

Hybrid Capital Fixed Income Portfolio Strategy

SPECIALIZING IN FIXED INCOME

Harnessing the experience of working through multiple investment cycles over more than four decades, Stifel Capital Management, LLC (SCM) specializes in fixed income analysis, advice, and portfolio management. Our institutional backgrounds in research, trading, investment strategy, portfolio construction, and fixed income asset management give us our broad base of knowledge. We are committed to discovering opportunities in all market environments and employ an analytical approach to the markets, risk management strategies, and portfolio construction.

STRATEGY DESCRIPTION

The Hybrid Preferred Strategy focuses on the middle of the corporate capital structure of banks, insurance companies, and utilities by investing in taxable preferred, preferred, and subordinate securities. There is a significant increase in yield as you move down the capital structure from investment-grade-rated senior debt to lower-rated subordinated debt and preferred securities. This method seeks to receive higher yields while investing in the lower capital structure of investment-grade companies. Since many of the issues in this market pay “qualified dividends” – a dividend that falls under capital gains tax rates, which are lower than ordinary income tax rates – there is a potential additional benefit for more advantageous tax treatment of the qualified dividend income. While any company can issue debt of this type, issuers are concentrated in the following categories:

- Banks
- Insurance companies
- Utilities entities that need to issue regulatory capital

This strategy focuses on intermediate-term durations with income generation and liquidity as the main investment objectives. Potential buy candidates are generally subordinated debt, junior subordinated debt, and preferred securities. The benchmark is a blend of 50% Bloomberg U.S. Corporate High-Yield Bond Index and 50% Bloomberg U.S. Intermediate Credit Index.

INVESTMENT PROCESS/PHILOSOPHY

To distinguish this strategy from “high yield,” the senior debt rating of every issuer is required to be investment grade. This creates a credit profile that ultimately is designed to take less credit risk than high-yield senior debt while producing comparable yields. The lower credit risk profile versus high yield comes from investing in well-established, very large issuers as opposed to high-yield issuers that typically are not as well established and may have limited access to the capital markets. From a credit-quality perspective, the rating on debt in the middle of the capital structure is approximately two to three notches below that of the senior debt for a given issuer and often falls below investment grade. Hence the minimum rating for this strategy is Ba3/BB-.

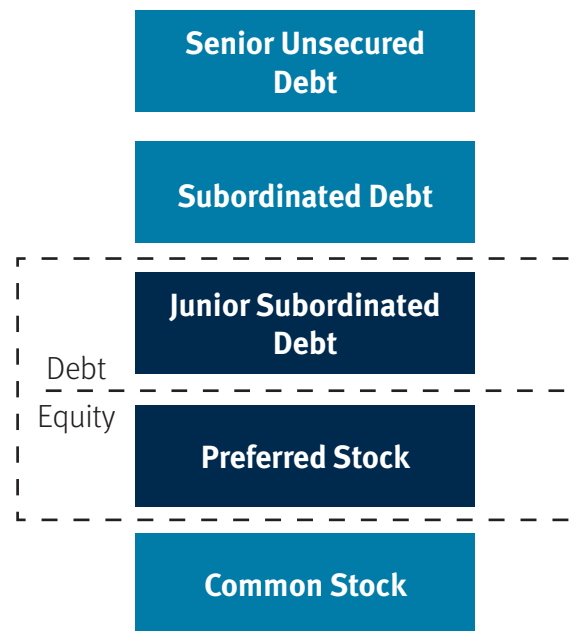
Adam V. Topalian, AIF®

Chief Investment Officer

(212) 328-1685 direct | adam.topalian@stifel.com

WHAT IS HYBRID PREFERRED?

- Hybrid preferred securities fall in between debt and equity within the corporate capital structure.
- Though they have structural characteristics inherent in both debt and equity securities, hybrid preferred securities trade more like bonds, since they generally have predetermined periodic payments as fixed income instruments do.
- In general, these securities have long-term maturities, or are perpetual, and while coupon payments can be deferred by the company without triggering a default on the companies, equity dividends must be eliminated before coupons can be deferred.
- Generally, hybrid preferred securities are rated one to two notches lower than a company's senior unsecured debt rating as shown below.



Portfolio construction utilizes the various inputs of interest rate risk analysis, credit analysis, and relative value analysis to build a well-diversified portfolio.

From a sector concentration perspective, as of 12/31/2025, this strategy will generally be concentrated in the following categories: banks, financial institutions, insurance companies, and utilities.

- From an **interest rate risk perspective**, the duration of this strategy falls into the intermediate range of three to six years.
- Proprietary quantitative interest rate models guide duration positioning.
- The duration can be fine-tuned through the use of subordinated debt that can be added or reduced to move the overall duration of the portfolio shorter or longer.
- Interest rate risk can also be fine-tuned through the use of floating-rate debt.

- **Bond structure** is a material part of this strategy, as many hybrid securities have non-traditional structures, such as fixed-to-floating rate.
- These types of structures work for large corporations with solid cash flow that can offset other obligations and/or regulatory requirements.

PORTFOLIO METRICS

As of March 31, 2026

Average Life	6.24 years
Option Adjusted Duration	3.18 years
Average Yield to Worst*	6.25%
Rating Breakdown	
AAA	3.82%
AA	0.00%
A	7.76%
BBB	63.25%
BB	25.17%
Number of Holdings	10-20

*The yield to worst is calculated by making worst-case scenario assumptions on each issue by calculating the return that would be received if the issuer uses provisions such as prepayments, calls, or sinking funds. The yield is not reflective of performance from the portfolio.

COMPOSITE RETURNS

ANNUALIZED RETURNS – PERIOD ENDING MARCH 31, 2026

	1Q 2026	YTD	1 Year	3 Year	5 Year	Since Inception
Bloomberg U.S. Corporate High-Yield Bond Index 50%/Bloomberg U.S. Intermediate Credit Index 50% (Benchmark)	-0.33%	-0.33%	6.13%	7.46%	3.29%	4.71%
Hybrid Capital Fixed Income Portfolio Strategy (Net of Fees)	-0.33%	-0.33%	6.73%	7.83%	2.38%	2.78%
Strategy Net versus Benchmark	0.01%	0.01%	0.60%	0.37%	-0.91%	-1.93%
Hybrid Capital Fixed Income Portfolio Strategy (Gross of Fees)	0.05%	0.05%	8.35%	9.73%	4.13%	4.79%
Strategy Gross versus Benchmark	0.38%	0.38%	2.21%	2.26%	0.83%	0.08%

Composite Inception: April 1, 2017

CALENDAR YEAR RETURNS

	2017*	2018	2019	2020	2021	2022	2023	2024	2025
Bloomberg U.S. Corporate High-Yield Bond Index 50%/Bloomberg U.S. Intermediate Credit Index 50% (Benchmark)	3.58%	-1.02%	11.93%	7.22%	2.09%	-10.09%	10.16%	6.09%	8.26%
Hybrid Capital Fixed Income Portfolio Strategy (Net of Fees)	2.69%	-5.64%	13.63%	2.26%	3.45%	-9.95%	2.78%	8.01%	6.16%
Strategy Net versus Benchmark	-0.89%	-4.62%	1.71%	-4.96%	1.36%	0.14%	-7.38%	1.92%	-2.11%
Hybrid Capital Fixed Income Portfolio Strategy (Gross of Fees)	3.85%	-4.21%	15.32%	3.86%	5.01%	-8.56%	4.31%	9.64%	7.77%
Strategy Gross versus Benchmark	0.26%	-3.19%	3.39%	-3.36%	2.92%	1.53%	-5.85%	3.55%	-0.50%

*Represents non-annualized partial period performance beginning on April 1, 2017.

Year	Pure Gross Return TWR (%)	Composite Net Return TWR (%)	Benchmark Return (%)*	3-Year Standard Deviation		Number of Portfolios	Composite Assets (\$M)	Firm Assets (\$M)	Internal Dispersion (*)
				Composite Gross (%)	Benchmark (%) (+)				
2024	9.64%	8.01%	6.09%	8.35%	6.85%	6	8	1,487	n/a
2023	4.31%	2.78%	10.16%	8.10%	6.51%	14	19	n/a	3.13%
2022	-8.56%	-9.95%	-10.09%	10.46%	7.94%	17	18	n/a	1.83%
2021	5.01%	3.45%	2.09%	9.91%	6.29%	17	22	n/a	1.24%
2020	3.86%	2.26%	7.22%	9.98%	6.33%	19	22	n/a	0.70%
2019	15.32%	13.63%	11.93%	n/a	n/a	20	25	n/a	2.50%
2018	-4.21%	-5.64%	-1.02%	n/a	n/a	11	10	n/a	n/a
2017(^)	3.85%	2.69%	3.58%	n/a	n/a	6	8	n/a	n/a

(+) The composite uses a custom benchmark comprising 50% Barclays High Yield Bond Composite IV and 50% Barclays US Intermediate Cred IV 50%. The blended benchmark is rebalanced on a monthly basis.

(*) The internal dispersion measure is not required for periods where 5 or fewer accounts were included in the composite for the full year.

(^) 2017 data represents partial period performance from 4/1/2017-12/31/2017

The Stifel Capital Management, LLC The Hybrid Preferred Strategy focuses on the middle of the corporate capital structure of banks, insurance companies, and utilities by investing in tax-preferenced preferred and subordinate securities. There is a significant increase in yield when moving down the capital structure from investment-grade-rated senior debt to lower-rated subordinated debt and preferred securities. This is a way to potentially receive high yields while investing in the lower capital structure of investment-grade companies. For comparison purposes, the composite is measured against the Barclays High Yield Bond Composite IV 50%, Barclays US Intermediate Cred IV 50% on a risk-adjusted basis. Although the portfolio will often deviate from the performance of the Barclays High Yield Bond Composite IV 50%, Barclays US Intermediate Cred IV 50%, the Barclays High Yield Bond Composite IV 50%, Barclays US Intermediate Cred IV 50% typically serves as a market proxy. The composite creation and inception date is 4/1/2017.

The Bloomberg U.S. Corporate High-Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The U.S. Corporate High-Yield Bond Index is part of the U.S. Universal and Global High-Yield Indices. The Bloomberg U.S. Intermediate Credit Index is a subset of the U.S. Credit Index including maturities of at least 1 year and up to but not including 10 years. The U.S. Credit Index is comprised of the U.S. Corporate Index and the non-native currency subcomponent of the U.S. Government-Related Index. The U.S. Credit Index includes publicly issued U.S. corporate bonds, specified foreign debentures, and secured notes denominated in U.S. dollars. The U.S. Credit Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Stifel Capital Management, LLC ("SCM") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. SCM has been independently verified for the periods March 1, 2024 – December 31, 2024. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Hybrid Preferred composite has had a performance examination for the periods March 1, 2024 – December 31, 2024. The verification and performance examination reports are available upon request.

Performance prior to March 2024 occurred while the investment management team was affiliated with another firm. The investment management team has managed the composite since its inception, and the investment process has not changed. The historical performance has been linked to performance earned at SCM.

Stifel Capital Management, LLC ("SCM") is a wholly-owned subsidiary of Stifel Financial Corp. (NYSE: SF). SCM manages fixed income portfolios for clients of Stifel Nicolaus & Company Incorporated, other financial intermediaries, and direct institutional clients. For purposes of determining firm assets, SCM includes all discretionary accounts managed by SCM.

The U.S. Dollar is the currency used to express performance. Returns are presented pure gross and net of fees and include the reinvestment of all income. Pure gross returns are shown as supplemental information and are stated gross of all fees and transaction costs; net returns are reduced by the highest wrap fees of 1.5%, applied monthly. All-inclusive/Bundled/Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Wrap/Bundled fee accounts make up 100% of the composite for all periods shown. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. The annual composite dispersion is an equal-weighted standard deviation calculated for accounts for the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The fee schedule for fixed income wrap programs may vary between 1.0% and 1.5%. Actual investment advisory fees incurred by clients may vary. The account minimum for the composite is \$250,000.

Pure gross returns were used to calculate all risk measures presented in this GIPS Composite Report. Past performance is not indicative of future results. Internal dispersion is calculated using the asset weighted standard deviation of gross returns.

The firm's list of composite descriptions is available upon request.

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Definition of the Firm

Stifel Capital Management, LLC (SCM) is registered as an investment adviser with the Securities and Exchange Commission (SEC). SCM is a wholly owned subsidiary of Stifel Financial Corp. and has been registered with the SEC since October 3, 2023. SEC registration does not imply a certain level of skill or training. Please refer to the firm's ADV Part 2 for additional disclosures regarding the firm and its practices. Information about SCM's qualifications, business practices, portfolio management techniques, and affiliates is accessible on our website at www.stifelcapitalmanagement.com as well as via publicly available filings with the SEC at adviserinfo.sec.gov.

Composite Description

The performance results displayed herein represent the investment performance record for the Hybrid Capital Fixed Income Portfolio Strategy. Composite performance presented for the Hybrid Capital Fixed Income Portfolio Strategy, which starts on April 1, 2017, is based on the asset-weighted performance of all client accounts invested in this strategy (accounts having investment restrictions may be removed from the composite for performance calculation purposes). Performance from April 1, 2017 to February 28, 2024 occurred while the strategies were managed at affiliate Stifel, Nicolaus & Company, Incorporated. Performance from March 1, 2024 onward has taken place at Stifel Capital Management, LLC. The investment management team has managed the composite since its inception, and the investment process has not changed. The historical performance has been linked to performance earned at Stifel Capital Management.

All portfolios managed to the Hybrid Capital Fixed Income Portfolio Strategy are included in the composite as of the first full month under management. Account-level performance is calculated on a daily basis. Daily returns are geometrically linked to derive the monthly account level return.

Composite performance is shown on a gross and net of fees basis. Gross of fees means that the figures do not reflect any deductions for investment management fees, trading costs, taxes, or any other costs associated with a managed account. With respect to the composite returns, net of fee performance is calculated using the maximum applicable annual wrap fee that a client could potentially pay of 1.50%, applied monthly. This total wrap fee includes all charges for trading costs, portfolio management, custody, and other administrative fees. Actual fees may vary.

Benchmark Description

The Bloomberg U.S. Corporate High-Yield Bond Index covers the U.S. dollar-denominated, non-investment grade, fixed rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. The index excludes emerging markets debt. The U.S. Corporate High-Yield Bond Index is part of the U.S. Universal and Global High-Yield Indices.

The Bloomberg U.S. Intermediate Credit Index is a subset of the U.S. Credit Index including maturities of at least 1 year and up to but not including 10 years. The U.S. Credit Index is comprised of the U.S. Corporate Index and the non-native currency subcomponent of the U.S. Government-Related Index. The U.S. Credit Index includes publicly issued U.S. corporate bonds, specified foreign debentures, and secured notes denominated in U.S. dollars. The U.S. Credit Index is a subset of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Strategy Disclosures

As set forth above, this profile relates solely to the Hybrid Capital Fixed Income Portfolio Strategy managed by the portfolio manager and team set forth on the first page (the "Strategy"). This Strategy requires a minimum investment of \$250,000, which may be waived in the portfolio manager's sole discretion.

Past performance does not guarantee future performance or investment results. Actual performance for a client may differ due to such factors as timing, economic and market conditions, cash flows, and client constraints. Investing involves risk, including the possible loss of principal. Diversification does not ensure a profit or protect against loss. Due to the sector concentration of the Strategy, disruptions in a particular sector or industry may impact results.

When investing in bonds and interest rate-sensitive securities, it is important to note that as interest rates rise, prices will fall. Other risks include the risk of principal loss should the issuer default on either principal or interest payments. This portfolio invests in bonds which are obligations of corporations, and not the U.S. government, and therefore, carry a higher degree of risk relating to default. Although the portfolio strategy seeks to maintain a blend of investment grade and below investment grade, individual bond and security ratings are subject to change from time of purchase. Investment grade means bonds which carry a rating of Baa3 or higher by Moody's or BBB- or higher by Standard & Poor's. The minimum rating for this strategy is Ba3 by Moody's and BB- by Standard & Poor's. High-yield bonds and securities, rated below investment grade, have greater credit risk than higher-quality bonds and securities. Model portfolio average statistics and model holdings are subject to change without notice. You should therefore carefully consider whether interest rate and default risk are suitable for you in light of your financial condition.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. Affiliates of SCM may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. SCM does not provide tax, legal, or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisors before engaging in any transaction.

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