

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	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	N/A	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	-20.76%	-21.01%	8	2.6%	364	-20.08%	-37.00%	-5.18%	2,289
2009	63.80%	63.35%	8	5.4%	846	32.98%	26.47%	19.44%	3,265
2010	19.57%	19.28%	8	0.3%	1,206	15.40%	15.06%	11.20%	4,080
2011	4.60%	4.35%	10	0.8%	1,401	3.14%	2.11%	15.91%	4,313
2012	19.27%	18.99%	11	1.3%	1,722	15.26%	16.00%	12.41%	5,110
2013	4.08%	3.85%	7	0.7%	1,568	-0.15%	32.38%	-5.68%	5,541
2014	13.38%	13.11%	7	0.3%	855	13.39%	13.68%	15.73%	5,041
2015	2.30%	2.04%	7	1.6%	1,166	4.65%	1.37%	-4.67%	4,977

* 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 1990 through December 31, 2015 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 Taxable Preferred Securities Composite has been examined for the periods August 1, 1998 through December 31, 2015. 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 Taxable Preferred Securities Composite (No Hedging Strategy) was created in January 2008 and includes institutional accounts which have a primary investment objective of achieving a high level of pre-tax income. 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 2015 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.

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 15.24% and the market benchmark's was 18.16%. As of December 31, 2012, the composite's three year ex-post standard deviation was 6.27% and the market benchmark's was 5.34%. As of December 31, 2013, the composite's three year ex-post standard deviation was 5.21% and the market benchmark's was 4.92%. As of December 31, 2014, the composite's three year ex-post standard deviation was 3.82% and the benchmark's was 4.26%. As of December 31, 2015, the composite's three year ex-post standard deviation was 3.09% and the benchmark's was 3.89%.

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 includes a minimum fee of \$150,000, plus a negotiated fee based on the assets of the portfolio in excess of \$40 million. 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 BofA Merrill Lynch Hybrid Preferred Securities 8% Constrained IndexSM and the BofA Merrill Lynch US Capital Securities 8% Constrained IndexSM.

The BofA Merrill Lynch Hybrid Preferred Securities 8% Constrained IndexSM is a subset of the BofA Merrill Lynch Fixed Rate Preferred Securities IndexSM 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 BofA Merrill Lynch US Capital Securities 8% Constrained IndexSM is a subset of the BofA Merrill Lynch US Capital Securities IndexSM that contains securities issued by US corporations.

From July 2015 through the present, the Market Benchmark is the BofA Merrill Lynch 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 Barclays Long U.S. Corporate IndexSM is a subset of the 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.