RED CEDAR INVESTMENT MANAGEMENT

SECOND QUARTER 2023

Preferred and Income Securities Commentary

June 30, 2023

PERFORMANCE

The Preferred and Income Securities Composite (Composite) returned 4.06% on a net-of-fees basis during the quarter, outperforming its benchmark* by 192 basis points (bps). We commented at the start of the quarter that from both a carry and capital appreciation standpoint, valuations in this space have rarely looked better. This thesis played out with the 4.06% quarterly return representing the best quarterly total return of this Composite since its inception. It is important to note that at the start of the third quarter of 2023, we continue to believe that **"from a carry and capital appreciation standpoint, the space has rarely been more attractive."**

COMPOSITE	Composite Gross (%)	Composite Net (%)	Index* (%)	Outperformance** (%)
2Q23	4.15	4.06	2.14	1.92
YTD	4.41	4.22	1.44	2.78
1-Year	9.41	9.01	2.34	6.67
ITD†	-3.26	-3.62	-7.01	3.39

*Custom Benchmark (60% CIPS, 20% P0P4, 20% CDLR)
**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 custom benchmark returned 2.1% during the quarter, led by the AT1 market, which returned 3.8% for the quarter, in stark contrast to the $25 retail preferred market, which returned 0.6% during the quarter. The quarter was choppy, to say the least, with yet another large U.S. bank failing in First Republic on Monday, May 1, in addition to the three U.S. and one Global Systemically Important Bank (G-SIB) failure in March. Total returns continued to be weak into the middle of May until it became clear that neither Pacific West nor Western Alliance would follow the other U.S. banks into receivership.

INDEX	Description	Price ($)	YTW (%)	Duration	Current Spread	Spread (%)
CIPS	IG Institutional Prefs	91.68	7.29	4.15	+310	83
POP4	$25 Retail Prefs (IG & HY)	83.90	6.74	11.63	+265	73
CDLR	U.S. $ COCO	89.31	8.56	2.57	+456	82

PORTFOLIO PERFORMANCE REVIEW

The Composite outperformed its benchmark by 192 bps during the quarter, first and foremost due to its overweight position in the AT1 market, which started the quarter at 50% but was trimmed to 40% by quarter-end. This large overweight to the AT1 market was funded, in large part, by being underweight in the fixed-for-life $25 retail market, which had a total return of 0.6% versus the AT1 market's return of over 3.8%. The Composite had a 0% allocation to this segment of the market at the start of the quarter and has a 0% allocation at the end of the quarter, despite having traded in and out of the space.

Security selection also drove performance during the quarter as the Composite took advantage of the beaten-down U.S. regional bank preferred securities, increasing its exposure from roughly 6% at the start of the quarter to over 25% at the end of the quarter. Most of that increase happened in May after the failure of First Republic. Finally, duration was additive to performance as well, with the Composite having a duration of roughly half the custom benchmark.

Detracting from performance during the quarter was security selection within the AT1 market, as peripheral European bank AT1s (Italian, Spanish, Greek) outperformed the more conservative UK and Western European AT1s in which the Composite invested. Lastly, trading costs were a significant detractor from performance, as the turnover in the Composite was high while seeking to take advantage of the dislocations across the hybrid space. Dealers pulled back substantially in their market making in the wake of the bank failures, and to the extent they were still active, the bid/offer spreads widened materially.

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PORTFOLIO MANAGEMENT TEAM

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Senior Portfolio Manager
Industry start date: 2003
Joined Red Cedar: 2021

John L. Cassady III, CFA
Chief Investment Officer
Industry start date: 1987
Joined Red Cedar: 2018

Michael J. Martin, CFA
Senior Portfolio Manager
Industry start date: 1994
Joined Red Cedar: 2018

David L. Withrow, CFA
Director of Portfolio Management
Industry start date: 1988
Joined Red Cedar: 2018

QUALITY RATINGS	Strategy (%)
A & above	3.1
BBB	76.5
BB	18.7
B	0.0
Cash & Equivalent	1.7

SECURITY TYPE	Strategy (%)
Institutional Preferreds	42.8
Corporate Hybrids	14.6
Retail Preferreds	0.0
AT1s	40.9
Traditional Corporate	0.0
Cash & Equivalent	1.7

COUNTRY	Weight (%)
United States	57.4
United Kingdom	17.8
France	12.2
Switzerland	4.8
Netherlands	3.1
Sweden	3.1
Cash & Equivalents	1.7

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PORTFOLIO OUTLOOK AND POSITIONING

The Composite is relatively aggressively positioned with a 25% exposure to U.S. regional banks, which are now trading materially wider than U.S. Money Center banks despite historically trading through them. Furthermore, the Composite has a 40% exposure to AT1s, where we continue to believe that a few high-profile calls in 2H23 and into 2024 should create a positive tailwind for a segment that continues to largely trade to perpetuity, despite the vast majority of AT1s historically being called on the first call date.

Against these overweight positions, we have no exposure to the fixed-for-life retail preferred market, as we view it as rich relative to the institutional variable. We continue to take substantially less duration than our index, both because of the underweight in fixed-for-life securities and our significant allocation to floating rate preferred securities. These floating rate securities are appealing as they offer higher yields while carrying less interest rate risk compared to the overall index. Many of these floating rate securities were acquired below 90 cents on the dollar, which presents a significant total return potential.

DISCLOSURES

Red Cedar Investment Management, LLC (RCIM) is an investment adviser registered under the Investment Advisers Act of 1940, founded in 2013. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information please visit: www.adviserinfo.sec.gov and search for our firm name. Neither the information nor any opinion expressed herein should be construed as personalized investment, tax, or legal advice, or a recommendation of any particular security or strategy.

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All information and performance are reported in U.S. dollars.

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.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees. The client's return will be reduced by the management fees and any other expenses incurred in the management of the account. For example, a U.S. $100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net of fee return of 9.5%. Management fees are described in Part 2A of RCIM's Form ADV Part 2A. 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 (P0P4), 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 P0P4 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.

P0P4: ICE Preferred Securities Index for $25 retail prefs including investment grade and high yield securities.

CIPS: ICE Investment Grade Institutional Capital Securities Index that tracks U.S. dollar-denominated investment grade hybrid capital corporate and preferred securities.

CDLR: ICE Contingent Capital Index is a subset of the COCO Index that includes only U.S. dollar-denominated securities.

COCO: ICE Contingent Capital Index that tracks investment grade and high yield contingent capital issued in major domestic and Eurobond markets.

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