

Year	Total Returns		Number of Portfolios	Dispersion	Total Composite Assets End of Period (\$ millions)	Index Total Returns			Total Firm Assets End of Period (\$ millions)
	Gross of Fees	Net of Fees				Market Benchmark	S&P 500	Bloomberg Barclays Long U.S. Corp.	
1998 *	4.68%	4.58%	1	N/A	52	4.51%	10.41%	4.68%	1,352
1999 *	-2.18%	-2.43%	1	N/A	48	-3.84%	8.34%	-6.33%	826
2001 *	7.18%	6.97%	5	N/A	98	9.25%	-6.37%	6.80%	825
2002	9.72%	9.45%	6	0.0%	149	11.16%	-22.10%	11.11%	880
2003	12.08%	11.81%	6	0.4%	204	11.61%	28.68%	10.81%	3,027
2004	7.81%	7.54%	10	0.4%	246	6.17%	10.88%	9.24%	3,722
2005	3.14%	2.88%	10	0.2%	254	2.38%	4.91%	2.92%	3,570
2006	7.38%	7.11%	8	0.1%	264	6.63%	15.79%	3.47%	3,967
2007	-7.17%	-7.44%	7	0.7%	185	-8.00%	5.49%	3.04%	3,645
2008	-20.24%	-20.49%	14	2.6%	1,482	-20.08%	-37.00%	-5.18%	2,289
2009	55.28%	54.63%	13	6.3%	2,363	32.98%	26.47%	19.44%	3,265
2010	19.61%	19.14%	13	0.6%	3,033	15.40%	15.06%	11.20%	4,080
2011	6.19%	5.80%	15	1.5%	3,273	3.14%	2.11%	15.91%	4,313
2012	19.31%	18.87%	16	0.9%	3,861	15.26%	16.00%	12.41%	5,110
2013	3.85%	3.46%	13	0.5%	4,301	0.15%	32.38%	-5.68%	5,541
2014	13.26%	12.79%	13	0.3%	3,764	13.39%	13.68%	15.73%	5,041
2015	3.40%	2.96%	13	1.2%	3,989	4.65%	1.37%	-4.61%	4,977
2016	6.82%	6.38%	13	0.9%	3,592	3.74%	11.95%	10.97%	4,767
2017	12.46%	11.94%	11	0.2%	3,339	10.80%	21.82%	12.09%	4,428
2018	-3.46%	-3.92%	12	0.4%	2,959	-4.55%	-4.39%	-7.24%	4,033
2019*	6.99%	6.86%	12	0.4%	3,138	8.35%	13.65%	7.97%	4,266

\* partial year

*Flaherty & Crumrine Incorporated claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Flaherty & Crumrine has been independently verified for the periods January 1, 1990 through March 31, 2019 by ACA Performance Services, LLC.*

*Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Preferred Securities Composite has been examined for the periods August 1, 1998 through December 31, 2018. The verification and performance examination reports are available upon request.*

*Firm.* Flaherty & Crumrine Incorporated is registered as an investment adviser with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. Flaherty & Crumrine specializes in the management of preferred and other

fixed-income securities. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

*Composite Construction.* The Preferred Securities Composite was created in March 2018 and includes institutional accounts which have a primary investment objective of achieving a high level of pre-tax income and which are not actively using any hedging strategies to shelter the portfolio from the effects of changes in long-term Treasury rates. Our strategy is to invest in preferred and other fixed income securities. There is no minimum portfolio size for the composite. New accounts that fit the composite definition are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. A complete list and description of all firm composites is available upon request.

The returns for 1998, 1999, 2001 and 2019 are partial year returns, are not annualized and reflect the actual returns for shorter periods. We only had one portfolio invested in this strategy from August 1, 1998 through August 31, 1999. No portfolios again became eligible for this composite until March 1, 2001. For 2019, the returns are for the period beginning on January 1 and ending on March 31.

The dispersion measure is the asset-weighted standard deviation of the pre-tax, gross-of-fee returns of accounts in the composite for the entire year.

As of December 31, 2011, the composite's three year ex-post standard deviation was 13.12% and the market benchmark's was 18.16%. As of December 31, 2012, the composite's three year ex-post standard deviation was 5.74% and the market benchmark's was 5.34%. As of December 31, 2013, the composite's three year ex-post standard deviation was 4.77% and the market benchmark's was 4.92%. As of December 31, 2014, the composite's three year ex-post standard deviation was 3.72% and the benchmark's was 4.26%. As of December 31, 2015, the composite's three year ex-post standard deviation was 3.12% and the benchmark's was 3.89%. As of December 31, 2016, the composite's three year ex-post standard deviation was 3.33% and the benchmark's was 3.84%. As of December 31, 2017, the composite's three year ex-post standard deviation was 3.38% and the benchmark's was 3.64%. As of December 31, 2018, the composite's three year ex-post standard deviation was 3.83% and the benchmark's was 4.02%.

*Total Return Methodology.* Valuations and returns are computed and stated in U.S. dollars. Since January 1, 2010, portfolios are valued monthly using market prices and on any other date of a large cash flow. Until January 1, 2010, portfolios are valued monthly using market prices.

Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of actual management fees and transaction costs and gross of custodian fees. The current fee schedule is 0.45% on assets under management of \$0 - \$50 million, 0.40% on assets of \$50 - \$250 million and 0.35% on assets greater than \$250 million and includes a minimum fee of \$150,000. Both returns are calculated gross of all withholding taxes on foreign dividends. The composite results portrayed reflect the reinvestment of dividends,

capital gains, and other earnings when appropriate. Where appropriate, accruals for fixed income and equity securities are included in calculations.

*Index Total Returns.* All index returns include interest income and do not reflect any expenses. Unlike the accounts included in the composite, the index returns are unmanaged. Benchmark returns are not covered by the report of independent verifiers.

From inception through June 2015, the Market Benchmark is rebalanced monthly as an equally weighted average of the performance of the ICE BofAML Hybrid Preferred Securities 8% Constrained Index<sup>SM</sup> and the ICE BofAML US Capital Securities 8% Constrained Index<sup>SM</sup>.

The ICE BofAML Hybrid Preferred Securities 8% Constrained Index<sup>SM</sup> is a subset of the ICE BofAML Fixed Rate Preferred Securities Index<sup>SM</sup> that contains all subordinated constituents of the fixed rate index with a payment deferral feature and with issuer concentration capped at a maximum of 8%. The ICE BofAML US Capital Securities 8% Constrained Index<sup>SM</sup> is a subset of the ICE BofAML US Capital Securities Index<sup>SM</sup> that contains securities issued by US corporations.

From July 2015 through the present, the Market Benchmark is the ICE BofAML 8% Constrained Core West Preferred & Jr Subordinated Securities Index. The index includes U.S. dollar denominated securities issued by U.S. and foreign issuers. The index is comprised of fixed rate or adjustable rate securities that generally receive some degree of equity credit from the rating agencies or their regulators and with issuer concentration capped at a maximum of 8%. The firm switched to this newer index as a benchmark because it combines the two equally-weighted indices of the prior benchmark and contains a broader and more diverse selection of the securities that could be purchased by portfolios using the composite strategy.

The benchmarks from ICE Data Indices, LLC ("ICE Data") are used with permission. ICE Data, its affiliates and their respective third party suppliers disclaim any and all warranties and representations, express and/or implied, including any warranties of merchantability or fitness for a particular purpose or use, including the indices, index data and any data included in, related to, or derived therefrom. Neither ICE Data, its affiliates nor their respective third party providers shall be subject to any damages or liability with respect to the adequacy, accuracy, timeliness or completeness of the indices or the index data or any component thereof, and the indices and index data and all components thereof are provided on an "as is" basis and your use is at your own risk. ICE Data, its affiliates and their respective third party suppliers do not sponsor, endorse, or recommend Flaherty & Crumrine Incorporated, or any of its products or services.

The Bloomberg Barclays Long U.S. Corporate Index<sup>SM</sup> is a subset of the Bloomberg Barclays U.S. Corporate Investment Grade Index<sup>SM</sup> that contains publicly issued U.S. corporate securities and global issues that are SEC-registered. The index

includes investment grade fixed rate securities in the industrial, utility, and finance sectors.

The S&P 500 is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of a broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

*Other Information.* Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.