Infrastructure Capital Advisors, LLC
www.InfraCapFunds.com

Small Company Investing:
Selecting Profitable vs. Unprofitable Companies

When constructing a portfolio, we believe it is important to select profitable companies as they tend to dramatically outperform unprofitable companies.

Long-term returns from owning stocks are almost always driven by profitable companies investing retained earnings in attractive investment opportunities with attractive returns. Most companies retain at least 70% of their earnings and on average invest in high return projects or repurchase shares with an approximate average after tax return of 15%. Consequently, companies typically grow earnings at approximately 10%, which is a multiple of the retention rate of 70% multiplied by the after-tax return. Compound earnings growth cause stock prices to rise steadily over time as even if the market multiple declines somewhat, and thus the stock price of a company should be substantially higher over time, which benefits long term investors.

Conversely, money losing companies have the opposite dynamic in that the losses from operations must be covered by issuing new shares, which reduces shareholders' percentage interest in the company over time. It is also extremely difficult for unprofitable companies to become profitable depending on the exact business model. Many unprofitable companies never become profitable and shut down or go bankrupt. In the past, only profitable companies were allowed to go public as money losing companies were too risky to sell to the public.

Our analysis of the returns of profitable companies vs. unprofitable companies indicates that profitable companies outperformed the unprofitable companies by 1.51% per year since 2000. In addition, the profitable companies were less volatile than unprofitable companies with a volatility of 19.50% vs. 20.11% for unprofitable companies over the same period*.

Our small cap income fund, SCAP, is constructed with companies that are profitable, pay substantial dividends and trade at reasonable multiples of growth plus income to earnings. We believe that these companies are less risky than money losing companies, and that companies that pay dividends are on average higher quality than non-dividend payers. SCAP enhances cash flow and dividend coverage by investing in preferred stocks and writing covered index call options. In our view, the combination of investing in profitable dividend stocks and enhancing yield through preferred stocks and options potentially provides an opportunity to generate stable income from small cap stocks with less risk than investing in the broad Russell 2000 small cap index.

If you have an interest in the InfraCap Small Cap Income fund, SCAP, please contact us by emailing us at investors@icmllc.com or calling us at [212-763-8336](tel:212-763-8336).

Also, please see our complimentary small cap primer for more information about Small Cap Companies. https://www.infracapfund.com/scap/SmallCapPrimer

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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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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 refer 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. Volatility is the standard deviation of monthly returns for the respective index. Preferred stocks may be more volatile than fixed—income securities and are more correlated with the issuer's underlying common stock than fixed-income securities. Companies with retained earnings are those companies with a positive P/E ratio. The price-to-earnings ratio (P/E) is a valuation metric that compares a company's stock price to its earnings. It's calculated by dividing the price of a stock by the company's earnings per share (EPS).

Investors should consider the investment objectives, risks, charges, and expenses carefully before investing. For a prospectus with this and other information about the InfraCap Small Cap Income ETF or InfraCap Equity Income Fund ETF, please visit each respective fund page here – www.infraCapfund.com/scap or www.InfraCapfund.com/icap. Please read the prospectus carefully before investing. For more information about the Funds, Funds' strategies or InfraCap, please reach out to Craig Starr at 212-763-8336 (craig.starr@infracapfund.com).

A word about SCAP risk: 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. Diversification cannot assure a profit or protect against loss in a down market. SCAP is distributed by Quasar Distributors, LLC.

Past performance is not indicative of future results.