

Overview

What are Preferred Stocks?

Preferred stocks (“preferreds”) are hybrid equity securities with characteristics similar to debt instruments. Like bonds and other fixed income instruments, preferreds are senior to common equity in a company’s capital structure and are offered with dividend payments. For investors looking for above-average yields in investment grade offerings, preferreds can be a core component within a diversified, income-focused portfolio.

Types of Preferred Stocks

Cumulative: Unpaid dividends accrue and must be paid before dividends can be paid to common shareholders

Callable: Securities are usually callable at par at a future date

Convertible: Shares can be convertible into common stock at a set ratio at the issuers option at a specified date in the future

Preferred Stocks vs. Common Equity

Dividends

- Preferred stock dividends are fixed or floating
- Dividends to preferred shareholders must be current before dividends are paid to common stock shareholders

Capital Structure

- Preferred equity is junior to all classes of debt and consequently, would be disadvantaged in a bankruptcy

Voting Rights

- Preferred stocks do not have voting rights and preferred holders are compensated for this in the form of higher dividends

Risks of Preferred Stocks

Call Risk

- Preferreds are often issued with a specified call date
- A substantial portion of the universe may trade at a negative yield-to-call (YTC), meaning that the security is callable at par but trading above par in the open market

→ Active management can minimize call risk and avoid negative YTC securities

Credit Risk

- Preferred issuers can suspend preferred payments in times of financial uncertainty
- Preferred issues can be offered without a rating

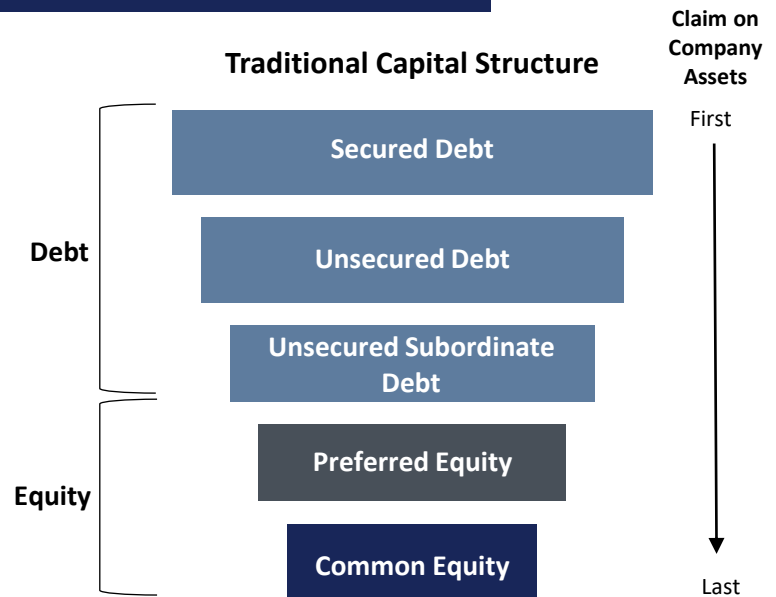
→ Active management can monitor financial positioning and trade in/out of securities to avoid risky issuers

Interest Rate Risk

- Like bonds, rising interest rates negatively impact the value of fixed-rate preferred securities

→ Active management can diversify preferred holdings across fixed and fixed-to-floating rate securities to mitigate interest rate risk

Traditional Capital Structure



Preferred Stocks vs. Debt

Issuer Ratings

- Similar to credit offerings, preferred offerings are rated by S&P, Moody’s, and other rating agencies

Capital Structure

- Being subordinate to debt, preferreds distributions are made after all interest payments are made on the debt obligations
- A company can suspend preferred dividends whereas suspension of interest payments may trigger legal action by debtholders and cause potential reorganization or bankruptcy

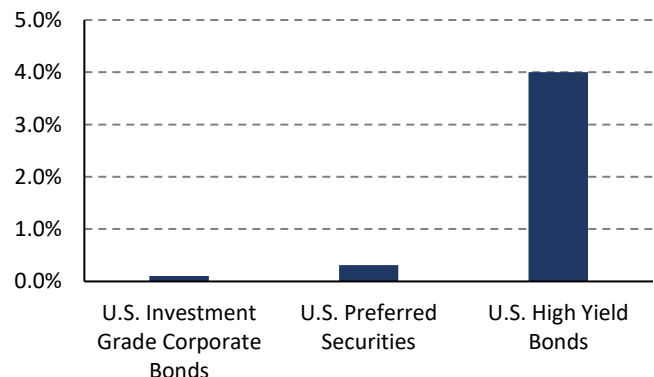
Interest Rate Sensitivity

- Preferreds are substantially less sensitive to interest rate swings than debt instruments
- Credit spreads may act as a buffer for capital loss in a rising interest rate environment

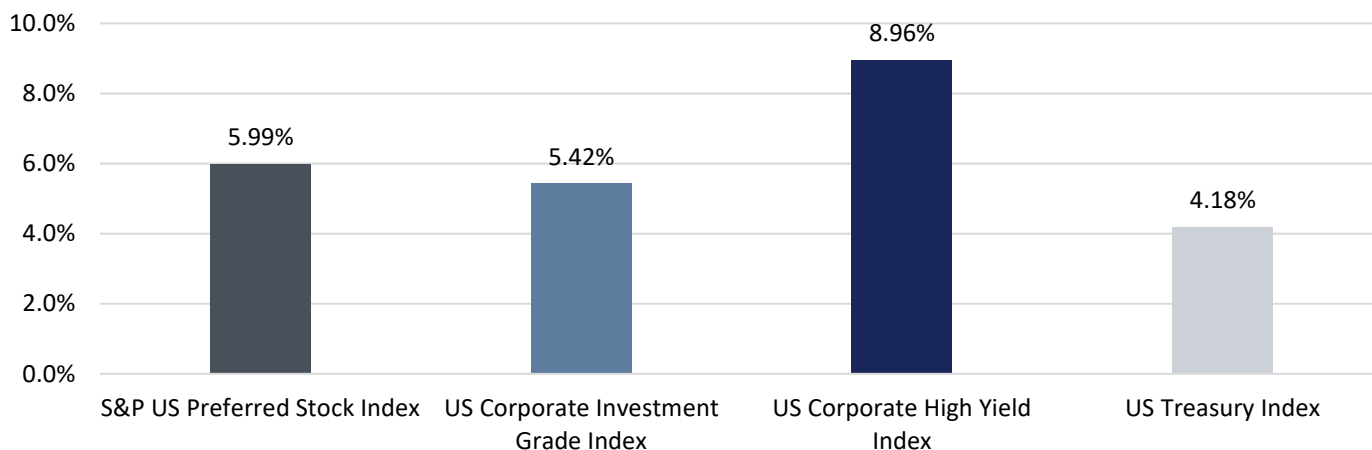
Accessibility & Liquidity

- The size and trading volume of the US preferred market offers liquidity
- Large, passive ETFs create opportunities for active managers

30-year default rate, Bonds vs Preferred



Yield to Call (As of 12/31/2022)



All data is taken from Bloomberg as of 12/31/2022. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Opinions represented are subject to change and should not be considered investment advice. All data is taken from Bloomberg as of 12/30/2022. Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Opinions represented are subject to change and should not be considered investment advice.

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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Indices Used: Treasury (LUATTRUU Index), Corporate Investment Grade (LUACTRUU Index), Preferreds (SPTREFTR Index, PFF Equity), Corporate High Yield (LF98TRUU Index). Investors cannot directly invest in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. Yields: Yield information displayed in the chart is calculated based on Bloomberg data as of 09/30/2021. Yield information is based on Bloomberg's Dividend Indicated Yield, which is the most recently announced gross dividend, annualized based on the dividend frequency, then divided by the current market price. Yield information for the LUACTRUU Index and LF98TRUU Index is calculated based on Bloomberg's yield to maturity formula, which is the market value weighted average yield to maturity for the index. Yield information for the LUATTRUU Index is calculated based on Bloomberg's yield to worst formula, which is the market value weighted average yield to worst for the index. Data and Opinions: 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.

FUND RISKS 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 the Fund's webpage. 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 the fund webpages 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, charges and expenses carefully before investing.

For PFFA, PFFR, and AMZA funds, contact VP Distributors LLC at [1-888-383-4184](tel: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. Virtus ETF Advisers, LLC serves as the investment advisor and Infrastructure Capital Advisors, LLC serves as the subadvisor to PFFA, PFFR and AMZA. These three funds are distributed by VP Distributors, LLC, member FINRA and subsidiary of Virtus Investment Partners, Inc. Past performance is not indicative of future results. The links to the fund fact sheets will provide standardized performance and risk disclosures.