THIRD QUARTER 2022

Preferred and Income Securities Commentary

September 30, 2022

PERFORMANCE

The Preferred and Income Securities Composite (Composite) took advantage of the elevated market volatility and outperformed its benchmark by 360 basis points (net of fees) in the third quarter of 2022. The Composite's total return was a positive 1.16% (net of fees) while the benchmark returned negative 2.44%.

COMPOSITE	Composite Gross (%)	Composite Net (%)	Index* (%)	Outperformance** (%)
3Q22	1.25	1.16	-2.44	3.60
ITD[†]	-11.68	-11.91	-13.96	2.05

*Custom Benchmark (60% CIPS, 20% PoP4, 20% COCO)
**Outperformance=Composite Net-Index
[†]Performance calculated from inception date 2/1/2022

Periods greater than 12 months are annualized
Source: Bloomberg, Clearwater Analytics

PREFERRED, HYBRID, AND AT1 MARKET OVERVIEW

The Composite benchmark is a custom benchmark that is a blend of three ICE indices designed to broadly represent the investable universe of deeply subordinated preferred, corporate hybrid, and additional tier one (AT1) securities.* The benchmark has returned negative 15.84% year to date (YTD) with the AT1 market significantly underperforming with a 23.18% YTD loss.

Within U.S. domestic institutional preferred and hybrid securities, investment grade has outperformed high yield by 234 basis points (bps) YTD but underperformed high yield by 78 bps quarter to date (QTD), as there was a very strong rally across the entire preferred and hybrid space that began around the 4th of July and fizzled out around Labor Day. Retail preferred securities (typically fixed for life and long duration), on the other hand, underperformed institutional preferred securities on both QTD and YTD bases as the duration sell-off has remained fairly steady throughout the year.

The underperformance of the AT1 market relative to the U.S. institutional preferred securities was driven primarily by spread widening but there was a strong foreign exchange (FX) component to the underperformance as well. Not only did euro and the pound sell off by 14% and 17%, respectively, but spreads in euro-denominated and pound-denominated AT1s also underperformed in spread terms.

PREFERRED AND INCOME SECURITIES REVIEW

Relative outperformance was led by the portfolio's large overweight position to currently or soon-to-be floating rate securities, issued primarily by U.S. domestic financial institutions. The floating rate securities were primarily issued prior to 2020 and many have three-month Libor as their reset index as opposed to the constant maturity treasury (CMT) reset index that the majority of newly issued U.S. preferred securities have. These securities were overrepresented in the strategy for two reasons. First, their coupons are tied to a front-end rate and will reset in two years or less, so even in a rising rate environment, any negative price performance from duration would be at least partially offset by a rising coupon. Second, the call option sold by the owner of the bond is aligned with the reset index on these "legacy" instruments. Unlike the more common CMT structure where the bonds are callable quarterly after the first call date while the coupon resets every five years. These "unaligned" structures are clearly more valuable to the issuers and less attractive to the owner of the bonds. We believe that this call/reset misalignment was not and still is not priced into the marketplace.

Additional contributors to relative outperformance came from the strategy's foreign currency position whereby the Composite sold all its euro-denominated AT1s early in the quarter and never owned any pound-denominated AT1s, resulting in roughly a 5% underweight euro and 2% underweight pound position relative to its benchmark. Even after the FX component is stripped out of the total return, euro- and pound-denominated AT1s underperformed from a spread and interest rate perspective. Furthermore, retail preferred securities, specifically, those with

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fixed-for-life structures, were avoided due to the lack of compensation in spread terms for taking on such a long duration asset. Retail preferred securities (PoP4 -2.01% 3Q22) underperformed institutional preferred securities (IoCS -1.2% 3Q22) from a total return standpoint during the quarter but outperformed on a spread basis (44 bps tighter vs 30 bps tighter).

Relative underperformance can be attributed to the Composites positioning within AT1s. Although the Composite was underweight AT1s in general, it was overweight UK AT1s that sold off aggressively, particularly as the quarter ended. Turnover in the quarter was also high due to elevated volatility, resulting in meaningful levels of trading costs relative to its benchmark that by definition had no trading costs. Lastly, the Composite's yield curve position, which had (and continues to have) a strong steepening bias during a quarter where the yield curve aggressively inverted, contributed to relative underperformance.

PORTFOLIO OUTLOOK AND POSITIONING

The portfolio is currently positioned to overweight the U.S. domestic institutional preferred market, specifically those securities that are or will be floating over a front-end rate in the near term. These securities have very low interest rate risk given they will be floating in the near term, but they also have good convexity as most of them trade below par (some materially so). The vast majority of securities have reset/call alignment as mentioned earlier, providing a better convexity position than the broad custom benchmark. The Composite currently has no positions denominated in the euro or the pound, which means it is 7% (5% euro, 2% pound) underweight its benchmark, as we believe that the pound and euro will both trade below parity in the near term. The Composite does own several retail preferred securities, but all of them are of the fixed-to-float variety rather than fixed-for-life, resulting in a meaningful yield curve position (steeper). Lastly, the Composite is materially underweight the AT1 segment of its benchmark, and even the AT1 securities it does own are much more defensive than the broader AT1 market with no Spanish or Italian names in particular.

MARKET REVIEW

The Federal Reserve Bank (Fed) continued with its aggressive tightening cycle by increasing the Federal Funds target rate by another 75 bps at its September meeting. This brings the lower band of the target to 3%, after beginning the year at zero, making it the fastest pace of rate hikes since the 1980s. Additionally, the Central Bank continues to shrink its bloated balance sheet by nearly $100 billion per month. These actions were necessitated by the fact that U.S. inflation remains stubbornly sticky as measured by the unexpectedly high August year-over-year Consumer Price Index (YoY CPI) reading of 8.3%. Across the Atlantic, Germany and the United Kingdom experienced August YoY CPI readings of 10.0% and 9.9%, respectively.

Unsurprisingly, the government bond markets did not take these events lightly. 10-year U.S. Treasury yields increased by 84 bps during the quarter, ending at a 3.83% yield to maturity (YTM). 10-year German bunds, which began the year with negative yields, increased by 74 bps during the quarter to end with a 2.07% YTM. Meanwhile, as the UK made plans to cut taxes and spend approximately 5% of GDP to subsidize this winter's heating bills, 10-year Gilt yields exploded by 186 bps to the upside, ending the quarter at 4.09%. Europe's more dire circumstances relative to the U.S. provided the spark for the counter-cyclical U.S. Dollar Index (DXY) to increase an astounding 7.1% for the quarter. After trying to rally earlier in the quarter, the government funding issues, and stronger U.S. dollar proved too much for equity markets to handle as the S&P 500® ultimately finished down 4.89% for the quarter. With risk-free interest rates increasing at a quickened pace, it was somewhat surprising that growth stocks outperformed value stocks on a relative basis.

As we enter the final quarter of the year, Chairman Powell and the Fed seem determined to follow the Paul Volcker model rather than the Arthur Burns model on fighting inflation. This, along with U.S. companies' earnings being negatively impacted by a strong dollar, could make for a challenging 3Q earnings season and a continued bear market for stocks.

*The Custom Benchmark is made up of 60% ICE BofA U.S. Investment Grade Institutional Capital Securities Index (CIPS), 20% ICE BofA Core Plus Fixed-Rate Preferred Securities Index (PoP4), and 20% ICE BofA Contingent Capital Index (COCO).

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The "Net" returns presented are net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

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The Preferred and Income Securities Composite includes a broad distribution pooled fund (North Square Preferred and Income Securities Fund) that invests in preferred securities, Treasury and agency bonds, investment grade and non-investment grade corporate bonds, asset-backed securities, agency and non-agency mortgage-backed securities, collateralized mortgage obligations, and REITS. The strategy may use derivatives, including forward contracts, futures contracts, swap contracts and options in implementing its strategy. The use of derivative instruments allows the strategy to achieve its investment objectives, reduce risks, or manage the strategy more efficiently. The strategy also invests in international securities, foreign exchange, and non-U.S. dollar denominated securities. Under normal market conditions, the portfolio invests at least 80% of its net assets (plus any borrowings for investment purposes) in a portfolio of preferred and debt securities issued by U.S. and non-U.S. companies. The Preferred and Income Securities Composite was created 2/1/2022. The inception date of the Composite was 1/14/2022.

Benchmark Definition:

The benchmark is a Custom Benchmark. The Custom Benchmark is a combination of 60% ICE BofA U.S. Investment Grade Institutional Capital Securities Index (CIPS), 20% ICE BofA Core Plus Fixed-Rate Preferred Securities Index (PoP4), and 20% ICE BofA Contingent Capital Index (COCO), calculated by weighting the respective index returns monthly. The CIPS index tracks the performance of the U.S. dollar-denominated investment-grade hybrid capital corporate and preferred securities issued in the U.S. domestic market. The PoP4 index tracks the performance of fixed rate US dollar denominated preferred securities issued in the US domestic market. The index includes preference shares (perpetual preferred securities), both DRD-eligible and non-DRD eligible preferred stock and senior and subordinated debt issued in $25, $50 or $100 par/liquidation increments. The COCO index tracks the performance of investment grade and below investment grade contingent capital debt publicly issued in the major domestic and Eurobond markets. The Custom Benchmark returns are calculated by using the monthly returns of the indices listed above during each period. At the beginning of each month the indices are rebalanced to a 60/20/20 ratio to account for divergence from that ratio that occurred during each month. The monthly returns are the compounded for each period, giving the performance for the Custom Benchmark. An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

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