treatment, which should reduce deaths from the virus. Thus, we believe infection in the US will peak in late January and only cause a short-term disruption in international travel, which will subside in early 2022.
- The energy crisis in Europe is likely to add over 1% to global demand for oil as companies switch from natural gas to oil. European power prices are up over \$200/mwh vs. approximately \$50 in the US and up 285% year-over-year. Energy prices are further supported by the current focus of the COP26 on reduction in the use of coal, emission output caps, and international trade agreements.
- The retention of the 21% corporate tax rate vs. the planned increase to 26% is very bullish for GDP as corporate tax rates are 33% negatively correlated with growth globally.



Interest Rate and Inflation Outlook: For the first time in almost 20 years, the Fed is predominately focusing on achieving its goal of maximum employment and relaxed its arbitrary 2% inflation cap. We believe that the Fed will allow inflation to run well above its target during 2022 and 2023 in order to avoid a recession and maintain maximum employment. Nonetheless, we 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.

- Ultra-loose Fed policy, with the monetary base up 82% since the beginning of the Pandemic, has accelerated inflation. Fertilizer prices are up 165% and natural gas prices in the UK are high, at an energy equivalent of \$270/barrel of oil (\$45/mcf in the UK vs. \$3.83 in the US). Energy prices are up 50% YTD and food prices are increasing at 8.4% annualized.
- Tighter Fed policy has exacerbated eight of the eleven recessions since WWII. The recent Fed dot plot is consistent with a mid-cycle soft-landing tightening cycle (.875% in 2022, 1.625% in 2023, 2.125% in 2024), assuming there is no inversion of yield curve which implies 10-year treasuries move to the 2.5-3.0% range.



Quick Tip: When inflation rises, cryptocurrencies are likely to remain under pressure and may crash as the Fed tightens and reduces its liquidity injections.



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:

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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.

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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 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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Past performance is not indicative of future results.

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