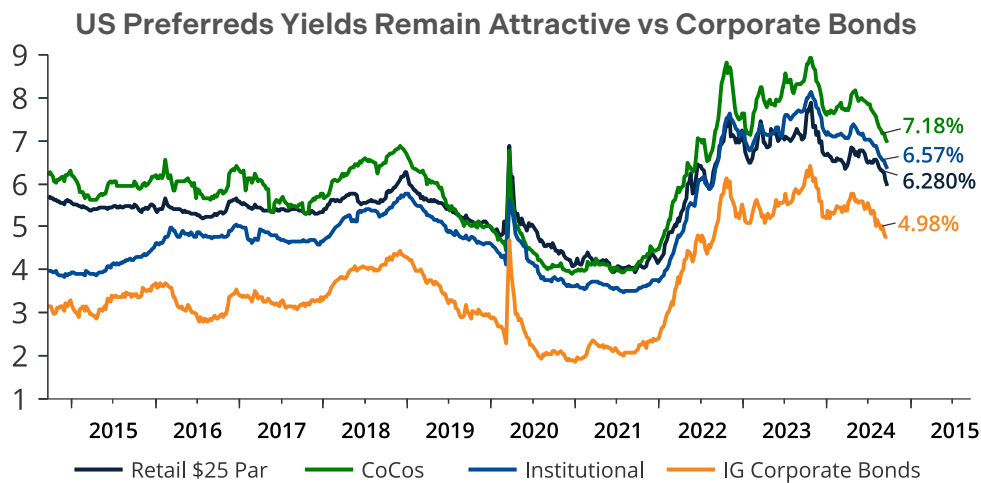


Fund in focus: Brompton Flaherty & Crumrine Investment Grade Preferred ETF (BPRF), Brompton Flaherty & Crumrine Enhanced Investment Grade Preferred ETF (BEPR)

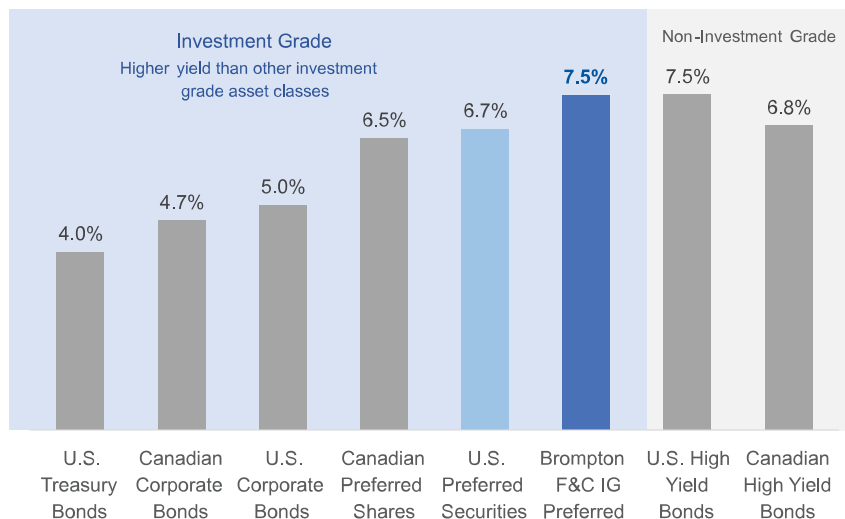
U.S. preferred shares have had a strong year, with the U.S. Preferred Index¹ returning 14.4% over the past year to August 31, 2024. Although prices have moved up, yield to maturity (YTM) for U.S. Preferreds remain near their highest levels in the past decade for all major market segments. The 3 main preferred share segments include Retail (i.e. \$25 par listed preferreds), Institutional (unlisted, bond-like preferreds trading over the counter between institutions), and Contingent Capital securities (“CoCos”), and they all have YTM currently ranging from 6.0-8.0%.

U.S. Preferred share index ETFs and funds which are available to investors are typically restricted to exchange-listed preferreds (“Retail \$25 Par” in the chart below). Actively-managed funds such as Brompton Flaherty & Crumrine Investment Grade Preferred ETF (BPRF) or Brompton Flaherty & Crumrine Enhanced Investment Grade Preferred ETF (BEPR) can participate in the higher-yielding, over-the-counter Institutional and CoCo segments of the market.



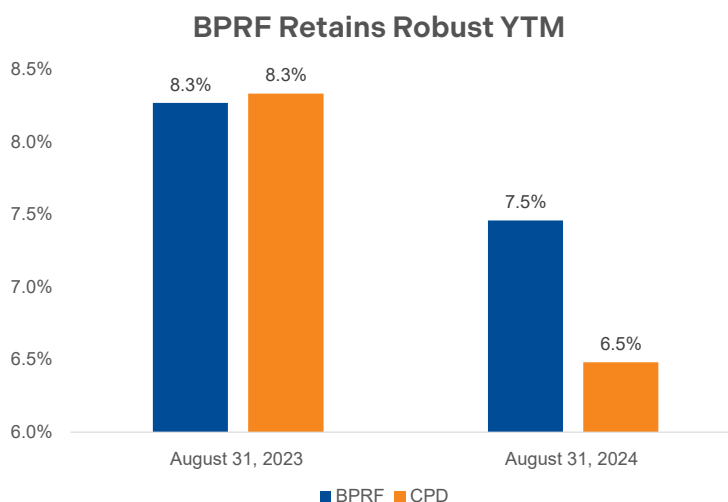
Source: LSEG Datastream, as of August 30, 2024. Retail \$25 Par: ICE BofA Fixed Rate Preferred Securities Index, Institutional: ICE BofA US Capital Securities US Issuers 8% Constrained Index, CoCos: ICE BofA USD Investment Grade Contingent Capital Index, IG Corporate Bonds: ICE BofA US Corporate Index.

U.S. Preferreds are among the highest-yielding North American fixed income categories. BPRF and BEPR’s portfolio has an investment-grade BBB- rating on average, and its YTM compares favorably to most Canadian and U.S. fixed income categories.



Source: Refinitiv Datastream, as of August 31, 2024. Note: Indices used were ICE BofA 8% Constrained Core West Preferred & Jr Subordinated Securities Index, ICE BofA US Corporate Index, ICE BofA Canadian Corporate Index, ICE BofA US High Yield Master II Index, ICE BofA Canada High Yield Index, ICE BofA US Treasury Index, and S&P/TSX Preferred Share Index.

Fixed income yields have moderated in the past year as investors placed a higher likelihood on central bank rate cuts. BPRF and BEPR's portfolios have retained a relatively robust YTM compared to Canadian preferred shares. CPD is an ETF that represents the Canadian preferred share index. One year ago, BPRF and CPD's average portfolio YTM's were approximately equal, and as of August 31, 2024, BPRF and BEPR's YTM is noticeably higher than CPD's.



Source: Bloomberg, Flaherty & Crumrine, August 31, 2024

This yield advantage is due mostly to BPRF/BEPR's higher yielding portfolio, which is comprised of mostly U.S. dollar denominated preferred securities. The U.S. preferred securities market typically offers higher yields and coupon rates than the Canadian preferred market due to its much larger size, which provides a wider diversity of issuers and security types.

as of 8/31/2024	BPRF			CPD		
Coupon Type	Port Weight	Current Yield	Average Coupon	Port Weight	Current Yield	Average Coupon
Fixed	8.0%	6.88%	7.41%	21.0%	5.89%	5.10%
Fixed-Float/Reset	78.3%	6.43%	6.62%	76.5%	5.60%	4.93%
Floating	11.5%	8.87%	8.34%	2.5%	4.11%	2.67%
Portfolio		6.60%	6.88%		5.62%	4.91%

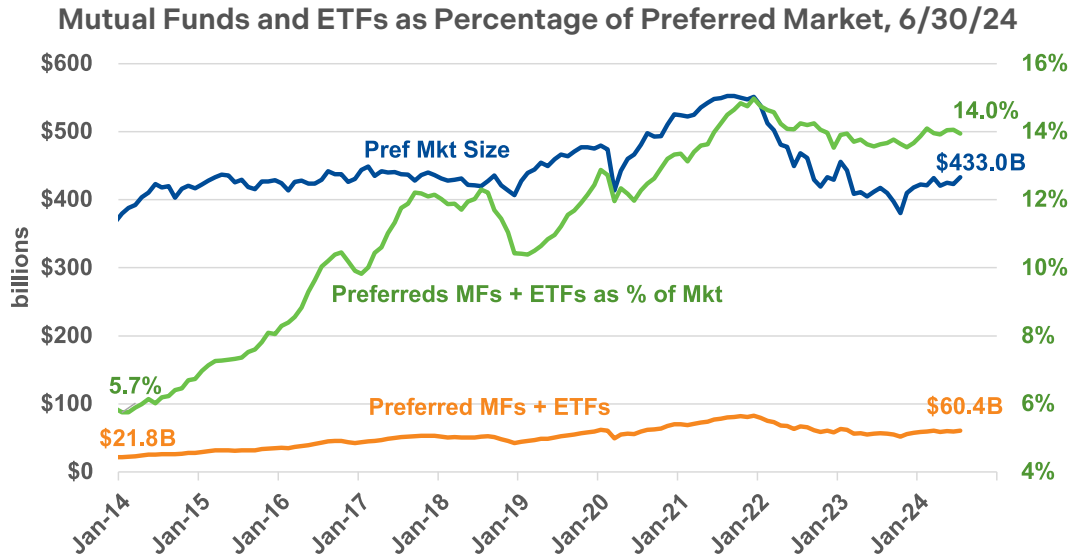
Source: Bloomberg, Flaherty & Crumrine, as of August 31, 2024

Moreover, BPRF has a focus on call-protected preferred securities. This means that a greater proportion of BPRF & BEPR's portfolio securities can't be called by the issuer and repriced or otherwise reset to a lower rate, for a longer-than-average period of time. As of August 31, 2024, only 1% of BPRF & BEPR's fixed-rate holdings were callable within 1 year, compared to 21% callable in CPD's portfolio.²

As for fixed-float/reset preferreds, which comprise more than three-quarters of BPRF/BEPR and CPD, once again BPRF/BEPR have less exposure to those that are callable within the next year compared to CPD. More importantly though, the fixed-float/reset preferreds in BPRF/ BEPR have an average reset spread of 416 bps compared to 264 bps for CPD.³ All else being equal, this means BPRF/BEPR's fixed-float/reset preferreds are more likely to maintain their higher coupon rates going forward, either by resetting at higher coupon rates or by being called with proceeds then reinvested at today's higher yields).

Technical factors in the U.S. preferred market may also provide a tailwind to performance over coming quarters. In the past decade, mutual funds and especially ETFs, have steadily grown as a percentage of the retail preferred market. Preferred share prices are driven primarily by changes in interest rates and credit

spreads, but fund flows are a secondary influence and can help explain price performance beyond what would be expected from duration and credit. Limited new issuance in recent years along with continued redemption activity have resulted in a situation where investor demand (preferred fund inflows) can often surpass supply. We expect these technical factors to persist, providing a potential boost to U.S. preferred shares and in turn, providing price support for BPRF and BEPR.



"Pref Mkt Size" is the market value of the ICE BofA US All Capital Securities Index (IOCS) and ICE USD Contingent Capital Index (CDLR)

"Preferred MFs + ETFs" is the net assets of mutual funds and ETFs in Morningstar's Preferred Stock category.

Source: Bloomberg, Flaherty & Crumrine

Brompton's Approach:

[Brompton Flaherty & Crumrine Investment Grade Preferred ETF \(BPRF, BPRF.U\)](#) and [Brompton Flaherty & Crumrine Enhanced Investment Grade Preferred ETF \(BEPR, BEPR.U\)](#) offer ways to invest in the U.S. preferred share market with the benefit of active management by the longest tenured U.S. preferred share specialist, Flaherty & Crumrine Incorporated.

¹Source: LSEG Datastream, as of August 31, 2024, The US Preferred Index refers to ICE BofA 8% Constrained Core West Preferred & Jr Subordinated Securities Index

²Source: Bloomberg, Flaherty & Crumrine, as of August 31, 2024

³Source: Bloomberg, Flaherty & Crumrine, as of August 31, 2024

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