

Fund in focus: [Brompton Flaherty & Crumrine Investment Grade Preferred ETF \(BPRF, BPRF.U\)](#), [Brompton Flaherty & Crumrine *Enhanced* Investment Grade Preferred ETF \(BEPR\)](#)

Fixed income securities have been under pressure in 2022 from several fronts: rapidly increasing interest rates, higher inflation, global uncertainty in (what we hope is) the tail-end of the COVID-19 pandemic and topping it off, the Russia-Ukraine war.

Despite all this, there is some good news for investors: yields in some pockets of the fixed-income space have now increased to the point where meaningful income is available, especially in coupon-rich segments like U.S. Preferreds.

To illustrate, we highlight the features of a pair of adjustable U.S. Preferred issues from two major financial services issuers: one recent, and one completed several months ago.

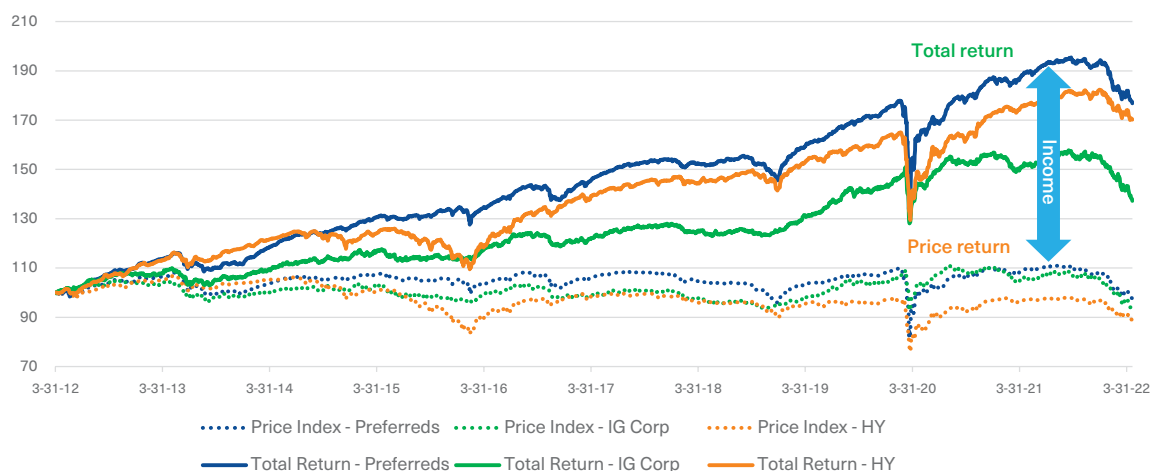
Issuer	Bank of America		Change	PNC Financial Services		Change
Issue Date	4/19/2022	1/20/2022	~ 3 months	4/21/2022	9/8/2021	~7.5 months
Coupon	6.13%	4.38%	+1.75%	6.00%	3.40%	+2.60%
Coupon Type	Fixed-Reset	Fixed-Reset		Fixed-Reset	Fixed-Reset	
Reset Spread (over Benchmark)	3.23%	2.76%	+0.47%	3.00%	2.59%	+0.41%
Reset Benchmark	5 Year UST	5 Year UST	-	5 Year UST	5 Year UST	-
Reset Period	5 years	5 years	-	5 years	5 years	-
Issue Size (\$US)	\$2.00 B	\$1.75 B	-	\$1.00 B	\$1.50 B	-
Par Amount	\$1,000	\$1,000	-	\$1,000	\$1,000	-

Source: Bloomberg as of April 21, 2022

Most of the terms for the recent U.S. Preferred issues are the same or very similar as the earlier issues from the same company. However, the current yields offered, and the reset spreads provided, have both increased markedly. The new higher yield levels are beneficial to new investors and represent an attractive entry point for US Preferred Share investors.

Price Return v.s. Total Return

Since Preferred Benchmark Inception (March 31, 2012 - March 31, 2022)



Source: Bloomberg, Flaherty & Crumrine as of March 31, 2022. Indices used are the ICE BofA 8% Constrained Core West Preferred & Jr. Subordinated Securities Index, ICE BofA US Corporate Index, and ICE BofA US High Yield Index.

In the chart above, the lower dotted lines represent the price return for three major fixed income categories. Prices move up and down in a range over time for fixed income investments, but price typically represents only a small portion of total return. The real determining factor is income. The 2022 fixed income drawdown has significantly increased the coupon rate available to investors to participate in new U.S. Preferred issues, creating an attractive buy-in opportunity for income-seeking investors.

Brompton's Approach

US Preferreds are liquid, have high credit quality on average, and offer yields that are higher than Canadian Preferreds and more than double the yields on US Investment Grade bonds. [Brompton Flaherty & Crumrine Investment Grade Preferred ETF \(BPRF, BPRF.U\)](#) yields over 5% and [Brompton Flaherty & Crumrine Enhanced Investment Grade Preferred ETF \(BEPR\)](#) yields over 8%, and both offer Canadian investors an attractive way to invest in the US Preferred share market with the benefit of active management by the longest tenured US preferred share specialist, Flaherty & Crumrine Incorporated.

Annual Compound Returns ¹	1-YR	3-YR	5-YR	10-YR	S.I. BPRF ²	S.I. BPRF.U ³
BPRF - Brompton Flaherty & Crumrine Investment Grade Preferred ETF (CAD-H)	(6.7%)	2.5%	-	-	3.5%	-
BPRF.U - Brompton Flaherty & Crumrine Investment Grade Preferred ETF (USD)	(6.8%)	-	-	-	-	2.8%
BEPR - Brompton Flaherty & Crumrine Enhanced Investment Grade Preferred ETF (CAD-H)	(8.1%)	2.0%	2.9%	7.1%	-	-

¹ Returns are for the periods ended April 30, 2022 and are unaudited. The table shows the Fund's compound returns for each period indicated. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown is based on Net Asset Value per unit and assumes that distributions made by the ETF on its units in the period shown were reinvested at Net Asset Value per unit in additional units of the Fund.

² BPRF inception date October 15, 2018.

³ BPRF.U inception date August 8, 2019.

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