

# Preferred Securities Portfolio

Brief | March 31, 2022



An enhanced yield solution for use in the context of a fixed income asset allocation for U.S. taxable and non-taxable investors. The strategy focuses on capital preservation, and risk reduction, while also maintaining high credit quality, liquidity and tax efficiency. The portfolio consists of both \$1,000 par-value 'institutional' fixed-to-floating rate preferred securities as well as \$25 par-value 'retail' fixed, and fixed-to-floating, rate preferred securities to diversify exposure and sensitivity to changes in interest rates.

## Sample Portfolio Characteristics

Comprised on average of about 20-40 large issue size and relatively liquid preferred securities with an average weighting of about 2-5% (Source: Bloomberg)

### Composition

% QDI Preferred Securities	87.92
% Fixed Rate	25% - 50%
% Fixed-to-Float	50% - 75%
% Investment Grade at Parent Company Level	100%
% Total Portfolio Preferred Securities (\$1,000 Par Value) Holdings Fixed-to-Floating Rate Coupons	55.08%
% Total Portfolio Preferred Securities (\$25 Par Value) Holdings Fixed and Fixed-to-Floating Rate Coupons	44.54%

Statistics (weighted averages)	Sample Portfolio	ICE BoFA Fixed Rate Preferred Index
Yield-to-Maturity	5.36	5.12
Credit Quality	Baa3	Baa3
Yield-to-Worst	4.85	4.53
Duration	3.33	5.13
OAS	230.81	155

Cash was excluded when calculating the credit quality and from the number of holdings.

### Taxation Method Comparison

	QDI	Ordinary Income
Projected Annual Return (YTW)	4.85%	4.85%
Tax Rate	20%	40%
After Tax Returns	3.88%	2.91%
Taxable Equivalent Yield*	6.46%	4.85%

\*if taxed as ordinary income

## 100% Investment Grade at the Parent Company Level

- Quality : Comprised of predominantly investment grade issues (at the security level) and 100% investment grade issuers (at the parent company level)
- Yield: 4.85% Yield to Worst, also taxed at favorable "Qualified Dividend Income" rates
- Duration: About 3.0 years

### Focused on Monitoring Risk

- Credit risk - Ongoing monitoring of credit spreads
- Interest rate risk - Ongoing surveillance of the macro environment
- Monitor callability
- Security-specific covenants

We believe success will be a function of security selection, active management of risk and balancing interest rate exposure via fixed and floating rate instruments. Other drivers include management of duration and call-risk as well as an understanding of regulatory capital considerations.

Institutional (\$1,000 Par Value) Preferred Securities Holdings Fixed-to-Floating Rate Coupons (Top 5 by Weight)	% of Portfolio	Retail (\$25 Par Value) Preferred Securities Holdings Fixed and Fixed-to-Floating Rate Coupons (Top 5 by Weight)	% of Portfolio
DISCOVER FINANCIAL SVS	4.17	FIRST HORIZON CORP	3.67
ENBRIDGE INC	4.16	DUKE ENERGY CORP	3.63
GOLDMAN SACHS GROUP INC	4.13	AMERICAN INTL GROUP	3.62
BANK OF AMERICA CORP	4.09	US BANCORP	3.61
PARAMOUNT GLOBAL	4.05	ALLSTATE CORP	3.56
Total	20.60	Total	18.09

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. Our current disclosure statement is set forth on our Form ADV Part 2A, available for your review upon request, and on our website, [www.rooseveltinvestments.com](http://www.rooseveltinvestments.com). Stated yields are not a guarantee of future yields. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. This portfolio invests in preferred securities. The security selection size of the preferred securities universe is limited, therefore this portfolio should be considered concentrated. Concentrated portfolios invest in a relatively small number of securities compared with nonconcentrated portfolios, thus providing greater exposure to each such security, which presents certain additional investing risks. Please see the last page for additional disclosures. Please remember that in order to invest you must first read and understand our Form CRS, Form ADV Part 2A and our Privacy Policy, available for your review upon request, and on our website, [www.rooseveltinvestments.com](http://www.rooseveltinvestments.com)

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## Summary of Investment Strategy and Process

- Screen the universe of preferred securities for high quality, liquid issues with attractive yield spreads for given interest rate sensitivities.
- Seek to avoid uncertainties associated with legacy LIBOR contracts and the uncertainty regarding the termination of the LIBOR benchmark rate in June 2023.
- The portfolio consists of 50% - 75% fixed-to-floating rate preferred securities. We believe the volatility typically associated with fixed rate instruments should be reduced due to the potential for these securities to convert to floating rates of interest.
- The portfolio is designed to benefit from the tax advantages of 'qualified income'. It is our intention to invest nearly all of the portfolio (80-90%) in securities which pay interest with qualified tax treatment.

## Why Roosevelt's Preferred Securities Portfolio

Barriers to Entry in Institutional Markets	<ul style="list-style-type: none"><li>• Access to OTC traded institutional markets increases the universe of eligible securities available to retail investors through Roosevelt (Both \$1,000 and \$25 par markets)</li><li>• Lowers transactions costs (i.e. retail markup)</li></ul>
Credit Analysis	<ul style="list-style-type: none"><li>• Supported by our integrated investment committees made up of both equity and fixed income teams</li><li>• Supplemented by outside credit research analysis</li></ul>
Security Selection Expertise	<ul style="list-style-type: none"><li>• Experience in a newly developed and under-utilized niche market of preferred securities</li><li>• In-depth analysis of security-specific covenants</li></ul>
Tax Benefits of QDI	<ul style="list-style-type: none"><li>• Preferred dividends taxed at a qualified rate provides for potentially higher after-tax returns</li></ul>
Customizable	<ul style="list-style-type: none"><li>• Considerate of meeting individual investor liquidity needs (withdrawals) and tax considerations (QDI), etc.</li></ul>
Reduced Interest Rate Risk	<ul style="list-style-type: none"><li>• Fixed-to-floating rate structure may reduce interest rate risk</li><li>• Preferred securities target SOFR compliant (or other reference floating rate) preferred securities</li></ul>
Risk Adjusted Return	<ul style="list-style-type: none"><li>• Position in capital stack between equity and debt</li><li>• Historical default rate of investment grade issues is &lt; .05%<sup>1</sup></li><li>• No derivatives/swaps/foreign bonds, leverage etc. used to enhance yield</li></ul>
Structural Factors	<ul style="list-style-type: none"><li>• Preferred securities selection based on relative value/spread compensation in the markets at that time</li><li>• Supply/Demand technicals create pockets of value/dislocations that we seek to capitalize on as an unconstrained active buyer (vs. insurance, pension, or other investors who are constrained by liabilities and other strict mandates)</li></ul>

<sup>1</sup>-Source: S&P Global Fixed Income Research and S&P Global Market Intelligence's CreditPro

Account Minimums may apply. Totals may not sum to 100% due to rounding. Data shown does not represent actual trading or client results. Actual holdings and yield results will vary based on economic conditions and other factors that Roosevelt cannot foresee at this time. Results shown do not represent the deduction of advisory fees, brokerage or other commissions and other expenses an actual client would have paid. All investments have the potential for loss. This information is intended solely to report on investment strategies and opportunities identified by Roosevelt. References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. Please remember that in order to invest you must first read and understand our Form CRS, Form ADV Part 2A and our Privacy Policy, available for your review upon request, and on our website, [www.rooseveltinvestments.com](http://www.rooseveltinvestments.com). Stated yields are not a guarantee of future yields.

# Preferred Securities Portfolio Composite Annual Disclosure Presentation



Year	Annual Performance Results Composite	Annual Performance Results Composite	Benchmark	Composite	Number of	% of Non-Fee-Paying	Composite Assets (USD)	Total Firm Assets	3 YEAR STD Composite	3 YEAR STD Benchmk
End	Gross	Net	Return	Dispersion	Accounts		(millions)	(millions)		
2021	2.60%	2.08%	2.24%	N.A. <sup>2</sup>	4	0%	15	3,435	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2020	6.87%	6.35%	6.95%	N.A. <sup>2</sup>	2	0%	14	2,938	N.A. <sup>1</sup>	N.A. <sup>1</sup>
2019*	2.69%	2.57%	2.00%	**	2	0%	11	2,698	N.A. <sup>1</sup>	N.A. <sup>1</sup>

\*Composite and benchmark performance are for the period October 1, 2019 through December 31, 2019. \*\*Composite dispersion is not presented for the partial year.

1. - The three-year annualized standard deviation is not presented due to less than 36 months of composite and benchmark data.

2. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

The Roosevelt Investment Group, LLC (TRIG) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. TRIG has been independently verified for the periods January 1, 2004 through December 31, 2019. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

TRIG is an investment adviser registered with the Securities and Exchange Commission under the Investment Advisers act of 1940.

The Roosevelt Preferred Securities Portfolio is an enhanced yield and liquidity management solution for use in the context of a fixed income asset allocation for U.S. taxable or non-taxable investors. The portfolio consists of \$1,000 par value institutional fixed to floating rate preferred securities, as well as \$25 par value retail preferred securities benchmarked to the secured overnight financing rate (SOFR), and 5–10-year constant maturity treasury rate (CMT). The strategy is diversified across issuers and sectors, although a majority of holdings are in the financial sector, consistent with the preferred securities market. For comparison purposes the composite is measured against the ICE BofAML Fixed Rate Preferred Securities Index. The ICE BofA Fixed Rate Preferred Securities Index tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and must have an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). Index constituents are market capitalization weighted. Unlike the index, the strategy is actively managed and may include substantially fewer securities than the number of securities comprising the indexes, and may have volatility, investment and other characteristics that differ from the strategy.

Returns presented are time-weighted returns. Valuations are computed and performance is reported in US dollars.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fee performance is calculated using actual management fees. Composite and benchmark returns are presented gross of non-reclaimable withholding taxes. The investment management fee schedule for the composite is 1.0% of assets under management. Actual investment advisory fees incurred by clients may vary. Additional information on TRIG's investment management fees can be found on its Form ADV, Part II.

Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

A list of composite descriptions is available upon request.

The Roosevelt Preferred Securities Portfolio Composite was created on February 16, 2021 and has an inception date of October 1, 2019.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns of those portfolios that were included in the composite for the entire year ("n.a" appears if there are less than 5 accounts present for the entire year).

The three-year annualized standard deviation measures the variability of the composite returns and the benchmark returns over the preceding 36-month period and is calculated utilizing asset-weighted annual gross returns.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The Number of Accounts and Composite Assets columns include only the accounts that were in the composite at the end of the year. Past performance is not indicative of future results.

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