

- **Our 2025 and 2026 S&P 500 Index target is 7,000 and 8,000, respectively. This represents 23x S&P EPS in 2026 and 2027.** High multiple justified due to the ongoing AI boom, increased visibility on Fed rate cuts and historically low corporate tax rates
 - **Targets are not just designed to signal buys but also sales.** Our 7,000 target is working well this year as the market pulled back when it hit 6,940 as **the Mag 8 are fully valued with our models currently showing only 1.8% average upside**
- **We do not think that AI stocks are in a bubble** as the MAG 8 are fully valued but not substantially overvalued
- **The bankruptcy of First Brands and Tricolor has created a minor panic in the credit markets** which creates an opportunity for long-term investors
- Given the decline in rates and our bullish outlook on stocks, **we prefer large cap dividend stocks, small cap stocks and high yield fixed income**

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- **Fed's statement and dot plot were both in line with the September release. The stock and bond markets were up after the release as there were fears in the market, including our own, that the Fed could be significantly more hawkish.**
- **\$40 billion of short-term treasury purchases was viewed as bullish by some market participants but are simply a technical adjustment to accommodate year-end liquidity demand.**
- **We continue to be bullish on Treasury bonds with a 3.75% year-end yield target on the 10-year**
 - The best cure for higher rates are rates over 4.5%
 - 10-year treasury yields imply a 30-year mortgage rate over 7%, which will cause the housing market to slow
- **The economy is slowing and weakness in the US job market will likely cause the Fed to cut 3 times over the next year**
 - 3 members of the 7 member Federal Reserve Board are in favor of aggressive rate cuts
 - The market had failed to recognize that tariffs are recessionary/deflationary as the tax revenue reduces the deficit.
- **US 10-year bonds are 70% correlated to the expected terminal Fed Funds rate and 25% correlated to global bonds**
 - The budget deficit is relatively static and has been in the 5% of GDP range for years, so not a driver of interest rates in the short to medium term
- **We believe investors can benefit from high yield bonds and preferred stocks as we do not expect a big increase in defaults and we expect treasury rates to decline below 4% as the economy weakens**

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- **We continue to forecast that reported inflation declines through 2026 to the 2% range.**
 - CPI-R continues to be below CPI-U (Core CPI) and has been a reliable predictor of CPI-U.
- **Inflation is always caused by excessive money supply growth and never by tariffs and deportation**
 - We reiterate our StagDeflation call as the 2 critical drivers of inflation are the money supply and oil prices.
 - ❑ Oil prices are still down 8% on the year
 - ❑ Monetary base fell 6% Y/Y vs. a normal growth rate of 5%
 - ❑ During the Pandemic there was 22% inflation with 22% excess money supply growth
- **The only reason the US economy is not in recession is the housing sector has become less cyclical**
 - Home building muted since the GFC with only an average of 1.1MM homes started with the prior average, 1.7MM
 - A decline in the housing sector accounted for 12 out of 13 post WWII recessions
- **The OBBBA is not a budget buster and we forecast federal budget deficit declines to \$1.45 Trillion in Fiscal 2026**
 - Tariffs will contribute \$350 billion of incremental revenue based on a 20% tariff
 - Excluding tariff revenue, the deficit is projected to decline from \$1.9 trillion (6.5% of GDP) to \$1.7 trillion (5.5% of GDP) in fiscal 2026
 - Revenue from tariffs reduces the federal budget deficit and crowding out of private investment

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GDP Private Investment

Private investment GDP drives the cycles

6/30/2025

GDP Private Investment Components (2017 Chained Dollars)

	Structures	Residential	IP Products	Equipment	Total (Ex Inventory)	Δ Private Inventories	Total
Contribution to % Change (YoY)							
2022	0.10%	-0.42%	0.58%	0.22%	0.48%	0.59%	1.07%
2023	0.32%	-0.37%	0.31%	0.18%	0.44%	-0.41%	0.03%
23Q1	0.43%	-0.18%	0.24%	0.04%	0.53%	-2.16%	-1.63%
23Q2	0.49%	0.17%	0.21%	0.61%	1.48%	-0.06%	1.42%
23Q3	0.06%	0.30%	0.15%	-0.05%	0.46%	1.34%	1.80%
23Q4	0.20%	0.10%	0.28%	0.04%	0.62%	-0.47%	0.15%
24Q1	0.20%	0.53%	0.40%	0.02%	1.15%	-0.49%	0.66%
24Q2	0.01%	-0.11%	0.04%	0.49%	0.43%	1.05%	1.48%
24Q3	-0.16%	-0.18%	0.17%	0.54%	0.37%	-0.22%	0.15%
24Q4	0.09%	0.22%	-0.03%	-0.47%	-0.19%	-0.84%	-1.03%
1Q25	-0.07%	-0.05%	0.32%	1.11%	1.31%	2.59%	3.90%
2Q25	-0.33%	-0.19%	0.34%	0.26%	0.08%	-3.17%	-3.09%
LTM	-0.47%	-0.20%	0.80%	1.44%	1.57%	-1.71%	-0.14%

Based on the trailing twelve-months, interest rate sensitive categories like Structures and Residential are already in decline

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GDP Private Investment

Private investment GDP drives the cycles

9/30/2025

Investment Vs Consumption During Recessions

Dates	Private Investment % Chg	Personal Consumption % Chg
Sep-49	-23.92%	2.74%
Mar-54	-9.81%	-0.54%
Mar-58	-11.95%	-0.56%
Dec-60	-19.58%	0.99%
Sep-70	-5.96%	2.78%
Mar-75	-22.16%	-1.04%
Jun-80	-9.12%	-2.39%
Sep-82	-8.63%	1.49%
Mar-91	-10.50%	-0.74%
Sep-01	-6.47%	0.91%
Jun-09	-30.30%	-1.88%
Mar-20	-1.29%	-1.58%
Average	-13.31%	0.02%

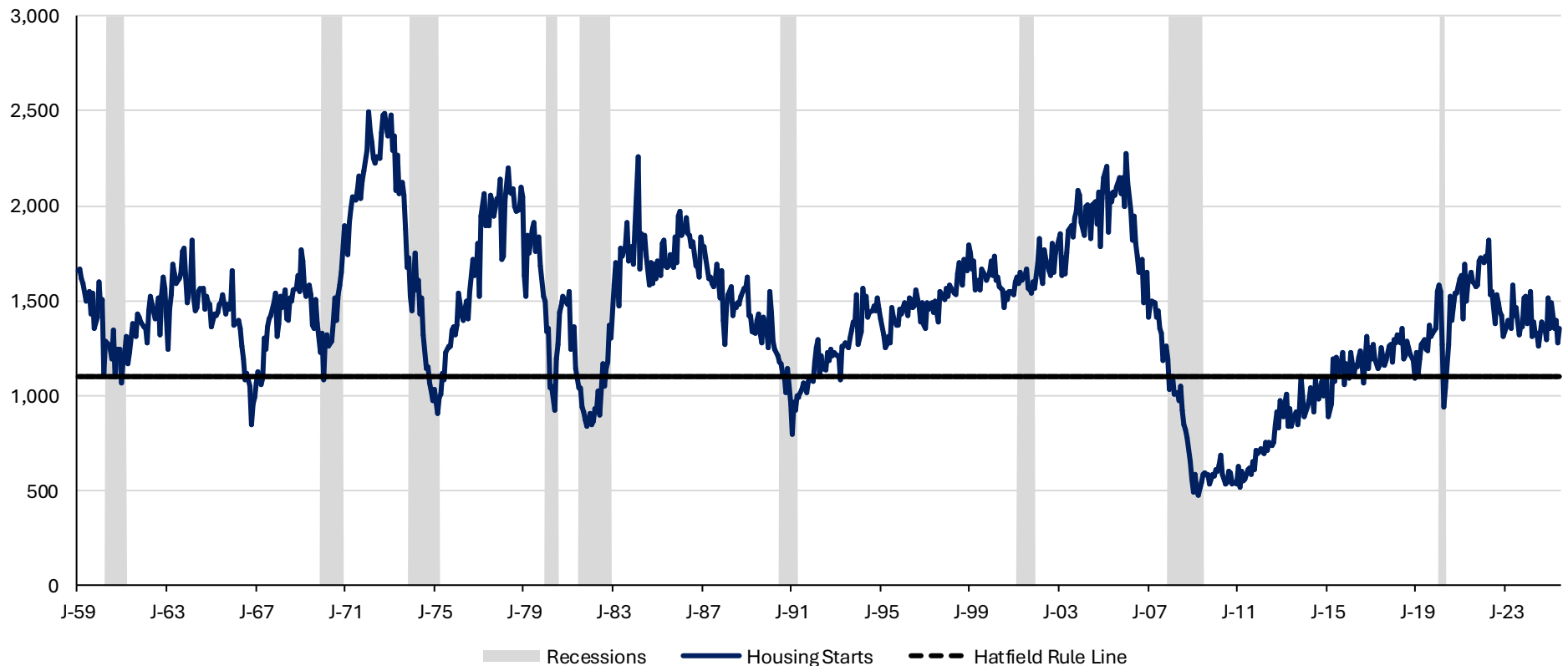
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Recession Unlikely

U.S economy less cyclical since housing starts are less volatile

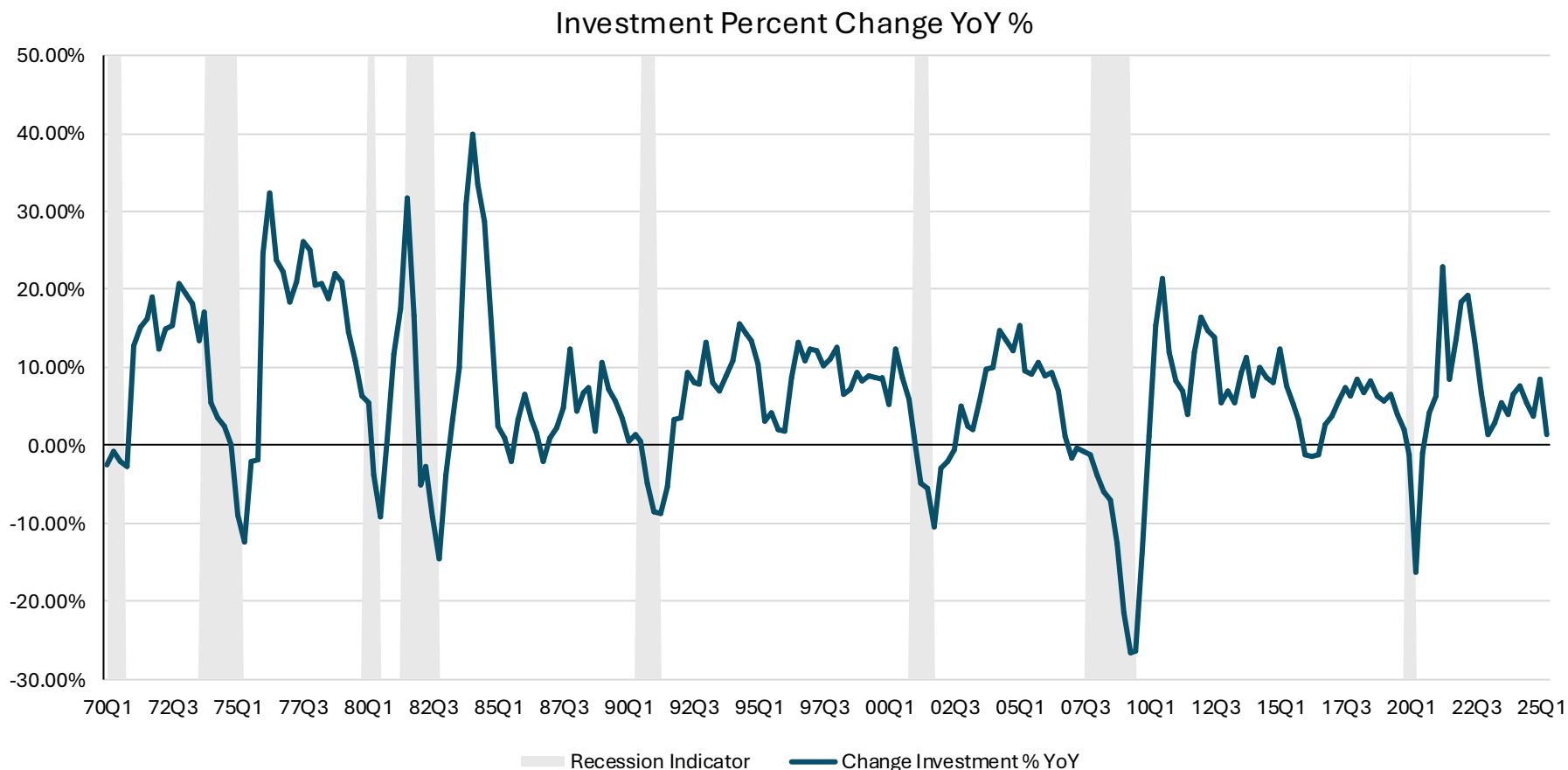
1/31/1959- 7/31/2025

Housing Starts (000s) and Recessions



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Private investment GDP drives economic cycles



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CPI-R continues to be a leading indicator for CPI-U

7/31/2025

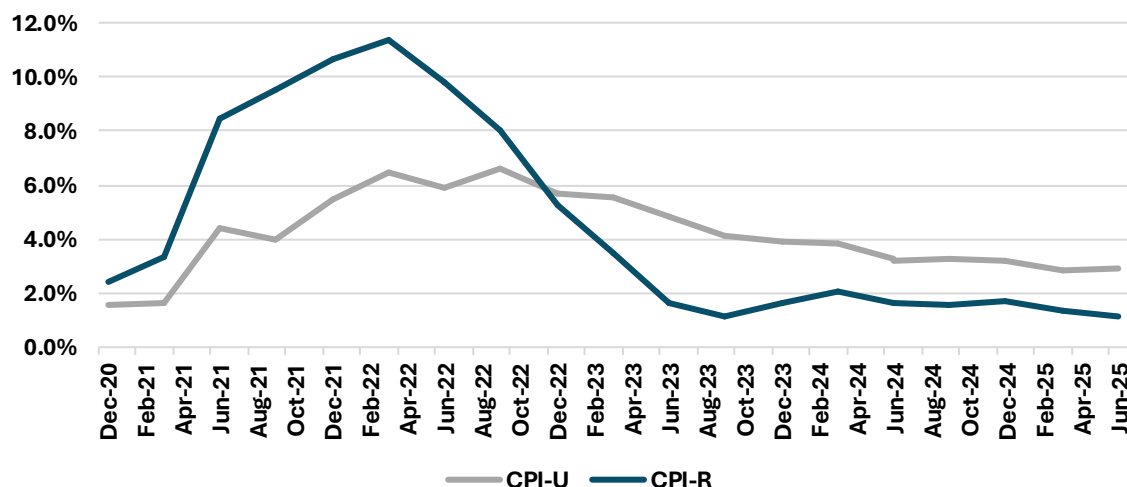
Core CPI was +0.32% MoM and +3.05% YoY, which was inline with consensus expectations. **CPI-R was +0.09% MoM and +1.25% YoY**. In the CPI-R July data, our shelter index shows national rents and housing were **-0.26% MoM and -0.24% YoY**. This compares to CPI reported shelter inflation of **+0.27% MoM and 3.95% YoY**. We estimate that **July PCE-R will come in at +1.83% YoY**, which compares to consensus core PCE of 2.90%.

Infrastructure Capital Real Time Consumer Price Index: CPI-R

The Index: The index uses seasonally adjusted Core-CPI (excluding Food and Energy) while adjusting the methodology for Shelter. Rather than using the highly lagged and subjective owner's equivalent rent, CPI-R uses a simple average of Apartment List's "National Rent Report" and Zillow's "Home Value Index" as a more current Indicator of shelter prices.

The Findings: Inflation was considerably higher than reported in 2020/2021 and has recently fallen by more than indicated by traditional Core-CPI. The Federal Reserve was therefore late to recognize inflation, raising interest rates late into the cycle. Subsequently, the fed is now late to recognize falling inflation and is late to loosen monetary policy.

CPI-U vs CPI-R YoY % Chg



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Assuming PCE of +0.19% MoM, YoY % PCE declines to +2.45% in 1Q'26

9/30/2025

PCE Core Index and % Chg

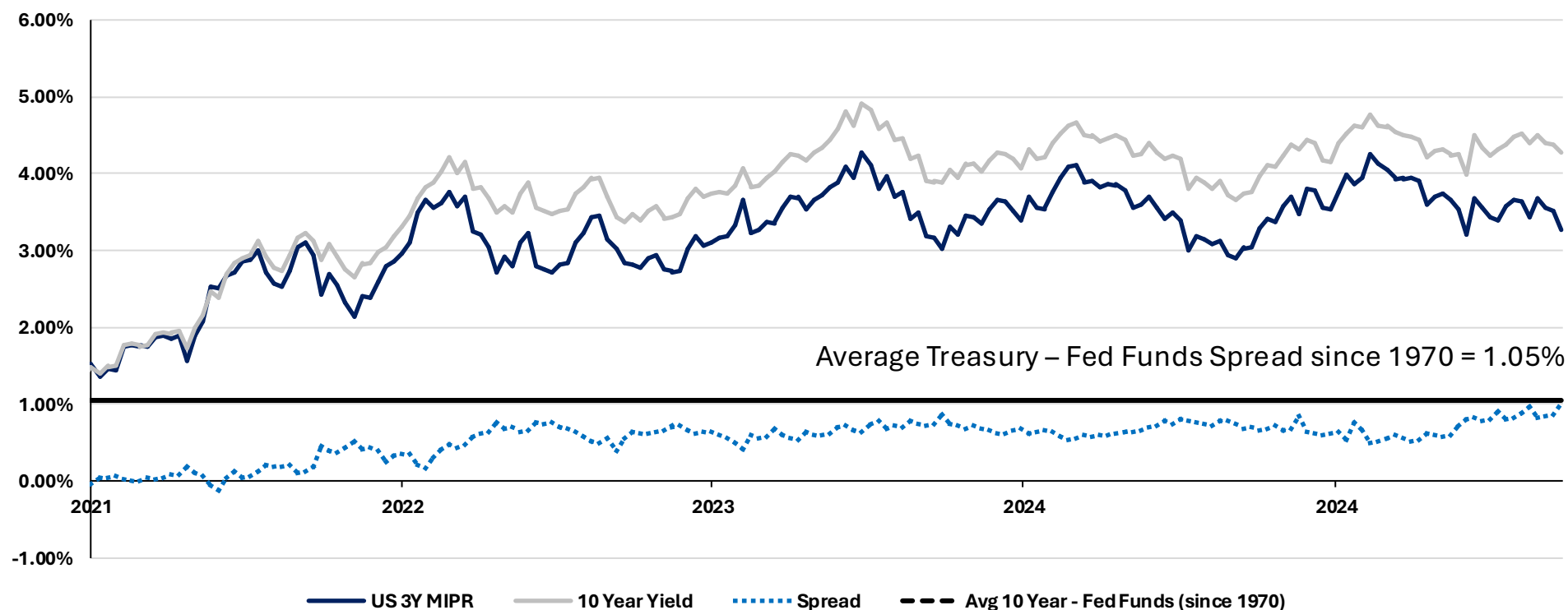
	PCE CORE Index	MoM %	YoY %
Dec-24	124.20	0.19%	2.99%
Jan-25	124.59	0.31%	2.78%
Feb-25	125.15	0.45%	2.97%
Mar-25	125.27	0.10%	2.67%
Apr-25	125.50	0.19%	2.61%
May-25	125.79	0.23%	2.78%
Jun-25	126.12	0.26%	2.81%
Jul-25	126.43	0.24%	2.86%
Aug-25	126.71	0.22%	2.91%
Sep-25	126.96	0.20%	2.83%
Forecast	Oct-25	127.18	0.18%
	Nov-25	127.41	0.18%
	Dec-25	127.64	0.18%
	Jan-26	127.87	0.18%
	Feb-26	128.10	0.18%
	Mar-26	128.33	0.18%

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Market implied policy rate continues to forecast 10-year yields

6/30/2025

US 10-Year vs 3Y MIPR (2021 – 2025)



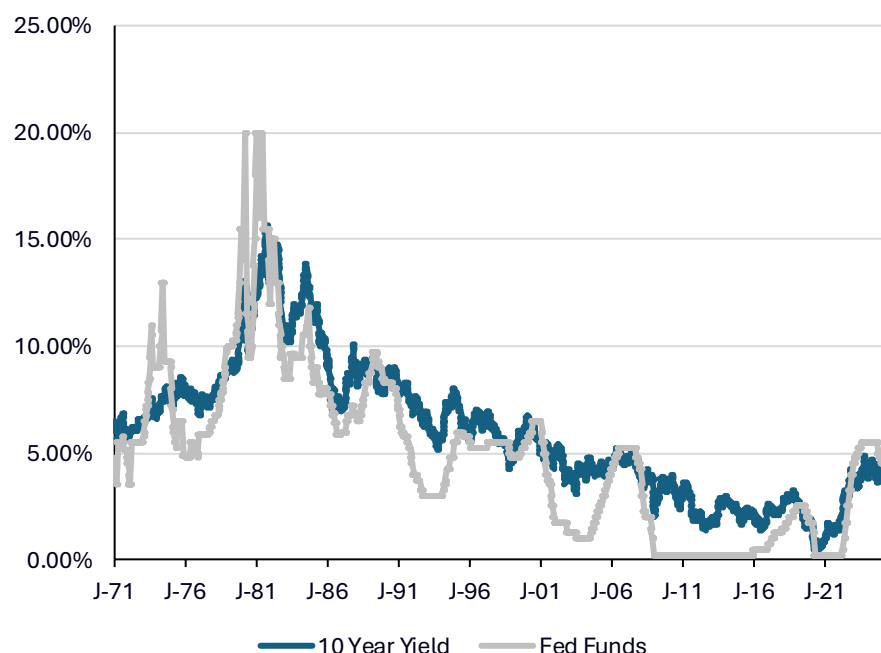
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Market Implied Policy Rate

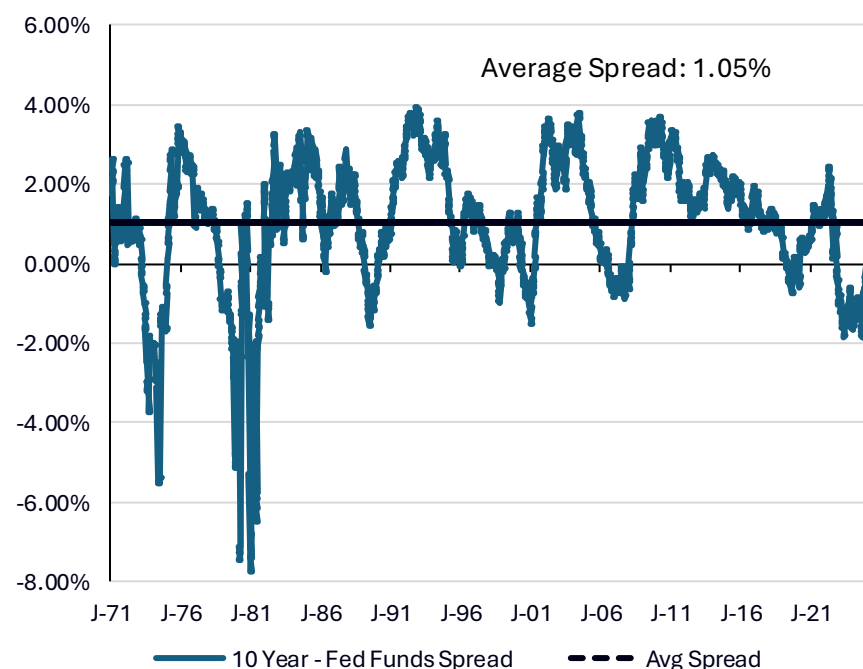
US 10-Year typically 1% above fed funds rate

6/30/2025

10 Year Vs Fed Funds (1970 – 2025)



10 Year - Fed Funds Spread (1970 – 2025)



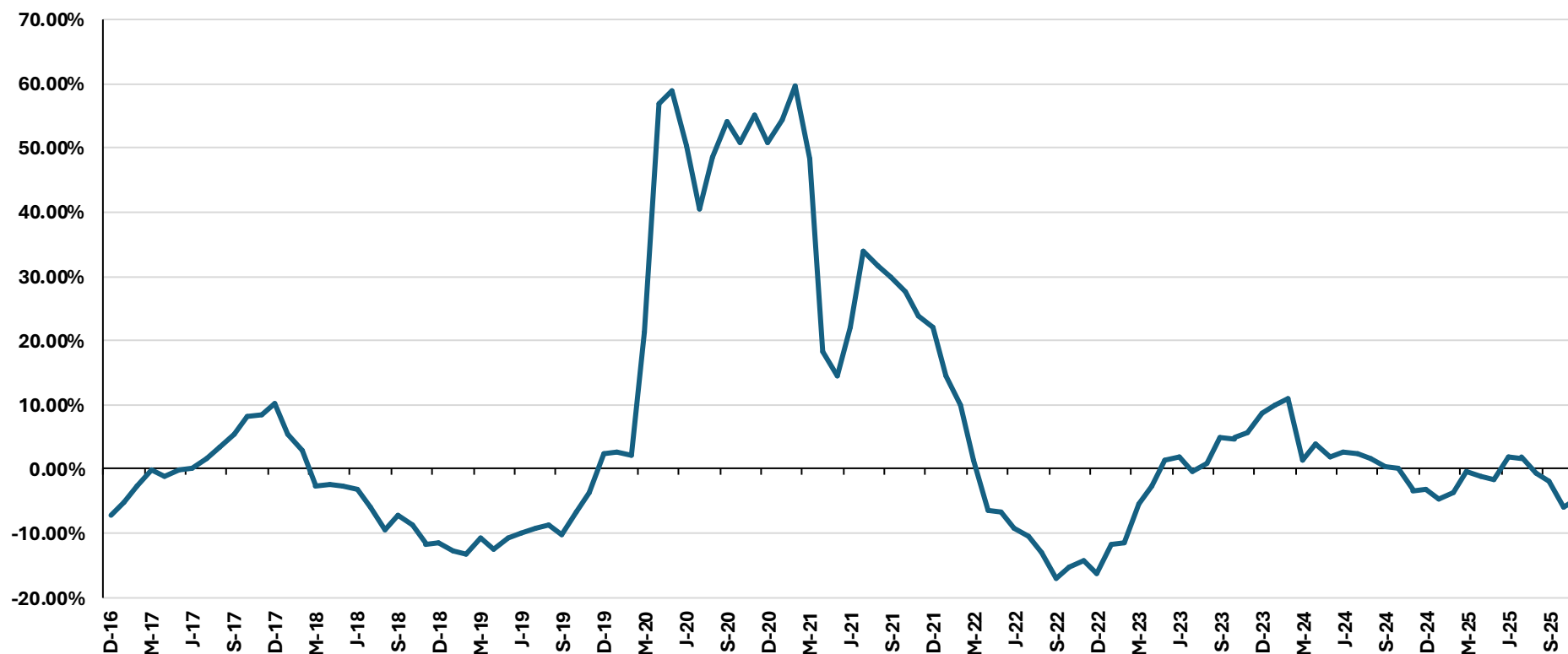
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U.S. Monetary Base

Monetary base has been flat to declining since 2022

12/31/2016- 11/30/2025

U.S. Monetary Base YoY % Chg



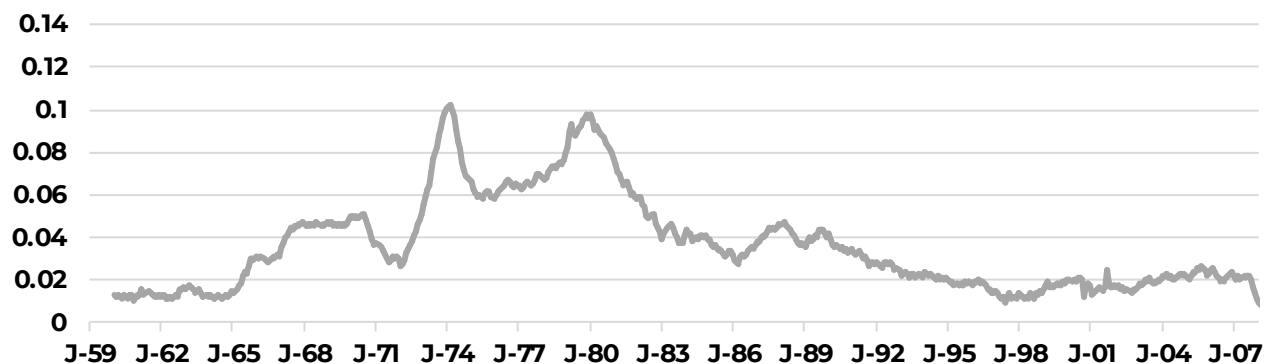
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U.S. Monetary Base

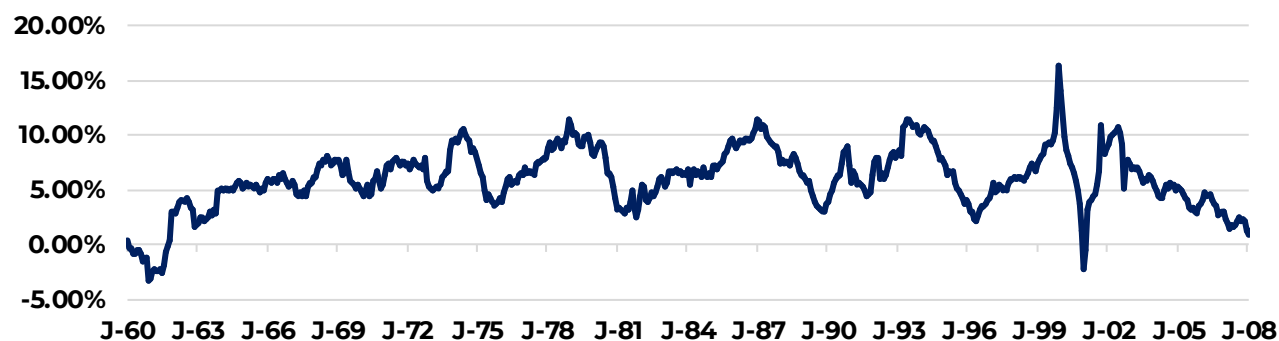
Inflation has consistently been a function of monetary base growth

12/31/1958- 9/30/2025

PCE 1-Year Forward Chg % (Before GFC)



Monetary Base YoY Chg % (Before GFC)



PCE YoY % change rarely averages above 3% when monetary base grows by less than 5%

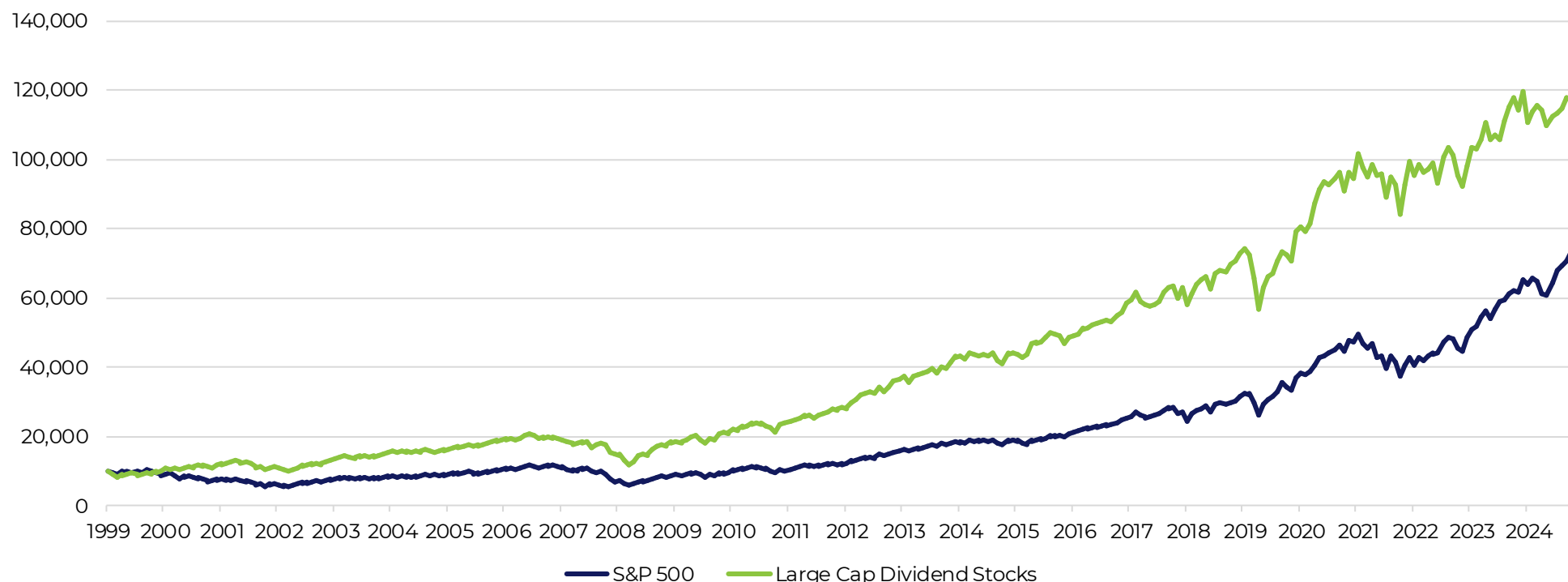
Monetary Base and PCE	
Monetary Base	Avg 1-Year PCE %
MB > 6.0%	3.80%
MB < 5.0%	2.50%

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Total Return Opportunity

Growth of \$10,000

12/31/1999 - 9/30/2025



Historically, large-cap dividend stocks have outperformed — **\$10,000 invested in Dividend Aristocrats since 12/31/1999 grew to \$116,766**, versus the S&P 500's \$73,349

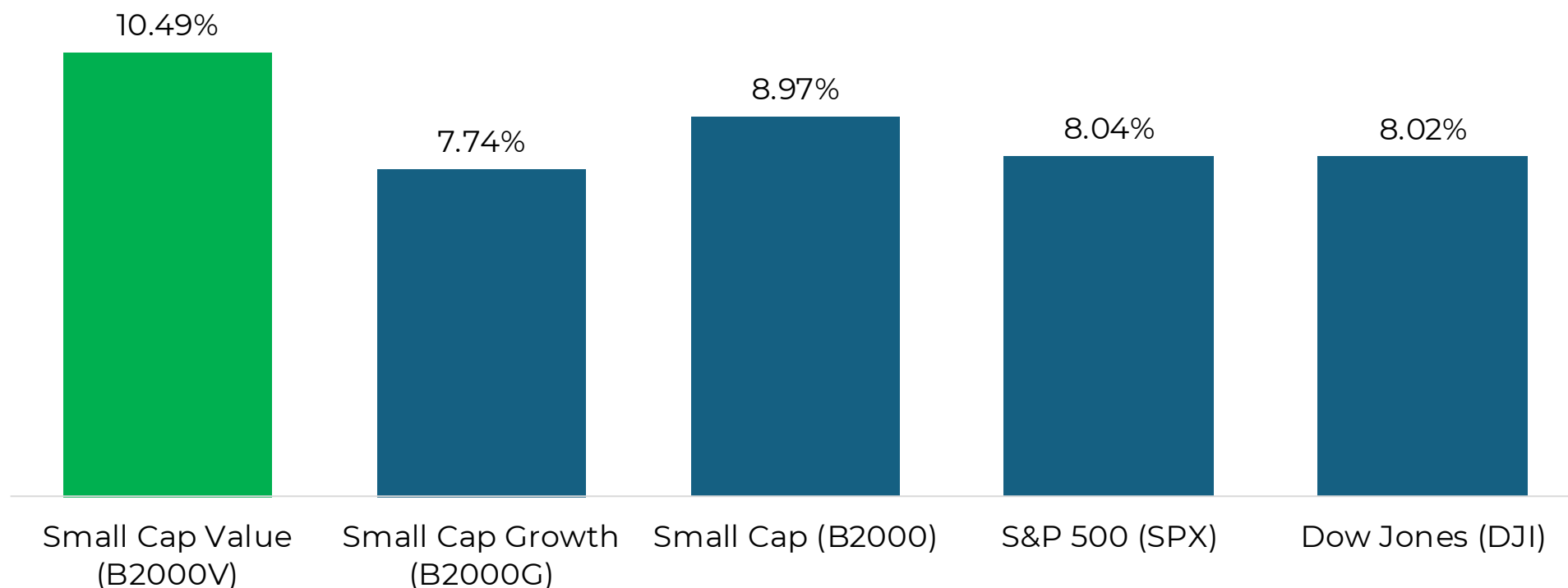
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Small Caps Underappreciated – Index Performance

Despite underperformance since fed tightening Small Cap Value has outperformed since 2000

12/31/1999- 9/30/2025 Index Data

Cumulative Return Since 2000



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Disclosures

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Index Data and Terminology: Index Data and Terminology: The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell Index. The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. The Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange. **Small Cap:** Russell 2000 Index (RTY); **Small Cap Value:** Russell 2000 Value Index (RUT). **Small Cap Growth:** Russell 2000 Growth Total Return (RUOTR). **InfraCap Small Cap Income ETF (SCAP);** Russell 2000 Index (RTY); S&P 500® Index (SPX); NASDAQ 100 Index (NDX); Dow Jones Industrial Average (DJIA). **Yield and Performance Comparison:** There are limitations when comparing an index, to a Fund, SCAP: Yield information displayed in the chart is calculated based on Bloomberg data as of 09/30/2024. Yield information for the InfraCap Small Cap Income ETF or Index is based on Bloomberg's Dividend Indicated Yield or Yield-to-Worst, which is the most recently announced gross dividend, annualized based on the dividend frequency, then divided by the current market price. **Cumulative Return Since 2000** displays total return for Q3 2024 (06/30/2024 to 9/30/2024). **A positive free cash flow (FCF)** indicates that a business has more cash than it spends, and can use that extra cash for growth, debt reduction, or shareholder rewards. FCF is a key financial indicator of a company's performance and health, and is considered a reliable measure of how much cash a business has available. **Dividend Paying Companies:** Dividend Per Share is a key financial metric that indicates how much a company pays its shareholders in dividends for each share they own. It is calculated by dividing the total dividends paid out by the company in a year by the number of outstanding shares. 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Beta: The measure of an asset's risk in relation to the market (for example, the S&P 500) or to an alternative benchmark or factors. When a portfolio is leveraged, the value of its securities may be more volatile and all other risks may be compounded. Please reach out to us to obtain more information regarding the underlying data. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. **Monthly Income:** From Bloomberg as of 09/30/2024. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. IWM refers to index data from the Russell 2000 Index. The comparative data is provided for information purposes only and should not be relied upon for making comparative investment decisions. **Stock volatility** is the rate at which a stock's price increases or decreases over a given period of time. **Free cash flow (FCF)** is the money left over after a business has paid its operating expenses and capital expenditures. The Sharpe ratio is a measure of risk-adjusted return that compares an investment's excess return to its standard deviation of returns. It's often used to gauge the performance of an investment by adjusting for its risk. The price-to-earnings ratio (P/E) is a way to value a company by comparing its stock price to its earnings. It's calculated by dividing the price of a stock by the company's earnings per share. **Profitable Companies, Historical Undervaluation:** Bloomberg as of 09/30/2024. 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. *Money losing companies refer to companies with negative current earnings based on earnings per share. A weighted average yield to maturity is the average of the yield to maturity (YTM) of each bond in a portfolio, weighted by the bond's size. **Money Making with Dividend** refers to companies that pay dividends and have positive earnings per share. **Money Making without dividend** refers to companies with positive earnings per share but do not pay dividends. IWM refers to the Russell 2000 Index, and IWN refers to the Russell 2000 Value Index. SCAP's prior application of leverage does not guarantee future application of leverage. When a portfolio is leveraged, the value of its securities may be more volatile and all other risks may be compounded. Please reach out to us to obtain more information regarding the underlying data. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown.

Disclosures

Indices / Performance Terminology Used: <https://www.infracapfunds.com/terminology>

- 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 (SSTELS 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 (O49M10Y 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 publicly 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.