

## InfraCap MLP ETF

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

### MARKET OVERVIEW

Returns in the midstream MLP sector outperformed returns in the broad stock market in the second quarter of 2020. During the quarter, the Alerian MLP Infrastructure Index was up 47.21% while the S&P 500® Index was up 20.16%. For the trailing 12 months, the midstream benchmark was down -44.28% while the S&P 500® Index returned 7.37%.

The COVID-19 pandemic has caused Midstream MLP stock prices to crash 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 have helped companies protect their cash flow generation. During the earnings period, many management teams implemented steps to protect their balance sheet with cost saving initiatives and deferring or canceling growth capital spending. Moreover, many midstream companies had announced actions to strengthen their financial flexibility, including measures to reduce dividend payouts and streamline maintenance capital costs and operating expenses.

We continue to focus on investing in large capitalization integrated pipelines and storage companies with stronger contractual protection and visible market demand. We are less concentrated on gathering and processing companies with struggling counterparties and challenged balance sheets.

### HOW THE FUND PERFORMED

For the quarter, the Fund had a net gain of 65.99% at NAV, outperforming the Alerian MLP Infrastructure Index, which had a gain of 47.21%. For the trailing twelve months, the Fund returned -61.88%. This compares to a return of -44.10% for the benchmark.

AMZA paid a monthly dividend of \$0.24 in June, while NAV at quarter-end was \$17.50. As of 6/30/20, AMZA had a 30-day SEC yield of 18.17%.<sup>1</sup>

The strongest contributors to returns were Enterprise Products LP, Energy Transfer LP, MPLX LP, DCP Midstream LP, and Western Midstream LP.

- › **Enterprise Products LP** has deferred growth projects on its fully integrated system and has reduced sustaining operational capital expenditure costs.
- › **Energy Transfer LP** has reduced leverage and provided guidance lowering growth capital, as it has continued to defend its credit rating. The company has also seen the benefits of production rebound in the Permian.
- › **MPLX LP** has seen changes in its management team and has focused on cost reductions. The company has noted improvement in the outlook for NE natural gas and has continued to focus on L&S investments.
- › **DCP Midstream LP** has worked to improve its balance sheet by reducing growth capital and sustaining capital guidance while maintaining additional cash flow lever optionality.
- › **Western Midstream LP** has seen improved gas throughput on its systems and has no near-term need to access the capital markets.

The largest detractors to performance were Genesis Energy LP, Plains All-American Pipeline LP, Noble Midstream LP, Cheniere Energy Partners, LP, and Phillips Partners 66 LP.

- › **Genesis Energy LP** is in the process of implementing cost reductions and the company does not currently anticipate any significant growth projects in 2020.
- › **Plains All-American Pipeline LP** is facing reduced profits from its supply and logistics unit, but its Permian asset base is the most important driver. Finances are strong and incentive distribution rights (IDRs) are gone.
- › **Noble Midstream LP** simplified its organizational structure by eliminating the Company's Incentive Distribution Rights, benefiting the limited partners.
- › **Cheniere Energy Partners, LP** has seen the benefits of increased European and Asian demand for LNG imports.
- › **Phillips 66 Partners LP** announced an ambitious growth strategy that can be internally financed.

### PORTFOLIO CHANGES

During the quarter, the Fund increased its weightings in Energy Transfer (ET) and Enterprise Products Partners (EPD). ET has seen production rebound in the Permian and has worked to consolidate numerous new assets from its acquisition of SemGroup (SEMG), which closed at the end of 2019. EPD is well positioned in the Permian Basin of Texas, with pipelines that feed the crude oil and products export market.

### OUTLOOK

We believe that a gradual return to normal business activity and recent OPEC+ agreements is likely to drive oil prices higher and support MLP stock prices as there is a long-term need for North American oil and gas. We expect low gasoline prices to stimulate incremental demand in the U.S., resulting in reduced inventories of oil and refined products. Midstream companies will continue to benefit from the defensive nature of its business model with fee-based contracts and added protections like minimum volume commitments. Additionally, many midstream companies have diversified customer bases or significant exposure to investment grade counterparties. Stable cash flows have allowed for attractive dividend income despite more volatility in the broader energy sector.

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 acquirers take advantage of these historically low valuations of midstream assets. We expect that the stocks will perform well in the second half of 2020 as the global economy recovers and companies continue to buy back stock or, in some cases, go private or merge.

<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

## InfraCap MLP ETF

### 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

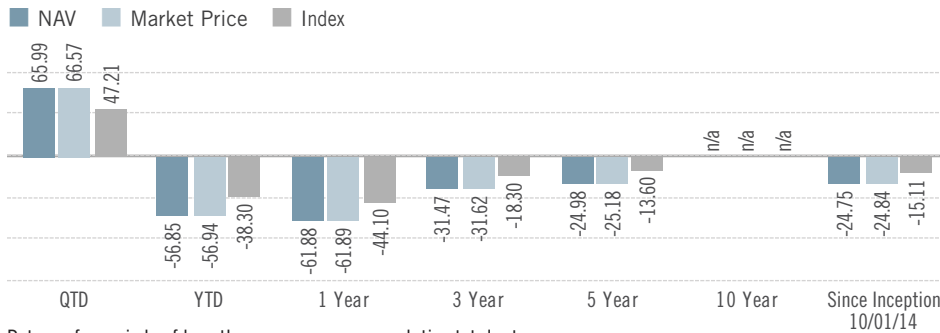
### TOP TEN HOLDINGS

% Fund

Energy Transfer LP	16.43
MPLX LP	15.33
NuStar Energy LP	14.55
Enterprise Products Partners LP	14.26
BP Midstream Partners LP	10.69
DCP Midstream LP	9.81
Shell Midstream Partners LP	9.47
Plains All American Pipeline LP	9.14
Western Midstream Partners LP	8.78
Noble Midstream Partners LP	4.58

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 6/30/20



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

**Performance data quoted represents past results. Past 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 [Virtus.com](http://Virtus.com) for performance data current to the most recent month-end.**

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 of owning the ETF may exceed the cost of investing directly in the underlying securities. **MLPs:** Investments in Master Limited Partnerships may be adversely impacted by tax law changes, regulation, or factors affecting underlying assets. **Energy Sector Concentration:** The fund's investments are concentrated in the energy sector and may present more risks than if the fund were broadly diversified over numerous sectors of the economy. **Leverage:** When a fund leverages its portfolio, the value of its shares 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 issue, recessions, or other events could have a significant impact on the fund and its investments, including hampering the ability of the fund's portfolio manager(s) to invest the fund'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.

ETFs distributed by **VP Distributors, LLC**, member FINRA and subsidiary of Virtus Investment Partners, Inc.