

# The Power of Preferred Securities



## Providing the potential to enhance income without detracting from a portfolio's credit quality

### High current income:

- Historically, preferred securities generate the highest current income in the investment grade fixed income market

### Diversification benefits:

- Preferred securities typically offer low correlation to stocks and bonds

### Actively manage interest rate risk with a variety of preferred security structures and issues:

- Traditional and hybrid preferred securities
- Fixed and floating rate preferred securities

Current Income Portfolio & Various Market Indices as of 6/30/18 (weighted averages)	Current Yield (%)	Credit Quality	Investment-Grade
<b>Roosevelt's Current Income Portfolio</b>	<b>4.69%</b>	<b>Baa1<sup>1</sup></b>	<b>Yes</b>
ICE BofA ML 1-10 Year U.S. Corporate Index	3.63%	A3	Yes
ICE BofA ML Fixed Rate Preferred Securities Index	5.65%	BBB2 <sup>1</sup>	Yes
<i>75% ICE Corporate / 25% ICE Preferred Securities</i>	4.14%	-	Yes
Barclays Capital U.S. Intermediate Gov't/Credit Index	2.57%	Aa2	Yes
Barclays Capital U.S. Corporate High Yield Index	6.46%	B1	No

Preferred Securities Hierarchy in the Capital Structure		
Seniority	Creditor Class	Asset Class
Higher ↑ ↓ Lower	Senior Secured Bank Loans	Debt
	Senior Secured & Unsecured Debt Holders	Debt
	Subordinated Debt Holders	Debt
	Junior Subordinated Debt Holders / Hybrid Preferreds	Preferred Securities
	Traditional Preferred Stockholders	Preferred Securities
	Common Stockholders	Equity

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\* The Portfolio includes a preferred security that is not rated by Moody's. Roosevelt substituted the security's S&P rating with its Moody's equivalent and then utilized Bloomberg's calculation methodology to determine the weighted average credit rating of the entire portfolio. The exclusion of this security resulted in a Baa1 credit rating of the Portfolio.

<sup>1</sup> This is a composite credit rating provided by ICE Data Services

Please note that current yield levels, as of a certain date, are not indicative of future current yield levels. Holdings-based information for the Current Income Portfolio is based on a model portfolio. Values are weighted averages. The CIP Benchmark is the Barclays Capital U.S. Intermediate Gov't/Credit Index. Indices are unmanaged and cannot accommodate direct investment. Source of CIP credit ratings: Moody's. Source of Barclays Index credit ratings: Barclays. Please note: Roosevelt Investments utilized Bloomberg methodology to calculate the weighted average credit quality of the portfolio, which may differ from Barclays' process. All investing involves the risk of loss. There is no guarantee that any strategy will be successful. **Past performance is not indicative of future results.**

# Disclosures & Glossary



All expressions of opinion reflect the judgment of Roosevelt Investments at this time and are subject to change. This material is not intended as an offer or solicitation to buy, hold or sell any financial instrument or investment advisory services. Information has been obtained from sources considered reliable, but we do not guarantee that the material presented is accurate or that it provides a complete description of the securities, markets or developments mentioned. We may, from time to time, have a position in the securities mentioned and may execute transactions that may not be consistent with this communication's conclusions.

Holdings-based information for the Current Income Portfolio is based on a model portfolio (unless otherwise stated) and is derived from the Portfolio Accounting System of Axys 3.7.0.64, an Advent licensed product, and Bloomberg. We deem these to be reliable sources but cannot guarantee their accuracy and completeness.

It is likely that the current yield of any specific client account is and/or was not identical to the current yield levels listed in this piece. Therefore, the results of actual clients may differ. Portfolio current yield levels, as of the dates listed in this piece, are not indicative of future current yield levels, as prices may fluctuate and holdings in a portfolio may change. Current yield does not predict a bond's total return, which includes not only income but also price appreciation / depreciation.

**Barclays U.S. Corporate High Yield Index** is comprised of U.S. dollar denominated, non-investment grade, fixed rate, taxable corporate bonds with a median rating of Ba1/BB+/BB+ or below across Moody's, Fitch, and S&P.

**Barclays Capital U.S. Intermediate Government/Credit Index** is composed of approximately 3,500 publicly issued corporate and U.S. government debt issues rated Baa or better, with at least one year to maturity and at least \$1 million par outstanding.

**ICE BofA Merrill Lynch 1-10 Year U.S. Corporate Index** is a subset of the BofA Merrill Lynch U.S. Corporate Index including all securities with a remaining term to final maturity less than 10 years.

**ICE BofA Merrill Lynch Fixed Rate Preferred Securities Index** is comprised of investment grade fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market.

Indices are unmanaged, may include the reinvestment of earnings, and may not reflect transaction costs or management fees and other expenses. Unlike indices, the strategy is actively managed and may include substantially fewer securities than the number of securities comprising the indices, and may have volatility, investment, and other characteristics that differ from the strategy. Investments cannot be made directly into an index.

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