

Investment PHILOSOPHY

In the spectrum of capital allocation, preferred shares bridge the gap between equity investors and creditors. Preferred stock investors have a greater claim on a company's earnings and assets than common shareholders but are subordinate to all creditors. Generally, the dividend yield on preferred stock is higher than that of the common stock and most often higher than the yield on senior and subordinated debt.

FCI believes the entire capital market structure should be considered as investors seek to obtain greater diversification and incremental yield. We believe that an actively managed, diversified portfolio of tax-advantaged preferred shares may help investors achieve both objectives.

Investment OBJECTIVE

Leveraging FCI's corporate credit expertise, the objective of the strategy is to provide a superior investment alternative to a passively constructed preferred ETF portfolio. From a risk and return perspective, the objective is to outperform the SPDR Wells Fargo Preferred Stock ETF (PSK) while delivering a lower risk profile. We believe that our preferred stock strategy can outperform the PSK over a market cycle.

TOP TEN CREDIT POSITIONS & COUPON RATE

<i>State Street Corporation</i>	<i>5.900%</i>
<i>Truist Financial</i>	<i>4.750%</i>
<i>Hartford Financial Services Group, Inc.</i>	<i>6.000%</i>
<i>Morgan Stanley</i>	<i>4.250%</i>
<i>Wells Fargo Company</i>	<i>6.625%</i>
<i>Huntington Bancshares, Inc.</i>	<i>4.500%</i>
<i>Truist Financial</i>	<i>5.250%</i>
<i>U.S. Bancorp</i>	<i>3.500%</i>
<i>Capital One</i>	<i>4.800%</i>
<i>American International Group, Inc.</i>	<i>5.850%</i>

ABOUT FCI ADVISORS

FCI Advisors (FCI) strives to be recognized as a premier provider of investment management, risk management and advisory services. FCI was founded in 1966 and is a SEC Registered Investment Advisory (RIA) firm. The firm manages portfolios and provides investment solutions for a broad array of investors that include corporate, public and union pension plans, bank trust departments, insurance companies, mutual funds, endowments, foundations, charities and individuals nationwide. FCI is owned by MTC Holding Corporation. Our Midwestern fiduciary culture means that caring about clients' interests is at the heart of every decision we make. Our professionals average over 20 years of experience.



As of December 31, 2022

STRATEGY CHARACTERISTICS

Characteristic	Tax-Advantaged Preferred Strategy
Average Dividend	5.23%
Current Yield	6.40%
Yield to Call	36.03%
Option Adjusted Duration	5.48%
Weighted Percent of Par ¹	80.36%
Average Quality (S&P)	BBB-
Average Quality (Moody's)	Baa3
QDI Eligibility	88.86%

PORTFOLIO MANAGERS

Gary Cloud, CFA Co-CIO
Peter Greig, CFA Co-CIO
James Braunsdorf, CFA

STRATEGY ASSETS UNDER MANAGEMENT

FCI manages \$92.0 million in the Tax Advantaged Preferred Strategy.

DISCLOSURES

Factual materials obtained from sources believed to be reliable but cannot be guaranteed. Strategy weightings and holdings are as of the reporting date and are subject to change.

Organization

FCI Advisors (FCI), is an independent investment advisory firm founded in 1966. For more information contact Rachel Stewart at (913) 663-0603 or write FCI at 5901 College Boulevard, Suite 110, Overland Park, KS, 66211 or rachel.stewart@fciadvisors.com.

Performance Results

The Tax-Advantaged Preferred composite consists of all discretionary accounts including those accounts no longer with the firm, over \$75K that utilize the Tax-Advantaged Preferred model. Due to the nature of the preferred stock trading, modeled accounts may experience different weightings in assets for a significant period of time when cash needs or infusions occur or when the client imposes trading restrictions. Beginning in June 2022, accounts with a "drift" (a measurement of how close the holdings resemble the model) of greater than 15% will be removed from the composite. Accounts that are not managed to the model should not expect similar results. All of the assets that contributed to past performance may not be available in the future due to maturities, calls etc.

All total return performance results include the reinvestment of some income/distributions of the assets and reflect the deduction of transaction costs. A time-weighted rate of return formula is used to calculate performance of the accounts. The net of fee performance was calculated using the firm's standard Fixed Income and Preferred Stock below \$10 million fee schedule. Advisory fees may vary, but the firm's standard fee schedule is at an annual rate as follows: 0.40% on the first \$5M under management, 0.30% on the balance of the account. Balanced accounts will pay a higher fee. Performance shown is past performance and does not guarantee or predict future results. Investing in securities includes the potential for loss. Individual account performance may differ materially. Performance may also be impacted by adverse market conditions. The benchmark used is the SPDR Wells Fargo Preferred Stock ETF. The benchmark has some characteristics in common with the strategy such as investing in preferred stocks but the strategy focuses on managing call risk. Securities in composite accounts will differ from securities in the index. Index returns presented assume reinvestment of all distributions and exclude the effect of taxes and fees (if expenses and taxes were deducted, the actual returns of the index would be lower). Much of the composite is made of portfolios that are part of balanced accounts. Most clients have balanced accounts. The performance report for balanced accounts is available upon request.