

Investment Objective

The Tax-Advantaged Strategy seeks to provide high current income. In pursuing this investment objective, the Strategy seeks to achieve favorable after-tax returns for its investors by seeking to minimize the U.S. federal income tax consequences on income generated by the Strategy.

Key Considerations

Attractive Tax-Advantaged Income

Potential: Preferred securities offer some of the highest income rates within investment-grade fixed income. Most distributions are treated as qualified dividend income (QDI) rather than interest, taxed at a top rate of 20% vs. 37%.

Portfolio Diversification: Preferred securities may provide valuable diversification by providing to a portfolio a broader range of income-generating securities.

Active, Flexible Approach: In a changing environment with the risk of increased interest rate volatility, investors may benefit from a flexible approach that actively seeks favorable opportunities across the preferred securities market.

Emphasis on High Quality Securities: The portfolio will consist primarily of preferred securities, which are generally issued by historically stable, highly regulated banks and insurance companies and/or companies with steady cash flows, like utilities.

About Verity

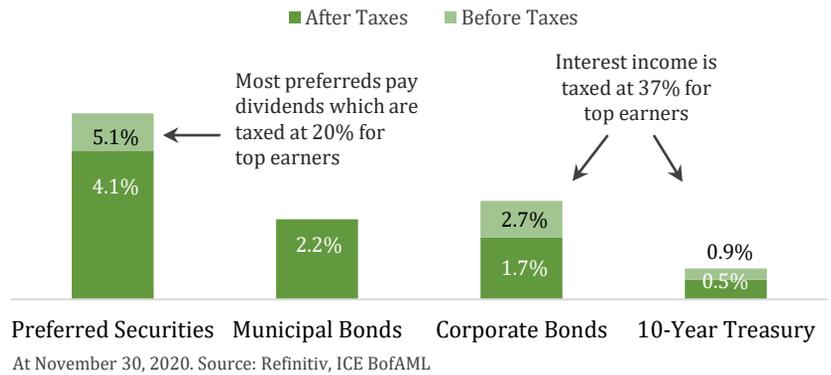
Founded in 1996, Verity Asset Management is an SEC-Registered Investment Adviser that maintains corporate headquarters in Durham, North Carolina. Verity provides investment management services to individual investors, retirement plan sponsors, higher education clients, and institutional accounts through a national network of advisors.

Our founding principles of applying rigorous fundamental research, managing risk and maintaining a long-term view still guide our investment process today.

Seeking Tax-Advantaged Income

Historically, investment-grade bonds have provided investors with diversification, stability, and income. However, the current low-rate environment has pushed many investors to take on increased levels of risk. In today's fixed income environment, we believe investors searching for attractive tax-advantaged income should consider preferred securities as a potential solution.

Preferred Securities: Unlocking the Tax-Advantage



Investment Process

In constructing a Strategy's portfolio, the securities are selected based on the following criteria:

- Idea Generation:** Establish an initial universe of income producing securities through theme development, quantitative screening, and business observations.
- Financial Analysis:** Carefully vet each investment to provide a unique source of return and diversification. This multi-layer process includes:
 - Fundamental Analysis
 - Technical Analysis
 - Cyclical Analysis
 - Quantitative Analysis
 - Asset Allocation



- Risk Management:** Measure and monitor key factors at both the portfolio and position levels in order to minimize unwanted risk.

- Final Portfolio:** The Strategy will typically consist of a diversified portfolio of approximately 25 securities.

What are preferred securities:

- Preferred securities are typically a form of equity but act a lot like bonds, with a set face value (par) and a predetermined monthly dividend.
- Preferred securities typically pay greater income than similarly rated bonds to compensate for various factors, such as sitting lower in the capital structure than bonds.
- Preferred securities are issued mostly by banks, insurance companies and utilities that typically feature steady cash-flows, most of which are currently rated investment grade. Examples of these companies include Morgan Stanley, Bank of America, UBS, Public Storage, JPMorgan Chase, MetLife, and Prudential.
- Preferred securities are offered in two markets: \$25 par securities traded on stock exchanges, and \$1000 par securities traded over the counter in the institutional market.

IMPORTANT DISCLOSURES

This strategy will most typically be more appropriate for taxable accounts, as IRAs and other non-taxable accounts will not gain any tax benefit. However, there may be other considerations pertinent to each individual investor, that may make this strategy preferable to comparable strategies offered by the firm, including but not limited to potentially greater liquidity of the Strategy's holdings as compared to other strategies holding preferred securities

The portfolios will be primarily invested in preferred securities, but may at the discretion of the manager hold limited allocations to non-preferred short-term fixed income securities and cash equivalents. Preferred securities and other fixed income securities are subject to market risk, along with credit, liquidity, and interest rate risk. Preferred securities that pay qualified dividends are also subject to risk associated with changes in federal income tax rates or rules. Income from the Strategy may be subject to federal alternative minimum tax (AMT), state and local taxes. Capital gains will also be subject to tax at pertinent rates.

All investing involves risk of loss. Portfolio values will fluctuate with changing market conditions, and there is no guarantee that strategies that have been successful in the past will be similarly successful in the future. Diversification does not assure a profit or protect against a loss in a declining market. This material contains forward looking statements. There is no guarantee that these outcomes will be achieved.

The comparative yield chart is for purposes of illustration only, based on 2020 federal income tax rates. It is not intended to represent either past or future yields. Tax consequences for individual investors will vary. Investors should seek the advice of their personal tax advisors regarding their specific situation.

Before investing, see Verity's Form ADV Part 2 for additional description and fees.

Version 20201221