

For institutional investors' and investment professionals' use only.

Ulland Investment Advisors, Inc

Defensive Growth Strategy

Active Fixed Income Management

Targeting a 5% Net Return for Clients

June 2017

James Ulland
President/Portfolio Manager
james.ulland@ullandinvestment.com

Nat Beebe, CFA
Portfolio Manager
nat.beebe@ullandinvestment.com

4550 IDS Center
80 South 8th St.
Minneapolis, MN 55402
612-312-1400
www.ullandinvestment.com

The views and opinions in the preceding commentary are as of the date of publication and are subject to change. This material represents an assessment of the market environment at a specific point in time. We consider the information in this presentation to be accurate, but we do not represent that it is complete or should be relied upon as the sole source of suitability for investment. Investors should consult their own advisors with respect to their individual circumstances.

Risks of Investing in Preferred Securities and Subordinated Debt

Investing in any market exposes investors to risks. In general, the risks of investing in preferred securities are similar to those of investing in bonds, including credit risk and interest-rate risk. As nearly all preferred securities have issuer call options, call risk, reinvestment risk and income risk are also important considerations.

In addition, investors face equity-like risks, such as deferral or omission of distributions, subordination to bonds and other more senior debt, and higher corporate governance risks with limited voting rights.

Past performance is no guarantee of future results. There is no guarantee that any historical trend presented in this commentary will be repeated in the future, and no way to predict precisely when such a trend will begin. There is no guarantee that any market forecast set forth in this presentation will be realized. Index performance is not representative of the performance of any Ulland Investment Advisors account and no such account will seek to replicate an index.

CONTENTS

	Page number
Organization	4 - 7
Investment philosophy	8
Credit research framework	9 - 10
Risk management	11
Performance since inception	12 - 14
Characteristics of strategy	15 - 19
Why our strategy is compelling	20 - 27
Current views	28 - 31
Summary	32

ORGANIZATION

Assets

- \$310 million in assets under management
- \$262 million in flagship strategy - *Defensive Growth Strategy Using Preferred Securities and Subordinated Debt*
- Current yield is 6.94% in flagship strategy

Expertise

- Pioneer in tax-efficient preferred and hybrid securities
- Proprietary independent research
- Specialization in preferred securities and subordinated debt

People

- Portfolio manager was former state securities, banking and insurance regulator
- 5 professionals in research team and investment committee

Portfolio Management



James Ulland
President and Portfolio Manager

M.B.A., Wharton School of Finance



Nat Beebe, CFA
Portfolio Manager

NASD Series 65 certified
B.A., Carleton College

Combined
experience of 39
years in portfolio
management and
securities research

Investment Committee



Jared Plotz
Director of Research

M.B.A., Tippie School of Management,
University of Iowa



James Ulland
President and Portfolio Manager

M.B.A., Wharton School of Finance



Nat Beebe, CFA
Portfolio Manager

NASD Series 65 certified
B.A., Carleton College

Responsible for key
investment
decisions... Along
with other analysts

Operations



James Skjong
Director of Trading, Operations and Compliance

NASD Series 65 certified
B.A., Carleton College

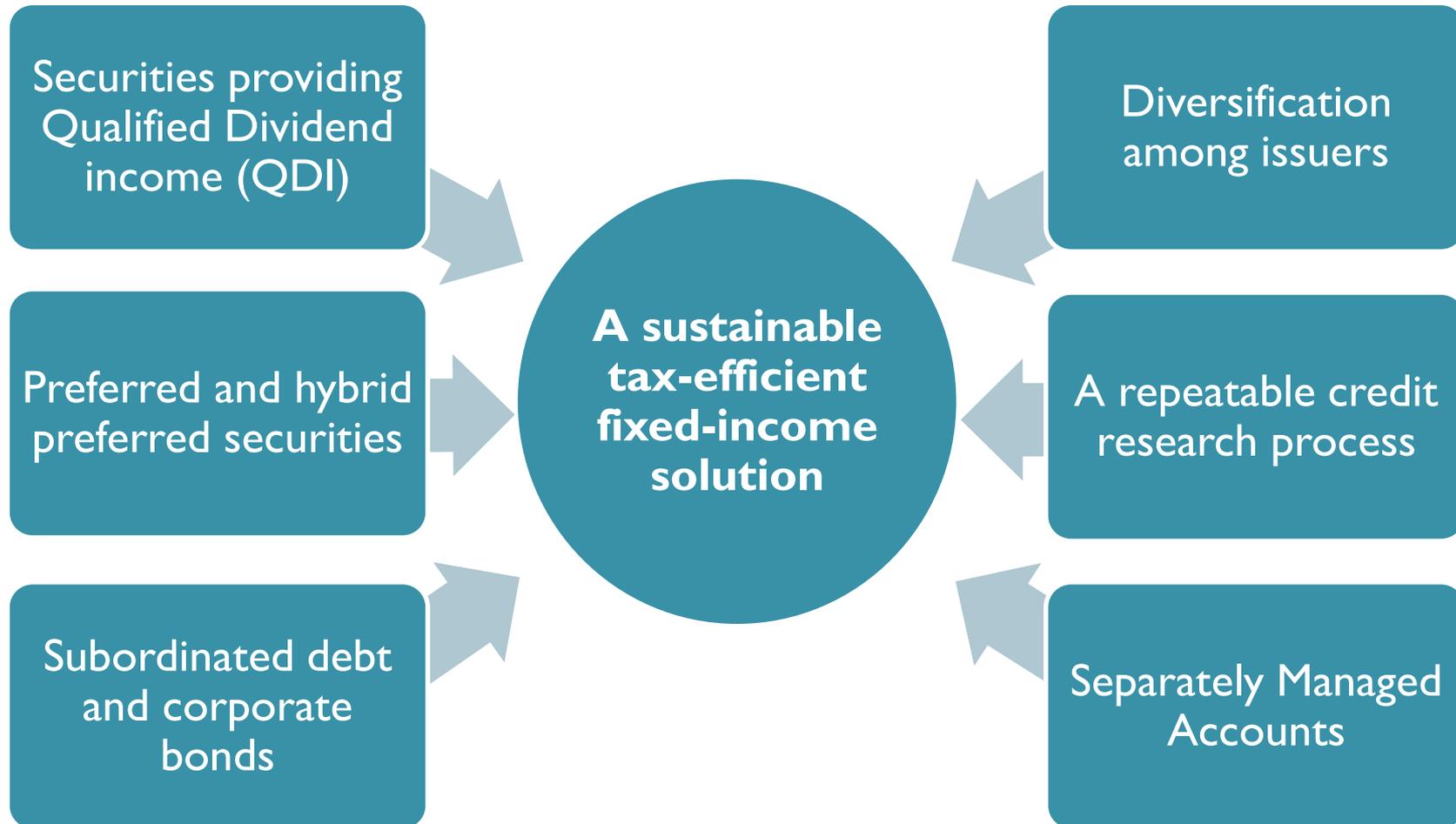


Nat Beebe, CFA
Portfolio Manager

NASD Series 65 certified
B.A., Carleton College

Combined
experience of 22
years in trading,
product control,
settlements,
compliance and
communications

INVESTMENT PHILOSOPHY



CREDIT RESEARCH FRAMEWORK

Issuer credit quality

- Coverage of interest
- Generation of sustainable cash flows
- Company comparables
- Quality of management

Sector analysis

- Sector-specific drivers
- For example, using data from Bank of International Settlements (BIS) and FDIC, and non-accrual loans data to analyze the financial sector.

Securities' features

- Position in capital structure
- Sensitivity to interest rate movements
- Call risk
- Liquidity

Macro environment

- GDP growth rates
- Current account surpluses/deficits
- Balancing of government budgets
- Sovereign debt rating

RESEARCH PROCESS

IDEA GENERATION

- Bottom-up screening
- Discussions with industry experts and sell-side
- Special situations

IN-DEPTH RESEARCH

- Proprietary framework
- Analysis of company- and sector-specific drivers
- Comparable company analysis
- Financial modeling

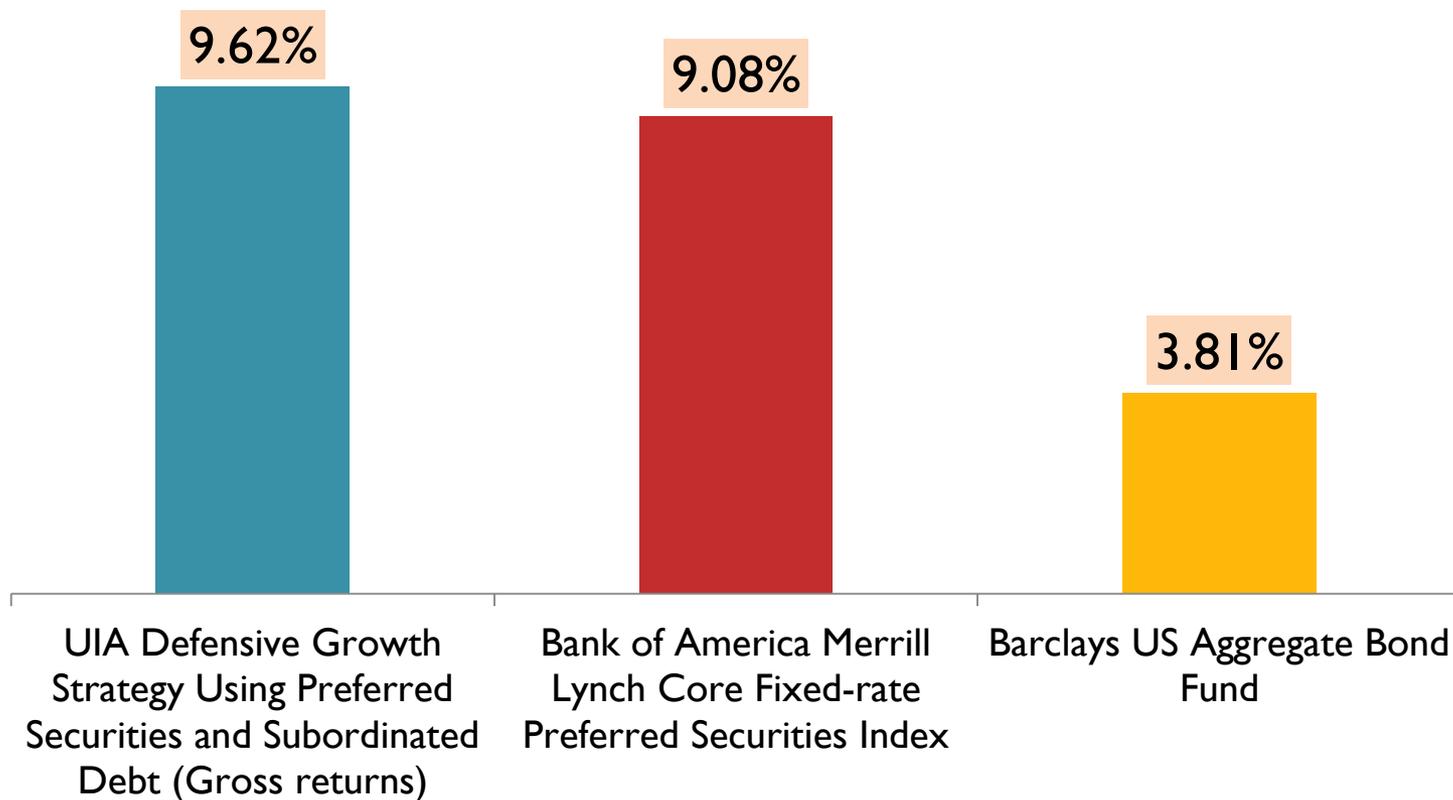
DECISION AND FOLLOW- UP

- Investment committee makes final decision
- Securities may be placed on Watch List for further research
- Analysts continuously monitor Watch List and Buy List.

PERFORMANCE SINCE INCEPTION*

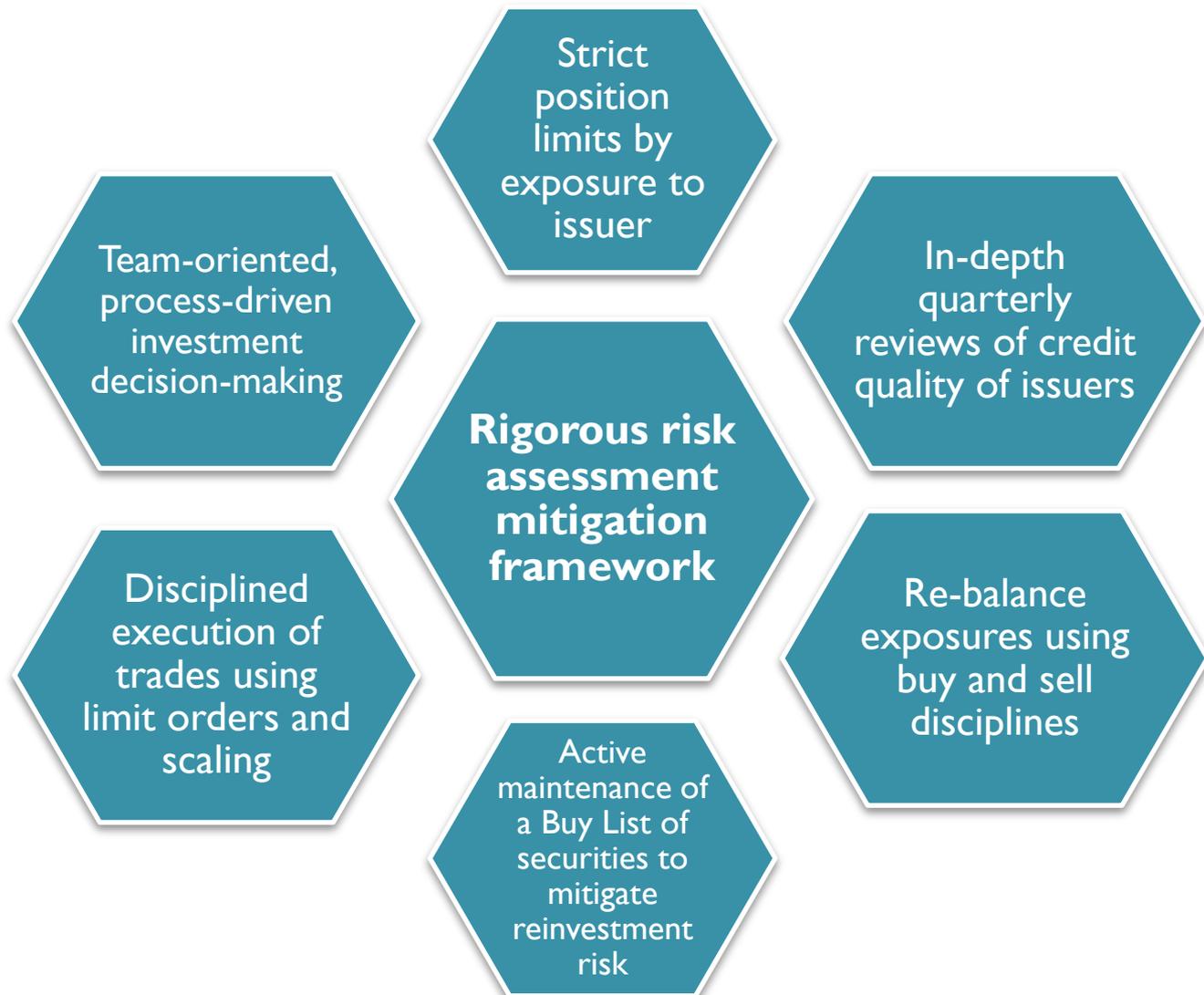
**

(see disclaimer page)



*Compounded annual growth rates on a total return basis. Inception date: January 1, 2009.

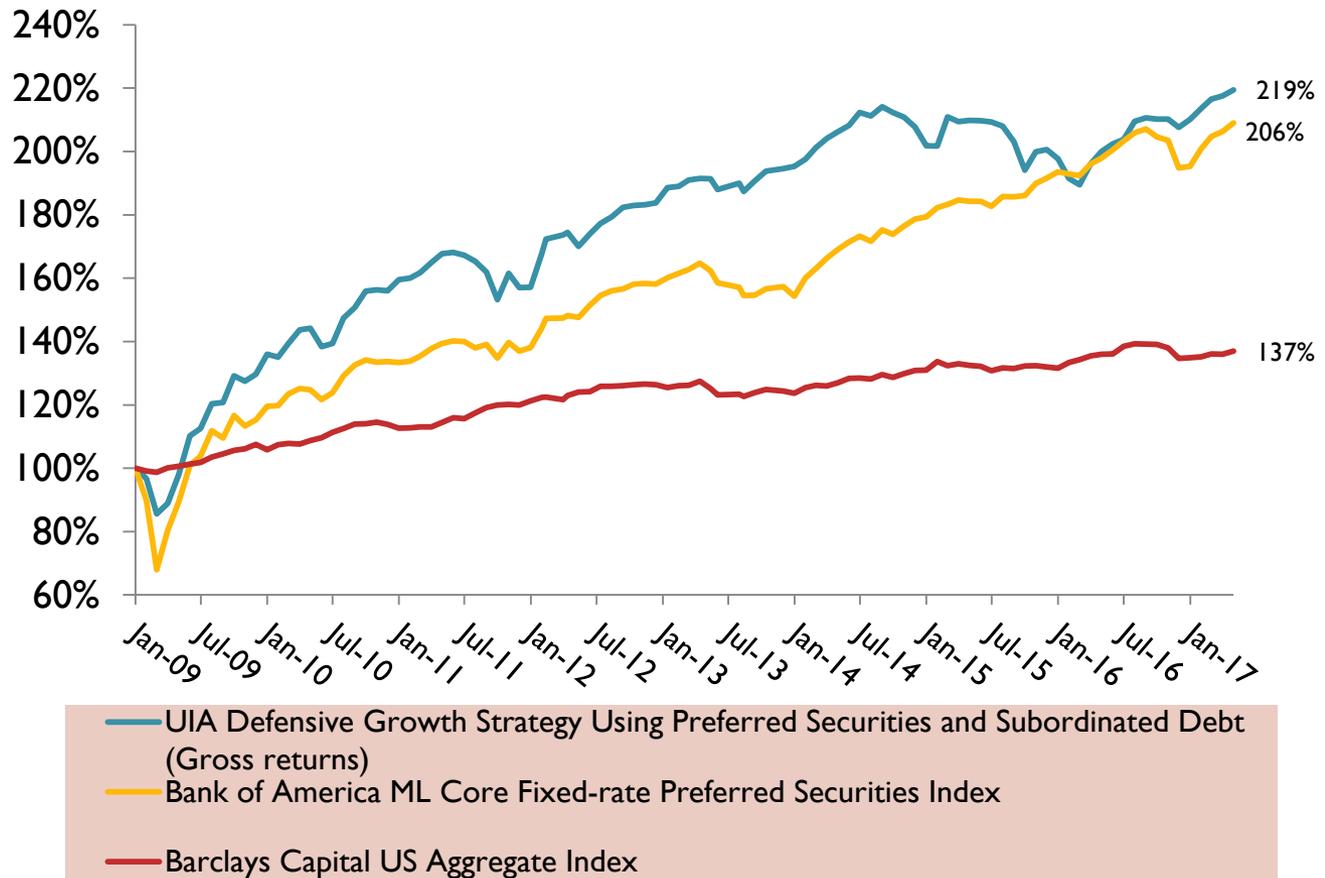
RISK MANAGEMENT



Cumulative total return since inception*

**

(see disclaimer page)



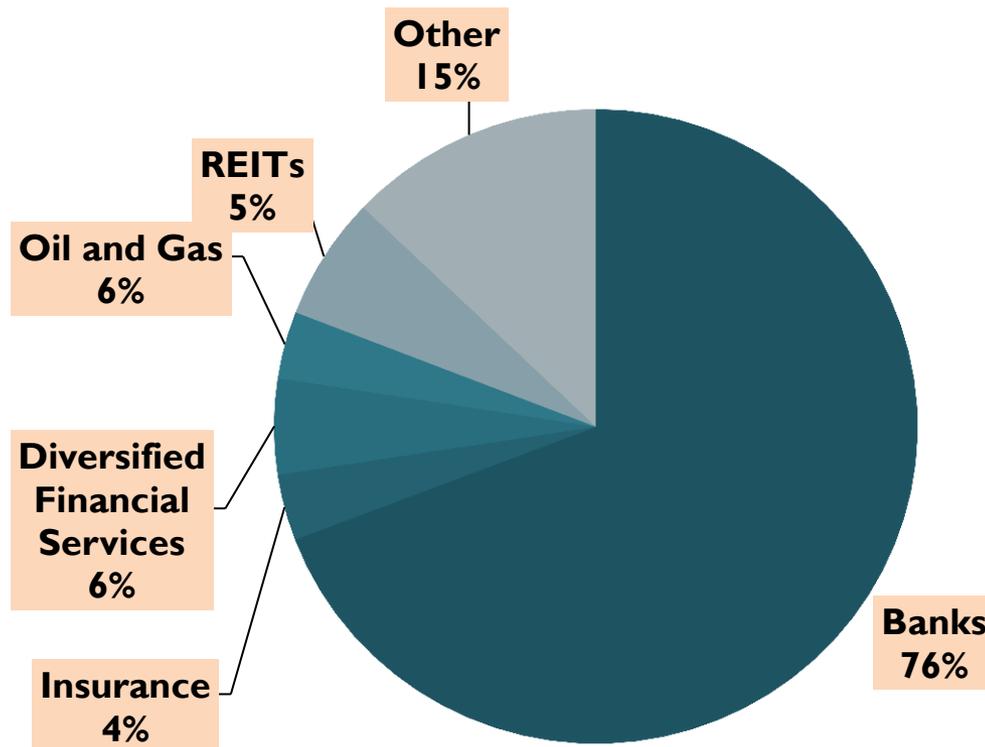
* Inception date: January 1 2009.

Historical Returns vs. Barclay Aggregate Bond Index**

(see disclaimer page)

Annual Total Return (Gross)		
Year	Ulland Institutional Fixed Income Composite	Barclay Aggregate Bond Index
2017 (as of 04/30/17)	3.37%	1.59%
2016	5.54%	2.65%
2015	2.17%	0.55%
2014	5.83%	5.97%
2013	4.24%	-2.03%
2012	17.10%	4.22%
Total Return Annualized (Gross)		
	Ulland Institutional Fixed Income Composite	Barclay Aggregate Bond Index
1 Year (2016)	5.54%	2.65%
3 Year (2014-2016)	4.50%	3.03%
5 Year (2012-2016)	6.85%	2.23%

U.S. Publicly Listed Preferred Market Overview

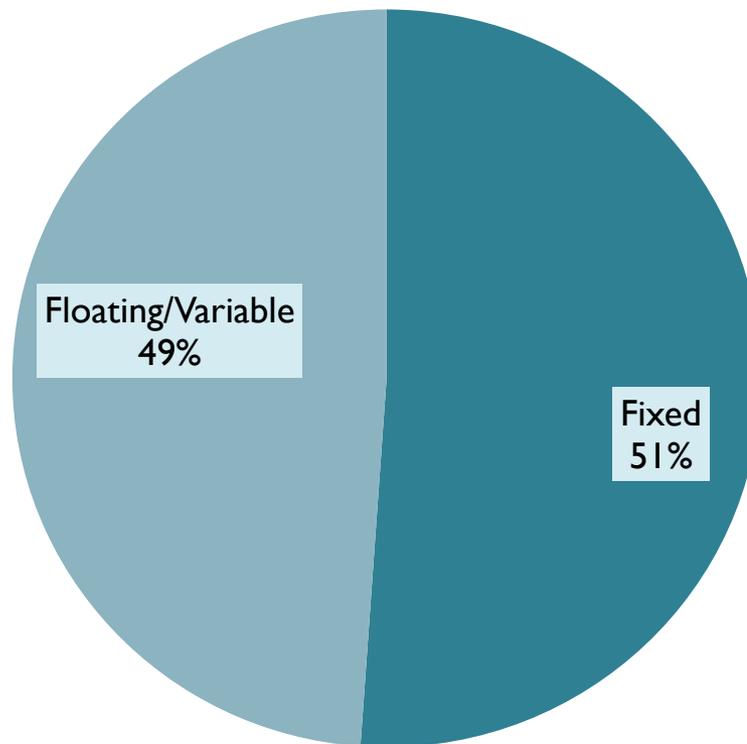


The market* for preferred securities is ~\$270 billion

*Market defined by Dollar Denominated, perpetual, non Reg S, 144A, and non-agency securities, \$25 or \$1,000 par securities, and whose market cap is over \$100 million
Numbers may not add up to 100% due to rounding.

U.S. Publicly Listed Preferred Market Coupon Type

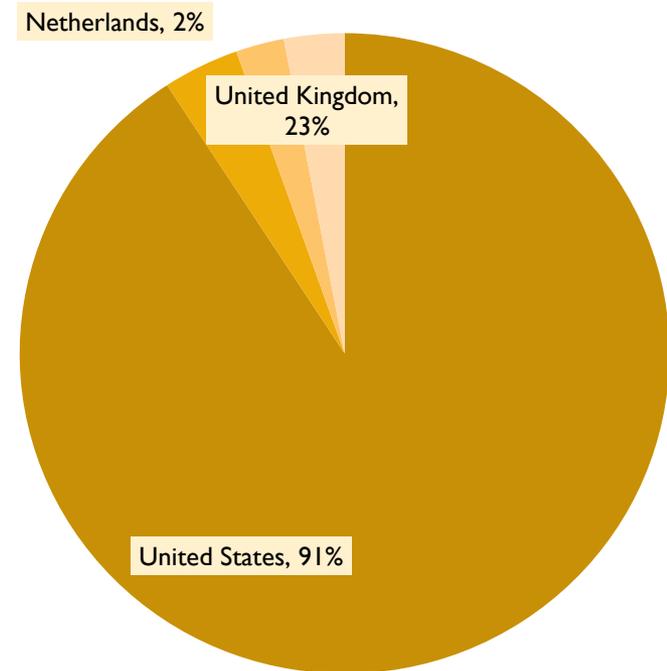
\$270 Billion Market



Market defined by Dollar Denominated, perpetual, non Reg S, 144A, and non-agency securities, \$25 or \$1,000 par securities, and whose market cap is over \$100 million

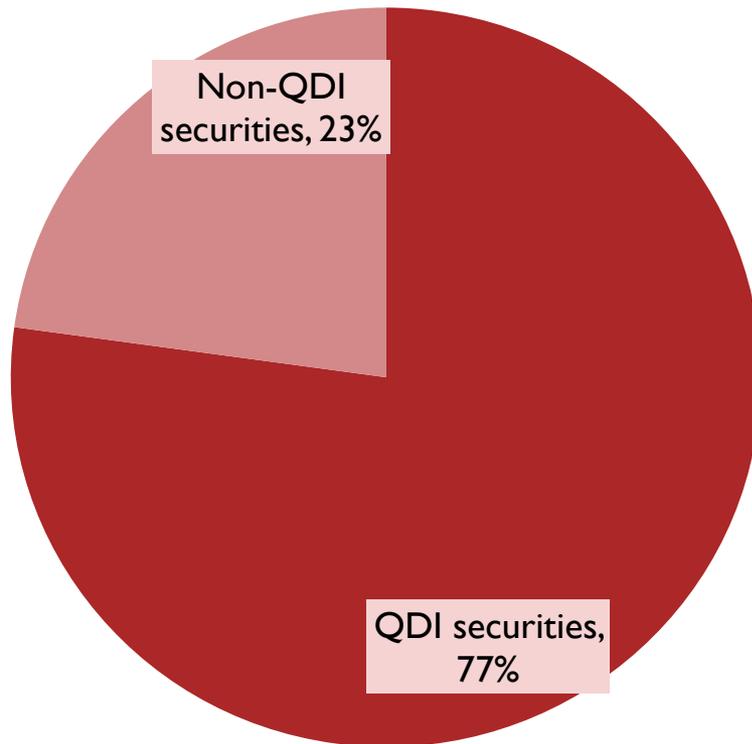
Ulland Defensive Growth - Country Allocation

Positive macroeconomic and credit fundamentals favor an overweight allocation to issuers based in the United States and Northern Europe.



Numbers may not add up to 100% due to rounding.

Ulland Qualified Dividend Income (QDI) Allocation

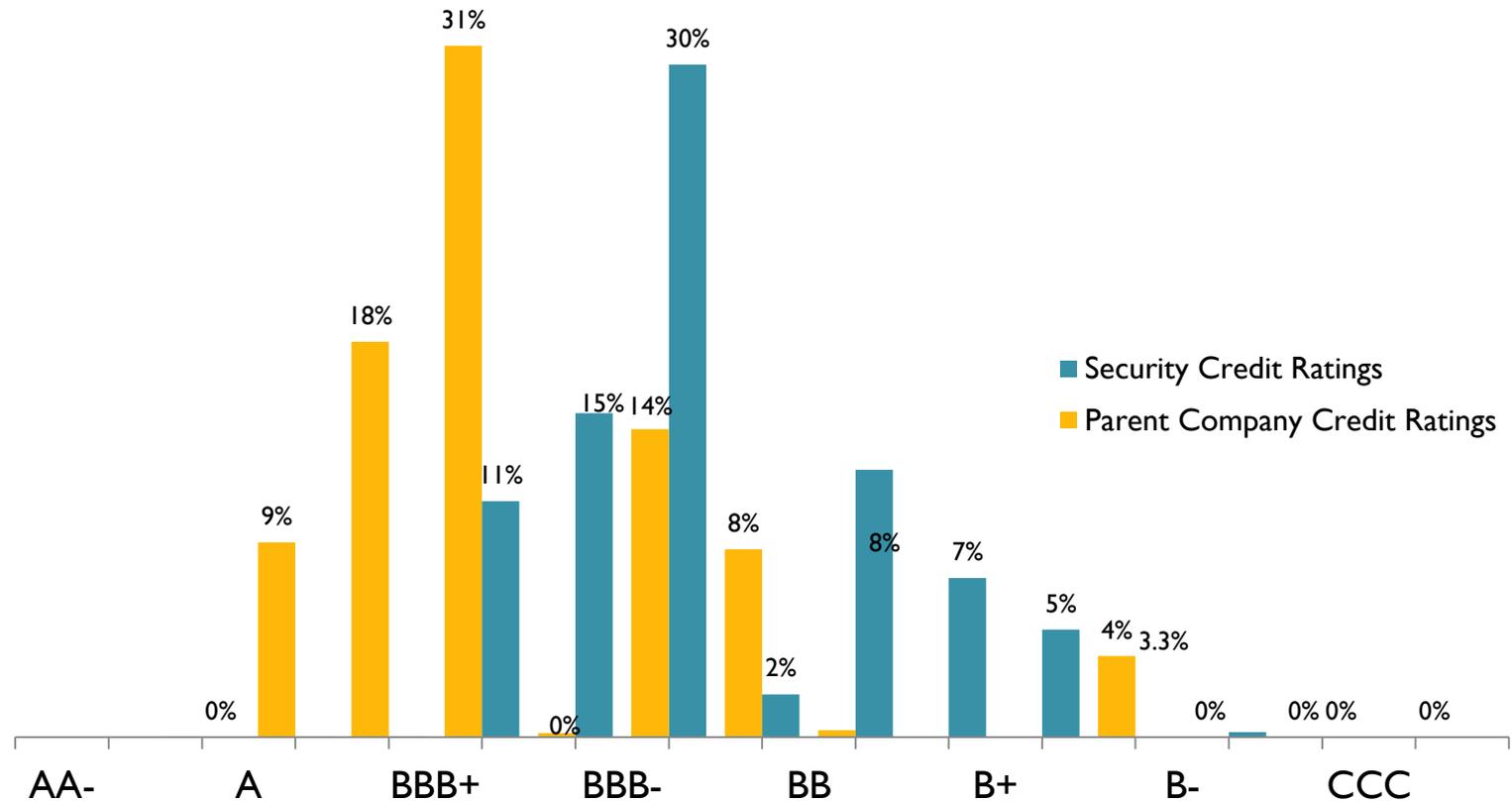


For the highest income tax earners, qualified dividends are taxed federally at the lower 23.8 % tax rate rather than at the highest tax rate for an individual's ordinary income at 44.6%.*

We manage to a higher allocation (target: 75-100%) to QDI securities.

**Tax rates include 3.8% Medicare tax*

Ulland Security Credit Rating Profile



The graph uses the Bloomberg Composite, which is an average of existing ratings (rounded down) given by Moody's, S&P, Fitch and DBRS. Non-rated issues make up 18% of the security credit rating portfolio.

WHY OUR STRATEGY IS COMPELLING

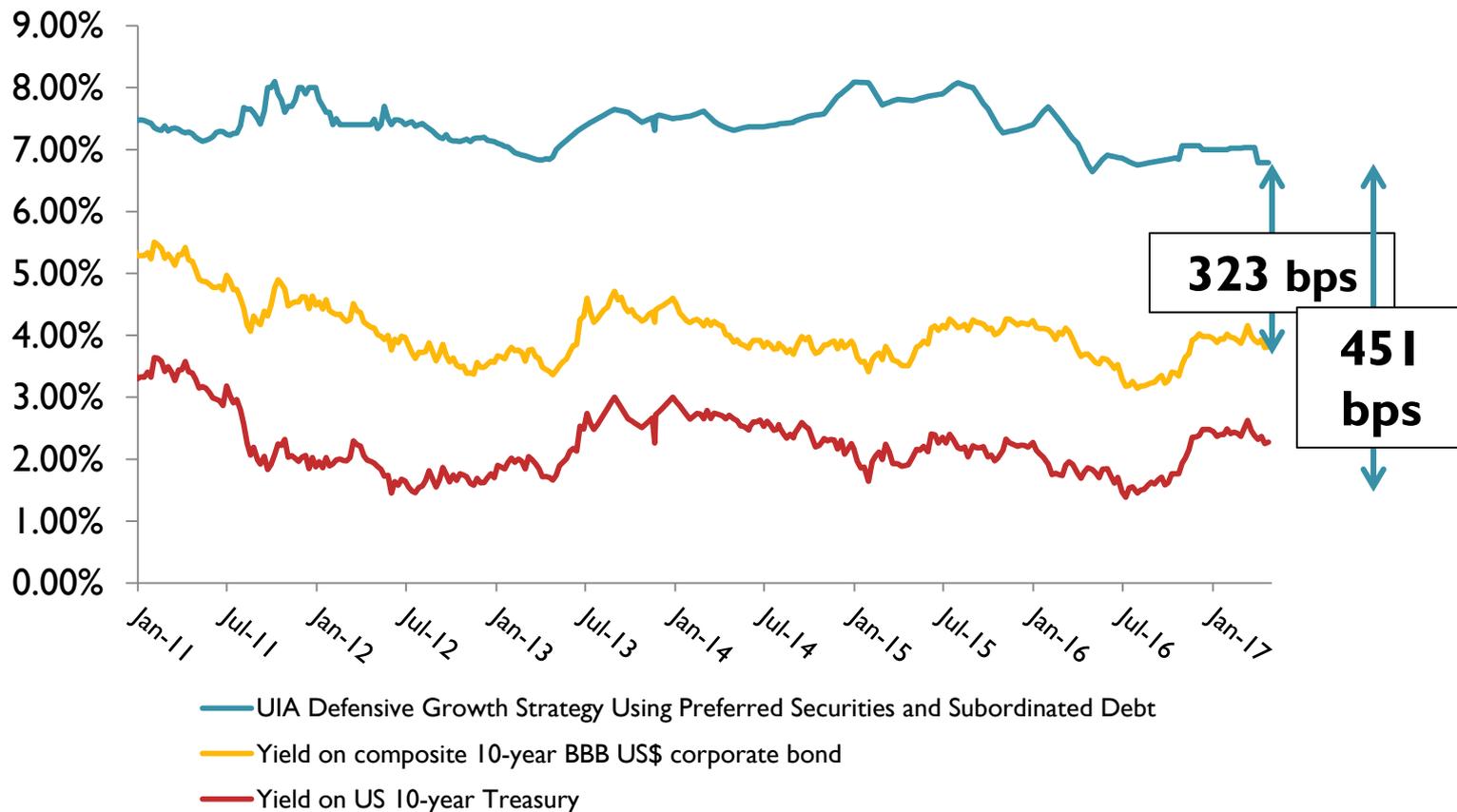
- I. Allocation towards tax-efficient securities
- II. Higher-yielding
- III. Limited duration
- IV. Safety of capital and dividends
- V. Interest Rate Protection

I) Allocation Towards Tax-efficient Securities

- Investors in high-income tax brackets receive substantial tax benefits from securities providing qualified dividend income (QDI).
- **75% of our portfolio is invested in securities providing QDI.** Our objective is to maintain the allocation to QDI securities at **75-100%** as long as the securities meet other requirements such as sound credit fundamentals and liquidity.

II) Higher Yielding** (see disclaimer page)

The UIA strategy yields 4.51% higher than 10-year US Treasuries and 3.03% higher than 10-year corporate bonds.



III) Limited Duration

- Dodd-Frank and Basel III regulations phase out these specific hybrid security issues (also known as trust preferred securities) as Tier I capital.* This moderates duration risk for these securities.
 - Trust preferred securities will be phased out of Tier I capital for all bank-holding companies with more than \$15B in assets. The phase out is completed for US banks; however, European bank trust preferred will not be phased out completely until 12/31/2022.
 - Banks are expected to redeem trust preferred securities and replace them with other forms of capital that count as Tier I capital.
- Reduction of financing costs
 - Since yields on trust preferreds are higher than yields on traditional debt, banks can “re-finance” at lower rates by redeeming trust preferreds and issuing senior debt.

*Dodd-Frank and Basel III – comprehensive sets of reform measures to strengthen the regulation, supervision and risk management of the banking sector.

*The Dodd-Frank Act phase-out period for US banks starts on 1/1/2013 and ended on 12/31/2015.

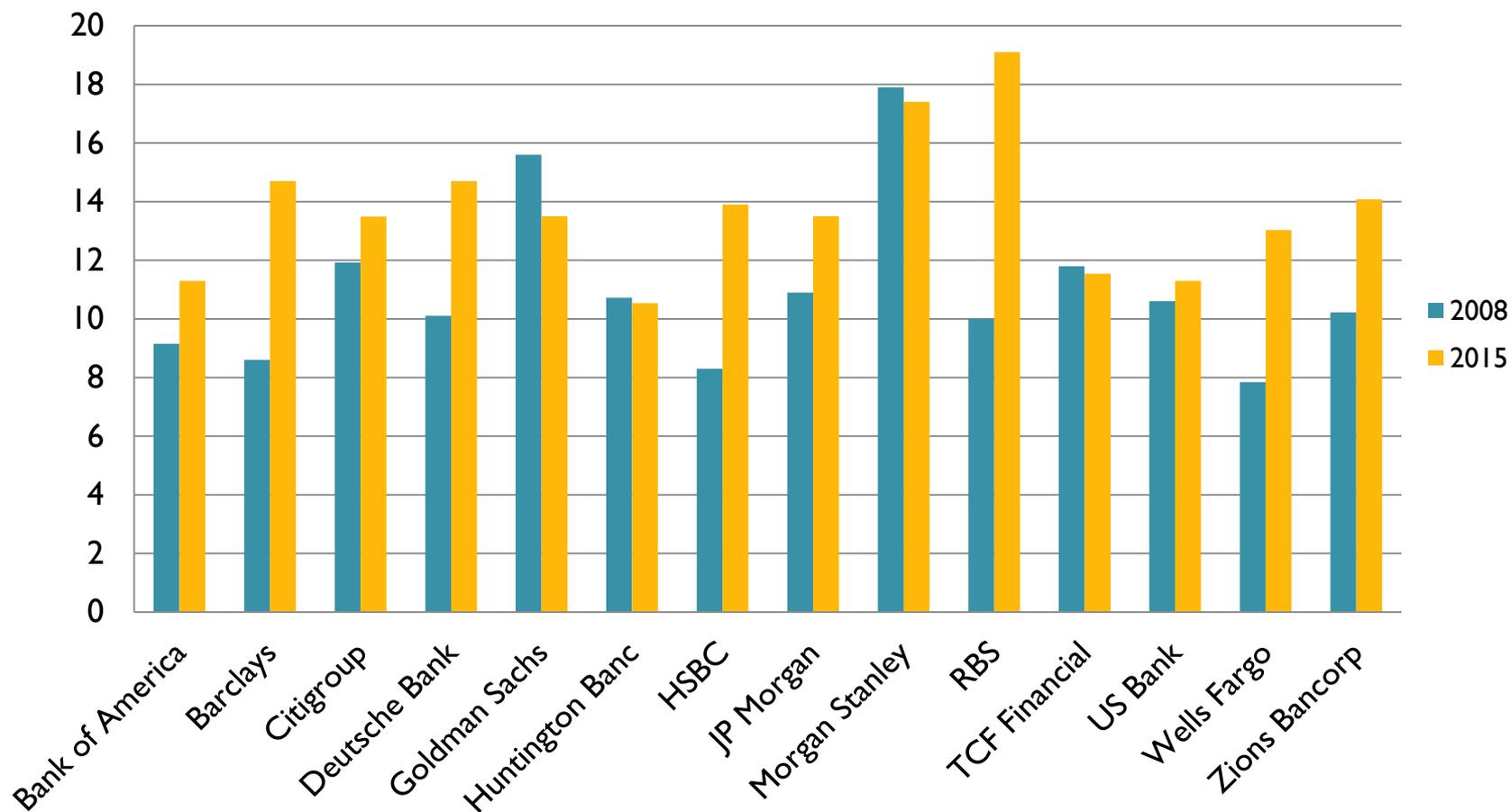
*Basel III phase-out period for European banks starts on 1/1/2013 and ends on 12/31/2022.

IV) Safety of Capital and Dividends

- Banks have built strong capital positions post-crisis to comply with regulations and in anticipation of more stringent Basel III requirements.
- Strong capital positions increase the probability that all expected dividends will be paid.
- All US banks in the strategy paid their hybrid dividends during the 2008/09 banking crisis.

Changes in Tier I capital ratio **

Average increase of 275 bps between 2008 and 2015



** Tier I capital ratio = Tier I capital / Risk-weighted assets

Tier I capital = common equity + some non-redeemable non-cumulative equity

V) Interest Rate Protection - Fixed-to-Float Preferred Allocation

Ulland Fixed-to-Float Preferred Exposure Security Overview

Fixed Rate



Floating Rate

- **Fixed Coupon At Issuance**
 - Fixed Rate Coupon: 6-8%
 - Non-Callable - 5-10 Years from issuance
 - Primarily Big Bank Issuers
 - Top Holdings: JP Morgan, Citigroup, Morgan Stanley, Goldman Sachs
- **Floating Rate After First Call Date**
 - Floating Rate Coupon: Spread + Base Rate
 - Spread - 3.30-4.5%
 - Base Rate 3 Month LIBOR

V) Interest Rate Protection - Fixed-to-Float Allocation

Ulland Fixed-to-Float Exposure
Current Holdings as of 12/31/2016

- **Current Allocation - 50% of total preferreds**
- **Target is to increase exposure as the threat of inflation increases**
- **“Ladder” float reset date to gradually convert fixed rate payments to floating rate**

Float Reset Date	As % of Floating Rate
2018	50%
2019	15%
2020-2023	10%
2024-2025	25%
Total	100%

CURRENT VIEWS

Improving Bank Balance Sheet

- **General improvement in credit quality of US banks**
 - Banks have actively de-risked balance sheets. Non-performing loans as a percentage of total loans declined from 1.18% in 2008 to 0.61% in the current quarter in our universe of 19 large US banks.*
 - Banks are also significantly improving profitability. The trailing twelve month normalized return on equity for our universe of US banks was 7.08% compared to -0.35% in 2008.

**Non-performing assets are assets in jeopardy of default, defined as when the borrower fails to make interest or principal payments for 90 days or longer.*

CURRENT VIEWS

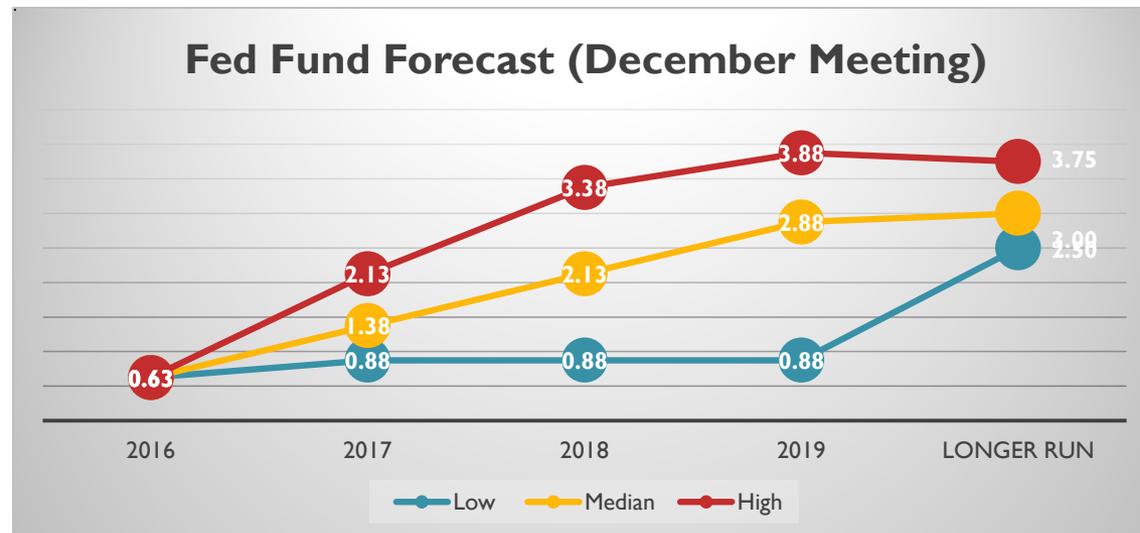
Bank Regulation Benefits Preferreds

- Implementation of Dodd-Frank and Basel III regulations will force banks to hold more capital, providing increased assurance that dividends will be paid.
- The redemption feature of bank hybrid preferred securities continues to be confirmed.
- The Federal Reserve and the European Central Bank are widely expected to maintain record-low interest rates. The accommodative stance will result in low yields on traditional fixed income instruments. The Federal Reserve has signaled its intention to raise rates in 2017 marking fixed-to-float securities a valuable defense.

CURRENT VIEWS

Gradually Rising Interest Rate Path Likely

- The Federal Reserve and the European Central Bank are widely expected to maintain record-low interest rates. The accommodative stance will result in low yields on traditional fixed income instruments.
- Two Federal Reserve hikes are likely in 2017 and more in 2018-2019.
- We expect traditional fixed income choices to face headwinds in a gradually rising rate environment.



CURRENT VIEWS

Ulland Model Portfolio positioned for rising interest rates

- Model Ulland Portfolio
 - 50 - 60% Fixed-to-Float Preferreds
 - 20 - 30% Traditional Fixed Rate U.S. Preferreds
 - 15 - 25% European Hybrid Preferreds
 - 75 - 85% Qualified Dividend Income

SUMMARY

- The strategy's current yield is 6.97%.
- The majority of hybrid securities issued by European banks are expected to be redeemed over the next five years.
- Fixed-to-Float allocation will provide some portfolio interest rate protection.
- The Defensive Growth strategy is designed for a gradual rate hike path.
- The strategy will build greater exposure to securities providing QDI such as US preferred securities and securities issued by European banks.
- The Ulland preferred and hybrid securities are traded daily and have liquidity.*

** For securities with a \$25 par value, the middle 80% of issues (as determined by volume) has an average 3-month daily volume of 25,965 shares.*

FEE SCHEDULE

Total Investment (in USD)	Annual Fee*
Between \$500,000 and \$2,000,000	1.00%
Between \$2,000,000 and \$5,000,000	0.75%
Amount above \$5,000,000	0.50%

*Fees are paid quarterly, in advance.

Disclaimer Page

** Performance quoted is past performance. Past performance is not indicative of future performance. Current performance may be lower or higher than performance shown. Differences in performance versus the Index may be attributable, in part, by differences in the asset make-up of the Fixed Income Institutional Composite vs. the Index. Performance is gross of fees and subject to revision. Performance calculations are based on the reinvestment of dividends and gains unless these amounts were paid out to the client. Ulland's Fixed Income Institutional Composite is comprised of all fee-paying accounts invested by Institutional clients. Ulland deems institutional clients to include the following: multi and single family offices, endowments and foundations. As of 4/30/2017 the institutional composite was comprised of 33 accounts and \$60.6 million in assets. The Fixed Income Institutional Composite is invested predominately in U.S. listed preferred stock. Securities include both \$25 and \$1,000 issues. Investing involves risk; principal loss is possible. The principal risks of investing in the Strategy include interest rate risk: the value of fixed income securities are impacted by changes in interest rates. Bonds and preferred securities with longer durations tend to be more sensitive and more volatile than securities with shorter durations; bond prices generally fall as interest rates rise. Other risks include call risk, market risk and liquidity risk. Investors should consider the investment objectives, risk, charges, and expenses of this Strategy carefully before investing. This and other important information can be obtained by contacting Ulland Investment Advisors.

Barclays Aggregate Bond Index: The Barclays U.S. Aggregate Bond Index is a broad based benchmark measuring the performance of the U.S. investment grade, taxable bond market, including U.S. Treasuries, government-related and corporate bonds, mortgage pass-through securities, commercial mortgage-backed securities, and asset-backed securities that are publicly available for sale in the United States. The securities in the index must be fixed rate, non-convertible, U.S. dollar denominated with at least \$250 million or more of outstanding face value and have one or more years remaining to maturity. Index returns are for illustrative purposes only. Index performance returns do not reflect and management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

The information contained in this commentary is not investment advice for any person. It is presented only for informational purposes to assist in explaining factors that may have had an impact in the past or may have an impact in the future on client portfolios or composites. All expressions of opinion reflect the judgment of the firm on this date and are subject to change. Included information has been obtained from sources considered reliable, but we do not guarantee that the foregoing materials are accurate or complete. Clients or prospective clients should contact Ulland Investment Advisors for individualized information prior to deciding to participate in any portfolio or making any investment decision. Ulland Investment Advisors does not provide tax advice. All clients are strongly urged to consult with their tax advisors regarding any potential investment.