

# Spectrum SMA Tax Advantaged Preferred Securities

First quarter 2024

## Strategy overview

The strategy seeks to provide income through a diversified portfolio of \$25 par preferred securities, with an emphasis on tax advantaged preferreds. Spectrum Asset Management has had a singular focus on managing preferred and capital securities across global markets for over 30 years.

## Portfolio management

### Mark A. Lieb

47 years of experience

### L. Phillip Jacoby, IV

42 years of experience

### Manu Krishnan, CFA

20 years of experience

### Bob Giangregorio

21 years of experience

### Fred Diaz

32 years of experience

### Satomi Yarnell

15 years of experience

### Albano Tunnera

28 years of experience

## Characteristics<sup>1,2,3</sup>

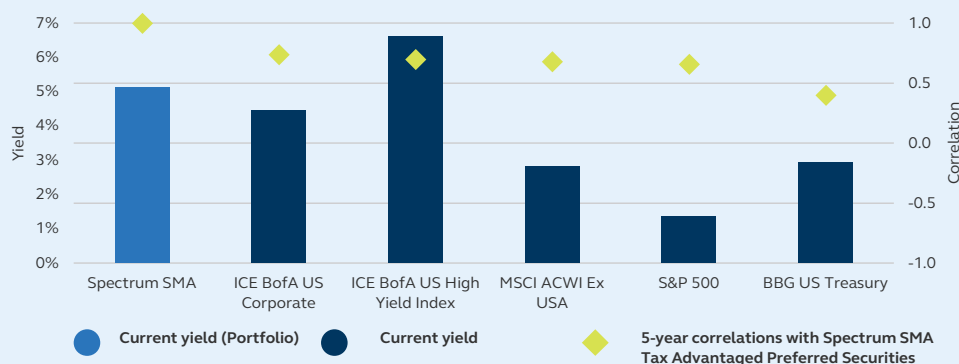
	Portfolio	Index
Composite AUM	\$503.1M	—
UMA/SMA AUM <sup>4</sup>	\$1.2B	—
Inception date	01/01/00	—
Number of holdings	112	154
Average effective duration	7.5	7.0
Modified duration to worst	12.9	13.5
Below-investment-grade (including not rated)	4.5%	0.0%
Not rated	0.0%	0.0%
Average credit rating <sup>5</sup>	BBB	BBB
Current yield	5.1%	5.9%
Yield to worst	4.5%	5.6%
Average yield to maturity	5.4%	5.8%

See disclosure section for additional details.

## Active management based on specialized research and dynamic security selection to manage complex global markets.

- Deep and broad experience analyzing, managing, and pricing complex security structures across a variety of credit, interest rate, and regulatory conditions.
- An emphasis on capital preservation equates to higher quality and capital structure bias.
- Has delivered a low volatility profile and attractive risk-adjusted returns by selecting higher-quality and improving credits and avoiding speculative risks.

## Spectrum SMA offers yield and potential diversification benefits relative to stock and most fixed income



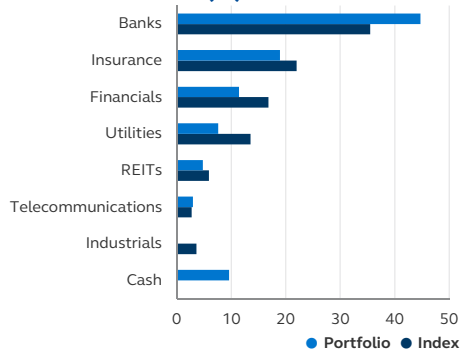
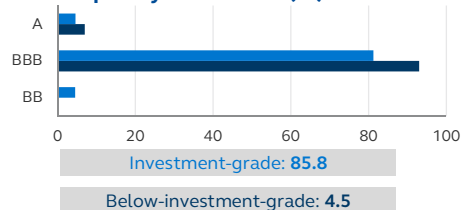
Current yield and dividend yield are as of 03/31/2024; Correlations 04/01/2019 - 03/31/2024

Source: Spectrum Asset Management and Principal Global Investors

Indices are unmanaged and do not take into account fees, expenses and transaction costs. Indices are not available for direct investment. Past performance does not guarantee future return.

## Why allocate to a portfolio:

- **Quality enhanced income**, including potential for tax-advantaged income for individual U.S. taxpayers.
- **Global portfolio diversification** due to moderate correlation to other fixed income and equity markets.
- **Attractive value** relative to other fixed income asset classes.
- **Unique security structures**, such as fixed-to-float and fixed-to-variable, offer potential for higher back-end spreads that could result in increased coupons and help manage interest rate risk.

Sector allocation (%)<sup>1,2</sup>Credit quality allocation (%)<sup>1,2,6</sup>Portfolio statistics<sup>1,2</sup>

Institutional/retail breakout	
\$25 par	90.4%
\$1,000 par	—
CoCo	—
Derivatives	—
Cash	9.6%
Average price/coupon	
\$25 par	\$22.35
\$1,000 par	—
CoCo	—
Coupon structure	
Average coupon	4.7%
% Fixed-rate	73.6
% Floating-rate	3.5
% Fixed-to-floating rate	10.3
Fix-to-float call protection	2.3
Fix-to-float spread	278.7
% Fixed-to-variable rate	3.0

## Performance

	Composite performance (%)					
	3-month	1-year	3-year	5-year	10-year	Since inception (01/01/2000)
Spectrum SMA Tax Advantaged Preferred Securities (gross)	5.06	9.38	0.06	3.08	4.75	5.37
ICE BofA Fixed Rate Preferred Securities Custom Index	4.57	9.90	-1.13	1.82	4.19	4.50
Spectrum SMA Tax Advantaged Preferred Securities (net)	4.48	6.96	-2.17	0.79	2.42	3.03

Risk statistics (5-year, gross)<sup>1</sup>

	Composite
Sharpe ratio	0.1
Standard deviation	12.3
Tracking error	1.9
Up/down capture ratio <sup>7</sup>	105.5 / 89.7

Calendar year returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Spectrum SMA Tax Advantaged Preferred Securities (gross)	16.55	9.51	0.32	11.37	-4.42	17.80	8.02	2.33	-16.06	9.79
ICE BofA Fixed Rate Preferred Securities Custom Index	17.54	8.83	0.44	11.33	-3.60	16.62	6.79	1.73	-19.22	10.79
Spectrum SMA Tax Advantaged Preferred Securities (net)	13.99	7.09	-1.92	8.91	-6.56	15.21	5.63	0.06	-17.96	7.36

The composite is compared to the ICE BofA Fixed Rate Preferred Securities Custom Index which is a combination of two indices. The custom index is 100% ICE BofA Fixed Rate Preferred Securities Index (POP1) prior to December 31, 2013; 100% ICE BofA Core Fixed Rate Preferred Securities Index (POP2) subsequently.

Periods over one year are annualized. Net of fees reflects the gross returns reduced by an assumed maximum bundled fee of 2.25%. See disclosure section for additional details.

<sup>1</sup> Source: Spectrum Asset Management

<sup>2</sup> The index is the ICE BofA Core Fixed Rate Preferred Securities Index (POP2) and is described below. Portfolio information is based on the strategy's model portfolio. Actual portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations.

<sup>3</sup> Yields and yield related characteristics shown are only one component of performance or expected performance and are not and should not be viewed as a statement of the current or future performance of the strategy. See the gross and net performance of the strategy.

<sup>4</sup> May include model-only assets managed by the firm, where the firm has no control as to whether investment recommendations are accepted or the firm does not have trading authority over the assets.

<sup>5</sup> Includes cash

<sup>6</sup> Credit quality refers to the credit ratings for the underlying securities in the portfolio as rated by Standard & Poor's, Moody's Investors Service, or Fitch typically range from AAA/Aaa (highest) to C/D (lowest). If Moody's, S&P, and/or Fitch assign different ratings, the highest of the 3 ratings is used. Ratings methodologies and individual ratings can change over time. Senior debt ratings are typically several notches higher than those of preferred securities. Data from outside sources is believed to be reliable, but has not been verified. Percentages may not add up to 100% due to rounding and/or inclusion or exclusion of cash.

<sup>7</sup> Capture ratios: Shows the relationship of the composite's performance to the performance of an index during a specific timeframe, as a percentage of that index's positive (upside capture) and negative (downside capture) performance. Represents quarterly returns for both composite and index returns.

Past performance is no guarantee of future results. Investing involves risk, including possible loss of principal. Risks of preferred securities differ from risks inherent in other investments. In particular, in a bankruptcy preferred securities are senior to common stock but subordinate to other corporate debt. There can be no assurance as to the portion of the strategy's distributions that will qualify for favorable federal income tax treatment. The strategy may make investments and pay dividends that are ineligible for favorable tax treatment or that otherwise do not meet the requirements for such treatment, and clients must satisfy certain requirements to take advantage of beneficial tax

treatment.

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All figures shown in this document are in U.S. dollars unless otherwise noted.

Indices are unmanaged and do not take into account fees, expenses, and transaction costs. The methods of calculating performance of the composite and the index may not be identical and it is not possible to invest in an index.

The Spectrum Asset Management SMA Tax Advantaged Preferred Securities Composite contains fully discretionary Tax Advantaged SMA Preferred Securities accounts. The Spectrum SMA Tax Advantaged Preferred Securities Composite was created on August 3, 2007 and is comprised primarily of portfolios of \$25 par preferred securities with an emphasis on the Qualified Dividend Income (QDI) \$25 par preferred securities.

The composite may consist of accounts from more than one SMA sponsor platform. Beginning April 1, 2007, performance results reflect the Spectrum SMA Tax Advantaged Preferred Securities wrap-fee portfolios. Performance from May 1, 2006 to April 1, 2007 reflects the Spectrum SMA Preferred Securities wrap-fee portfolio results. Performance prior to May 1, 2006 reflects Spectrum Intermediate Duration Total Return institutional composite and does not reflect actual SMA portfolios.

A change to the benchmark was made to better align the benchmark with the composite strategy. As of January 1, 2014, the POP2 index is considered the primary index and the POP1 is considered the secondary index. ICE BofA Fixed Rate Preferred Securities Index (POP1) tracks the performance of fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. The BofA Core Fixed Rate Preferred Securities Index (POP2) tracks the performance of fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market.

This strategy is only provided through separately managed accounts program sponsors. Clients should consult a financial professional before making any investment decisions. Financial professionals should consider the appropriateness of the manager, strategy and program for its clients on an initial and ongoing basis.

Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the representative wrap sponsor. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net performance shown reflects the gross returns reduced by a maximum bundled fee which includes brokerage, custodial, and investment management expenses. Actual investment advisory fees incurred by clients may vary.

Actual client portfolios may differ because of account size, client-imposed investment restrictions, the timing of client investments and market, economic and individual company considerations.

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