

Year	Pre-Tax Total Returns		Supplemental Information				Number of Portfolios	Pre-Tax Dispersion	Supplemental Information		Total Composite Assets End of Period (\$ millions)	Pre-Tax Index Total Returns			Total Firm Assets End of Period (\$ millions)
			After-Tax Pre-Liquidation Total Returns		After-Tax Fully-Liquidated Total Returns				After-Tax Pre-Liquidation Dispersion	Unrealized Capital Gains End of Period (% Assets)		Market Benchmark	S&P 500	Bloomberg Barclays Long U.S. Corp.	
	Gross of Fees	Net of Fees	Gross of Fees	Net of Fees	Gross of Fees	Net of Fees									
1996*	11.43%	10.90%	10.23%	9.71%	8.60%	8.08%	1	N/A	N/A	3.6%	16	6.41%	15.00%	8.49%	1,196
1997	16.40%	15.84%	14.05%	13.51%	11.84%	11.30%	1	N/A	N/A	7.6%	25	9.40%	33.36%	13.47%	1,378
1998	8.49%	7.99%	5.43%	4.95%	6.41%	5.92%	1	N/A	N/A	4.4%	27	6.71%	28.58%	9.03%	1,352
1999	-4.57%	-5.01%	-6.42%	-6.85%	-2.39%	-2.83%	1	N/A	N/A	-6.3%	39	-0.63%	21.04%	-5.78%	826
2000*	2.69%	2.58%	2.62%	2.55%	1.89%	1.83%	1	N/A	N/A	0.0%	40	-0.30%	2.29%	1.86%	705
2003*	7.54%	7.35%	7.23%	7.11%	5.53%	5.41%	1	N/A	N/A	2.2%	52	3.46%	13.15%	8.81%	3,027
2004	7.61%	7.23%	6.60%	6.36%	6.28%	6.04%	2	N/A	N/A	1.5%	31	4.18%	10.88%	9.24%	3,722
2005	4.81%	4.44%	3.79%	3.55%	4.21%	3.97%	3	0.3%	0.20%	-0.6%	61	3.30%	4.91%	2.92%	3,570
2006	7.71%	7.33%	6.74%	6.49%	6.41%	6.16%	4	0.4%	0.43%	1.5%	417	7.71%	15.79%	3.47%	3,967
2007	-9.35%	-9.62%	-10.30%	-10.48%	-4.85%	-5.04%	6	1.1%	1.24%	-1.1%	708	-10.03%	5.49%	3.04%	3,645
2008	-24.45%	-24.68%	-20.60%	-20.76%	-14.71%	-14.88%	7	4.6%	6.94%	-32.0%	633	-35.05%	-37.00%	-5.18%	2,289
2009	30.13%	29.77%	30.03%	29.79%	21.05%	20.83%	5	1.6%	1.67%	-6.1%	784	20.59%	26.47%	19.44%	3,265
2010	12.81%	12.51%	11.33%	11.14%	9.74%	9.55%	5	0.8%	0.6%	-1.5%	900	12.25%	15.06%	11.20%	4,080
2011	7.92%	7.64%	7.02%	6.84%	6.65%	6.47%	4	1.5%	1.7%	-0.6%	942	9.33%	2.11%	15.91%	4,313
2012	14.12%	13.83%	14.29%	14.11%	10.57%	10.39%	4	1.0%	2.3%	7.7%	1,195	11.41%	16.00%	12.41%	5,110
2013	0.20%	-0.04%	-0.77%	-0.92%	1.65%	1.49%	4	0.7%	0.8%	0.7%	1,202	-4.84%	32.38%	-5.68%	5,541
2014	12.55%	12.26%	10.98%	10.80%	9.62%	9.44%	6	1.0%	1.4%	4.5%	1,240	15.76%	13.68%	15.73%	5,041
2015	7.93%	7.64%	6.81%	6.62%	6.63%	6.44%	6	0.6%	0.8%	4.4%	872	7.30%	1.37%	-4.61%	4,977
2016	4.18%	3.88%	3.32%	3.13%	4.12%	3.93%	9	0.5%	0.4%	1.2%	1,114	3.80%	11.95%	10.97%	4,767
2017	10.55%	10.23%	9.81%	9.61%	8.17%	7.97%	8	0.5%	0.6%	5.8%	1,051	10.52%	21.82%	12.09%	4,428
2018	-4.42%	-4.69%	-5.04%	-5.26%	-2.94%	-3.16%	8	0.6%	0.5%	-4.3%	1,035	-5.25%	-4.39%	-7.24%	4,033
2019*	14.65%	14.40%	14.12%	13.93%	12.00%	11.81%	8	0.7%	0.7%	4.9%	1,123	14.75%	20.55%	22.26%	4,491

* 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 September 30, 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 Tax-Advantaged Preferred Securities Composite has been examined for the periods May 1, 1996 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 Tax-Advantaged Preferred Securities Composite was created in January 2008 and includes institutional accounts which have a primary investment objective of achieving a high level of after-tax income. Our strategy is to invest primarily in tax-advantaged preferred securities (i.e., which qualify for the dividends received deduction). 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. The name of this composite was changed beginning in 2018 from its prior name of "Tax-Advantaged Preferred Securities Composite (No Hedging Strategy)." A complete list and description of all firm composites is available upon request.

The returns for 1996, 2000, 2003 and 2019 are partial year returns, are not annualized and reflect the actual returns for shorter periods. For 1996, the returns are for the period beginning on May 1 and ending on December 31. After March 31, 2000, we had no portfolio investing with this strategy until August 1, 2003. For 2019, the returns are for the period beginning on January 1 and ending on September 30.

Beginning in 2018, the firm corrected an error in the 2004 return in which 2 accounts were incorrectly included in the composite and 1 account was incorrectly excluded. In addition, by utilizing stale federal corporate tax rates, the firm previously reported immaterially incorrect after-tax returns for the first quarter of 2018. If the correct rates had been used, the firm would have reported slightly better (by approximately 6 bps) pre liquidation performance and worse (by approximately 25 bps) fully liquidated performance than it previously did.

The dispersion measures are the asset-weighted standard deviation of the pre-tax and after-tax gross-of-fee returns of accounts in the composite for the entire year. There is no dispersion result presented for 2004 because no more than one portfolio qualified for the account during any particular month.

As of December 31, 2011, the composite's three year ex-post standard deviation was 10.18% and the market benchmark's was 16.71%. As of December 31, 2012, the composite's three year ex-post standard deviation was 4.13% and the market benchmark's was 3.66%. As of December 31, 2013, the composite's three year ex-post standard deviation was 3.76% and the benchmark's was 4.51%. As of December 31, 2014, the composite's three year ex-post standard deviation was 3.54% and the benchmark's was 4.73%. As of December 31, 2015, the composite's

three year ex-post standard deviation was 3.26% and the benchmark's was 4.87%. As of December 31, 2016, the composite's three year ex-post standard deviation was 3.76% and the benchmark's was 4.48%. As of December 31, 2017, the composite's three year ex-post standard deviation was 3.71% and the benchmark's was 4.03%. As of December 31, 2018, the composite's three year ex-post standard deviation was 4.32% and the benchmark's was 4.44%.

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.

After-Tax Returns. All after-tax returns use the highest U.S. federal corporate tax rate in effect during each period. From 1993 through 2017 rates were 35% on capital gains and interest and 10.5% on dividends. From the beginning of 2018 through the present, rates were 21% on capital gains and interest and 10.5% on dividends. The pre-liquidation returns tax-adjust the income and realized capital gains or losses. Capital gains or losses are realized pursuant to the cost accounting method determined by the client, which may include first-in-first-out, specific cost lot selection or average cost. The fully-liquidated returns tax-adjust the income, the realized capital gains or losses, and assumes that all unrealized gains or losses are realized for tax purposes.

The after-tax returns shown are subject to the limitations of the specific calculation methodology applied. Since the client's actual circumstances and tax rates determined after the fact may differ from the anticipated tax rates used in this process, the reported returns may not equal the actual after-tax returns for specific clients.

Index Total Returns. All index returns include interest income and do not reflect any expenses. They are presented on a pre-tax basis calculated similarly to our composites. In addition, unlike the accounts included in the composite, the index returns are unmanaged. Benchmark returns are not covered by the report of independent verifiers.

For calendar year 1996, the Market Benchmark is the ICE BofAML Fixed Rate Preferred Securities IndexSM which contains fixed rate preferred securities which qualify for the corporate dividends received deduction and are issued by US corporations and government agencies. Beginning in 1997 through June 2015, the Market Benchmark is the ICE BofAML 8% Constrained DRD Eligible Preferred Securities IndexSM which is a subset of the fixed rate index with the securities limited to DRD eligible securities and with issuer concentration capped at a maximum of 8%. From July 2015 through the present, the Market Benchmark is the ICE BofAML 8% Constrained DRD Eligible Core West Preferred & Jr Subordinated Securities Index, which contains fixed and adjustable rate preferred securities that qualify for the corporate dividends received deduction and are issued by U.S. corporations. The firm switched to this newer benchmark because it contains a broader and more diverse selection of the securities that could be purchased by portfolios using the composite strategy.

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The Bloomberg Barclays Long U.S. Corporate IndexSM is a subset of the Bloomberg Barclays U.S. Corporate Investment Grade IndexSM 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.