

Preferred Allocation ETF Report

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We do not expect preferred Share ETFs to come under any direct tax-loss selling at the end of the year. The worst performing preferred share ETF produced a price return of -3.5%, not enough for us to believe investors will want to take the minimal tax loss. We did find that the preferred share ETFs with higher allocations to perpetual preferred shares in FPR and NPRF, managed to squeak out a small positive price return for the year. Within the ETF holdings analysis, we see one trend across the board, Husky Energy preferred shares are being added. It would appear that preferred share ETF managers have more confidence now in the name since the Husky Cenovus merger announcement. Husky's preferred shares on average are up 45.1% compared to 4.7% for the preferred share index.

For investors new to our ETF report, we included an Appendix at the bottom of this report to explain all of the latest figures for evaluating ETFs in this document. In the [Appendix](#), we describe three new tools that we developed exclusively for the ETF report. These three tools include our ETF Valuation Scenario Analysis Tool, the Future Yield Scenario Analysis Tool, and the Interest Rate Sensitivity Analysis Tool.

Figure 1

CPSR ETF Coverage Universe					
Ticker	Manager	Strategy	AUM Fee	Expected Return	Average Expected Yield over next 5-Years
CPD	Black Rock	Passive	0.49%	1.74%	5.06%
FPR	CI First Asset	Active	0.85%	0.11%	5.27%
HFP	Horizons ETF	Active	0.62%	-0.78%	5.18%
HPR	Horizons ETF	Active	0.63%	1.81%	5.34%
NPRF	National Bank	Active	0.50%	4.40%	5.25%
PPS	Invesco	Passive	0.48%	3.97%	5.19%
RPF	RBC	Active	0.62%	-0.68%	5.11%
RPS	Purpose	Active	0.75%	3.89%	5.61%
TPRF	TD	Active	0.51%	0.50%	5.18%
ZPR	BMO	Passive	0.50%	-0.12%	5.30%

Source: Bloomberg, Capitalight.Co

Recommendations

Figure 2

Best ETF For Stable Income			
Ranking	ETF	Current Yield	Worst Case Yield
1	NPRF	5.46%	4.90%
2	FPR	5.47%	4.75%
3	HPR	5.56%	4.59%

Source: Bloomberg, Capitalight.Co

Figure 3

Best ETF For Interest Rate Sensitivity			
Ranking	ETF	Duration	Best Case Expected Return
1	RPS	-26.8	27.5%
2	ZPR	-23.0	19.2%
3	RPF	-21.9	18.4%

Source: Bloomberg, Capitalight.Co

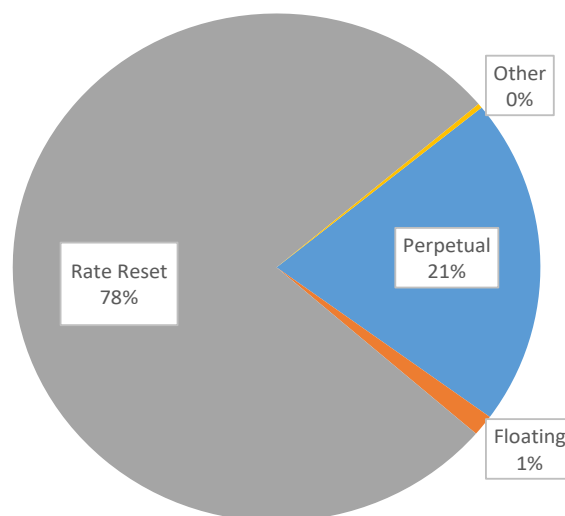
Figure 4

Best ETF For Liquidity		
Ranking	ETF	Average 30-day Liquidity
1	ZPR	\$12,254,798
2	HPR	\$6,716,337
3	CPD	\$6,151,524

Source: Bloomberg, Capitalight.Co

CPD – iShares S&P/TSX Canadian Preferred Share Index ETF

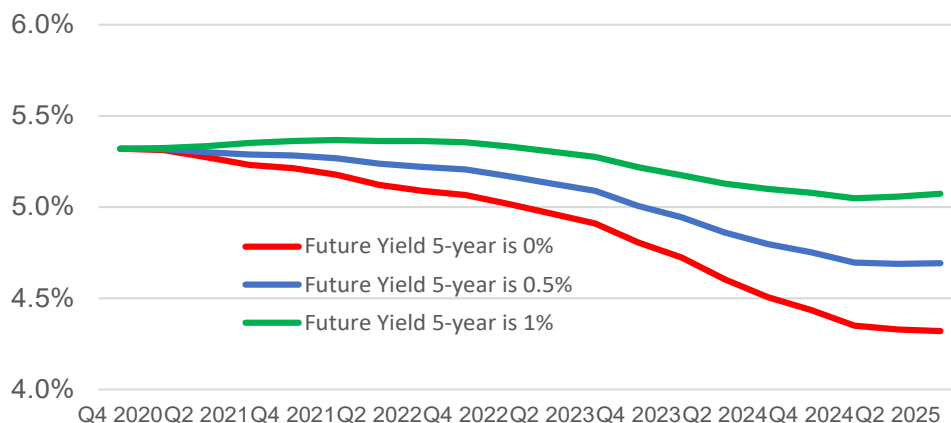
**CPD ETF Preferred Share
Structure Allocation**



CPSR Preferred Share CPD ETF Data

Price	\$12.25
Duration	-15.03
5-Year Yield Priced In	0.49%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$6,151,524

CPD Future Yield



CPD ETF Scenario Analysis Table

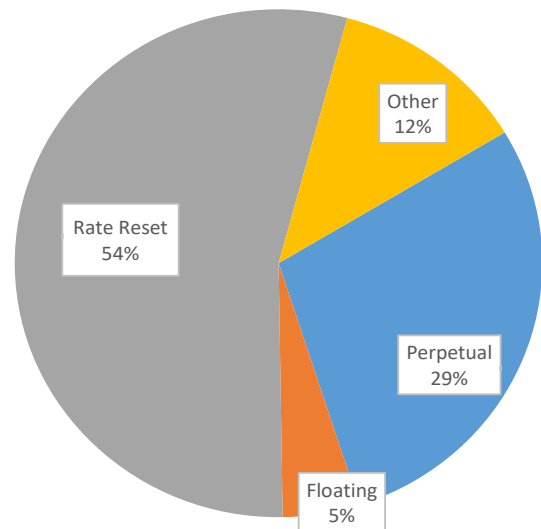
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$12.52	\$12.91	\$13.32	\$13.76	\$14.22
2	\$12.52	\$12.89	\$13.28	\$13.70	\$14.13
3	\$12.52	\$12.88	\$13.25	\$13.66	\$14.08
4	\$12.52	\$12.85	\$13.21	\$13.59	\$13.99
5	\$12.51	\$12.84	\$13.18	\$13.56	\$13.94

FPR – CI First Asset Preferred Share ETF

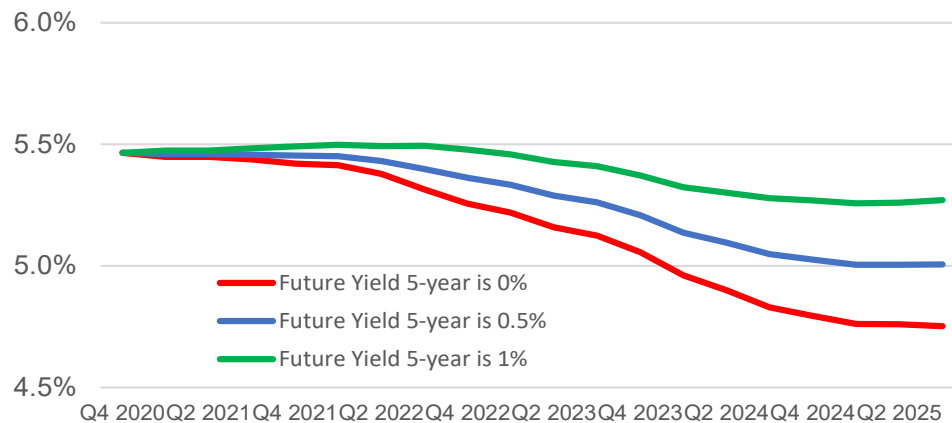
CPSR Preferred Share FPR ETF Data

Price	\$20.61
Duration	-9.70
5-Year Yield Priced In	0.52%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$175,182

FPR ETF Preferred Share Structure Allocation



FPR Future Yield



FPR ETF Scenario Analysis Table

Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$20.67	\$21.01	\$21.38	\$21.79	\$22.23
2	\$20.67	\$20.99	\$21.33	\$21.71	\$22.11
3	\$20.67	\$20.97	\$21.30	\$21.67	\$22.06
4	\$20.67	\$20.95	\$21.26	\$21.61	\$21.97
5	\$20.67	\$20.94	\$21.25	\$21.59	\$21.95

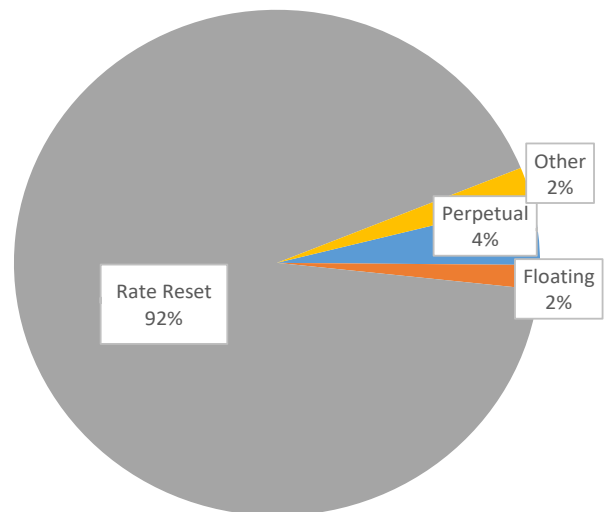
Source: Bloomberg, Capitalight.Co

HFP – Horizons Active Floating Rate Preferred Share ETF

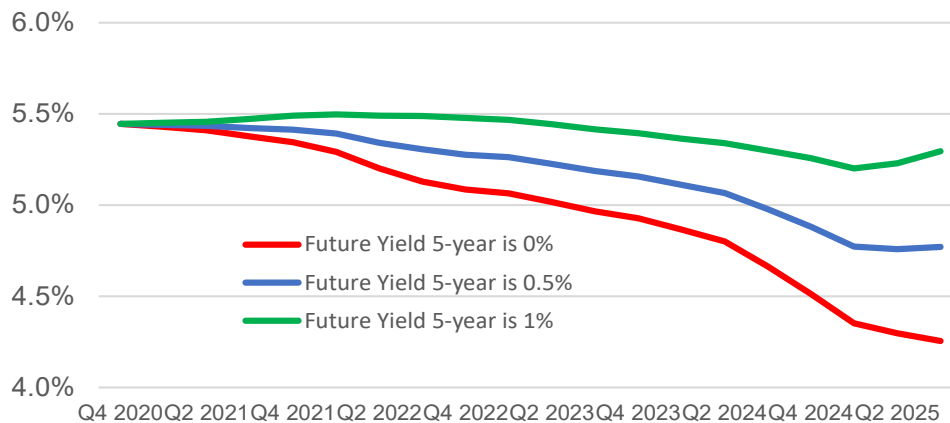
CPSR Preferred Share HFP ETF Data

Price	\$7.91
Duration	-22.04
5-Year Yield Priced In	0.36%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$912,374

HFP ETF Preferred Share Structure Allocation



HFP Future Yield



HFP ETF Scenario Analysis Table

Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$7.89	\$8.23	\$8.58	\$8.94	\$9.31
2	\$7.89	\$8.21	\$8.54	\$8.88	\$9.23
3	\$7.89	\$8.20	\$8.53	\$8.86	\$9.21
4	\$7.89	\$8.19	\$8.49	\$8.81	\$9.14
5	\$7.88	\$8.16	\$8.45	\$8.75	\$9.05

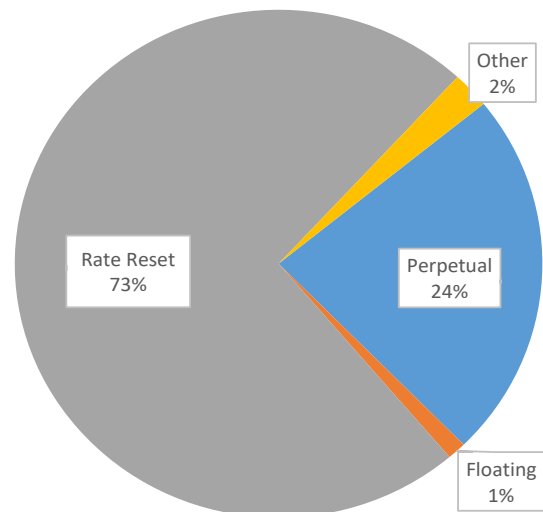
Source: Bloomberg, Capitalight.Co

HPR – Horizons Active Preferred Share ETF

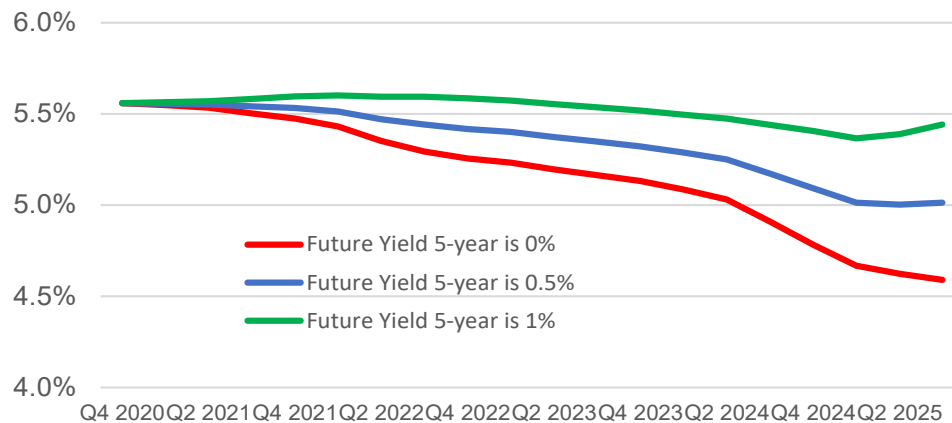
CPSR Preferred Share HPR ETF Data

Price	\$8.05
Duration	-14.98
5-Year Yield Priced In	0.37%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$6,716,337

HPR ETF Preferred Share Structure Allocation



HPR Future Yield



HPR ETF Scenario Analysis Table

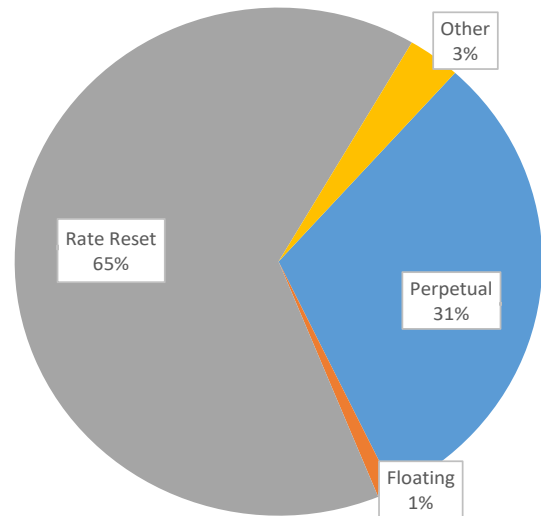
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$8.24	\$8.52	\$8.80	\$9.08	\$9.37
2	\$8.24	\$8.50	\$8.76	\$9.03	\$9.30
3	\$8.24	\$8.49	\$8.75	\$9.02	\$9.29
4	\$8.24	\$8.48	\$8.72	\$8.98	\$9.23
5	\$8.24	\$8.46	\$8.69	\$8.93	\$9.17

NPRF – NBI Active Canadian Preferred Shares ETF

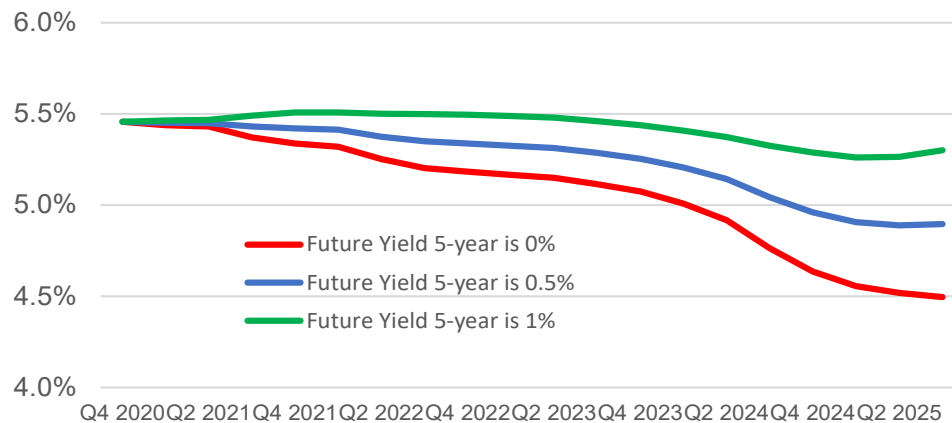
CPSR Preferred Share NPRF ETF Data

Price	\$20.52
Duration	-12.22
5-Year Yield Priced In	0.33%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$294,028

NPRF ETF Preferred Share Structure Allocation



NPRF Future Yield



NPRF ETF Scenario Analysis Table

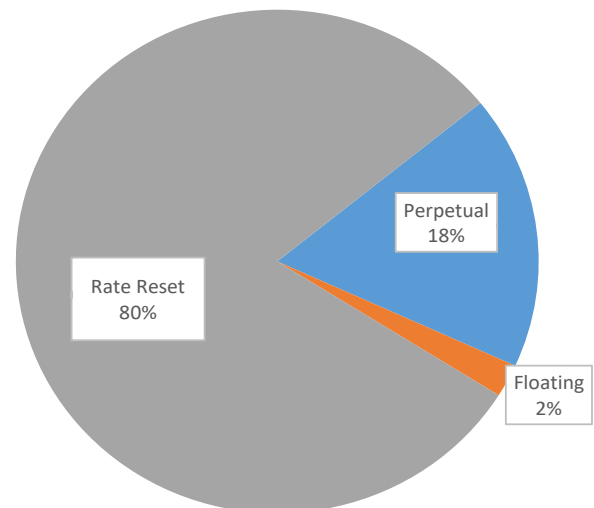
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$21.53	\$22.18	\$22.84	\$23.53	\$24.22
2	\$21.53	\$22.15	\$22.79	\$23.44	\$24.10
3	\$21.52	\$22.14	\$22.77	\$23.41	\$24.06
4	\$21.52	\$22.09	\$22.67	\$23.27	\$23.87
5	\$21.52	\$22.06	\$22.61	\$23.18	\$23.76

PPS – Invesco Canadian Preferred Share ETF

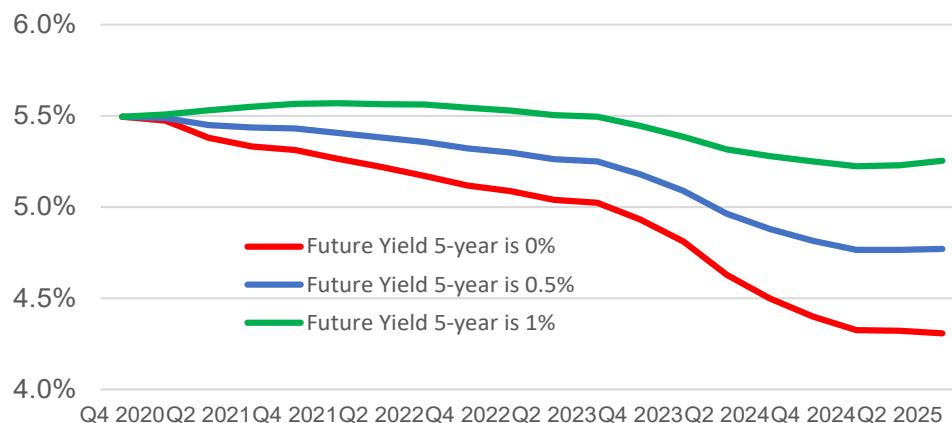
CPSR Preferred Share PPS ETF Data

Price	\$14.03
Duration	-17.93
5-Year Yield Priced In	0.22%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$290,202

PPS ETF Preferred Share Structure Allocation



PPS Future Yield



PPS ETF Scenario Analysis Table

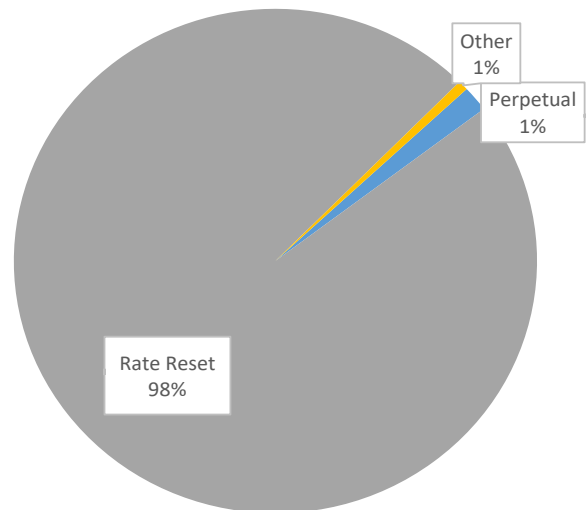
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$14.68	\$15.21	\$15.79	\$16.38	\$16.98
2	\$14.68	\$15.19	\$15.74	\$16.31	\$16.88
3	\$14.67	\$15.18	\$15.72	\$16.28	\$16.84
4	\$14.67	\$15.13	\$15.64	\$16.16	\$16.68
5	\$14.67	\$15.12	\$15.62	\$16.13	\$16.64

RPF – RBC Canadian Preferred Share ETF

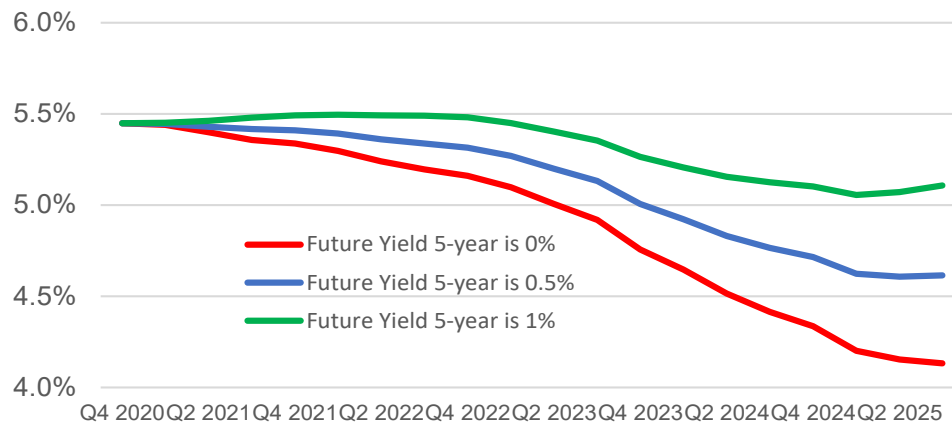
CPSR Preferred Share RPF ETF Data

Price	\$19.79
Duration	-21.87
5-Year Yield Priced In	0.46%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$3,806,527

RPF ETF Preferred Share Structure Allocation



RPF Future Yield



RPF ETF Scenario Analysis Table

Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$19.80	\$20.64	\$21.53	\$22.47	\$23.44
2	\$19.79	\$20.61	\$21.46	\$22.36	\$23.28
3	\$19.79	\$20.57	\$21.39	\$22.26	\$23.15
4	\$19.78	\$20.52	\$21.30	\$22.12	\$22.97
5	\$19.78	\$20.48	\$21.22	\$22.01	\$22.82

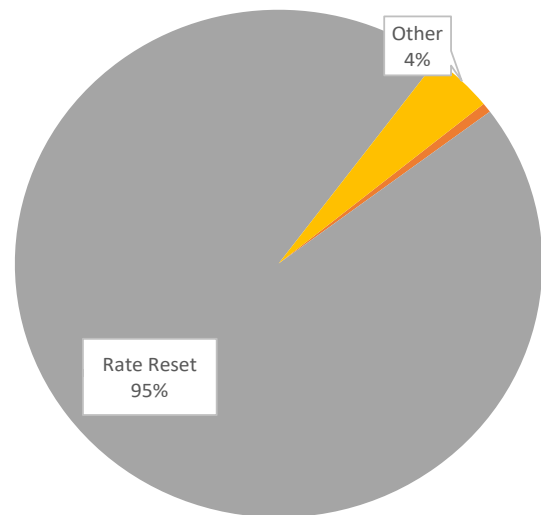
Source: Bloomberg, Capitalight.Co

RPS – Purpose Canadian Preferred Share ETF

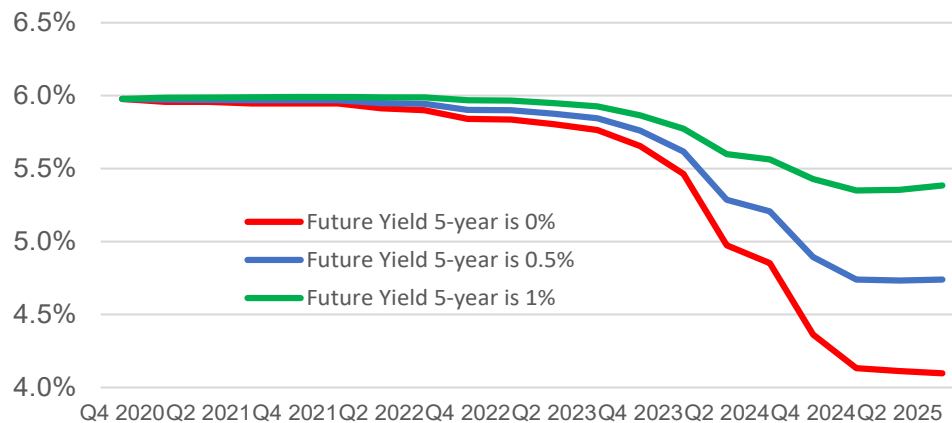
CPSR Preferred Share RPS ETF Data

Price	\$19.39
Duration	-26.78
5-Year Yield Priced In	0.16%
Weighted Average Credit Rating	Pfd-3H
Average 30-day Daily Liquidity	\$140,886

RPS ETF Preferred Share Structure Allocation



RPS Future Yield



RPS ETF Scenario Analysis Table

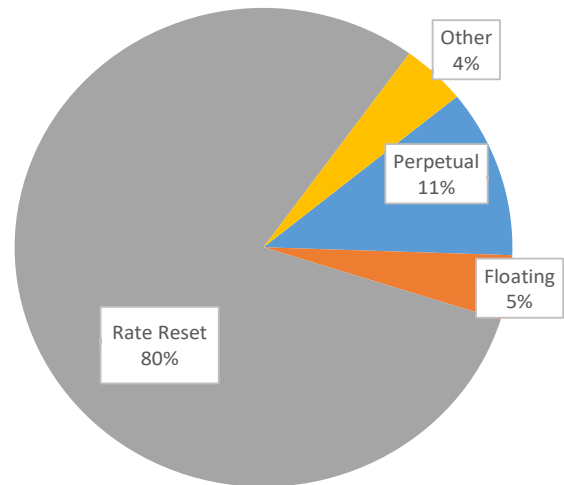
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$20.34	\$21.39	\$22.44	\$23.56	\$24.72
2	\$20.34	\$21.37	\$22.41	\$23.50	\$24.62
3	\$20.33	\$21.35	\$22.37	\$23.45	\$24.56
4	\$20.32	\$21.19	\$22.08	\$23.01	\$23.98
5	\$20.31	\$21.15	\$22.00	\$22.90	\$23.82

TPRF – TD Active Preferred Share ETF

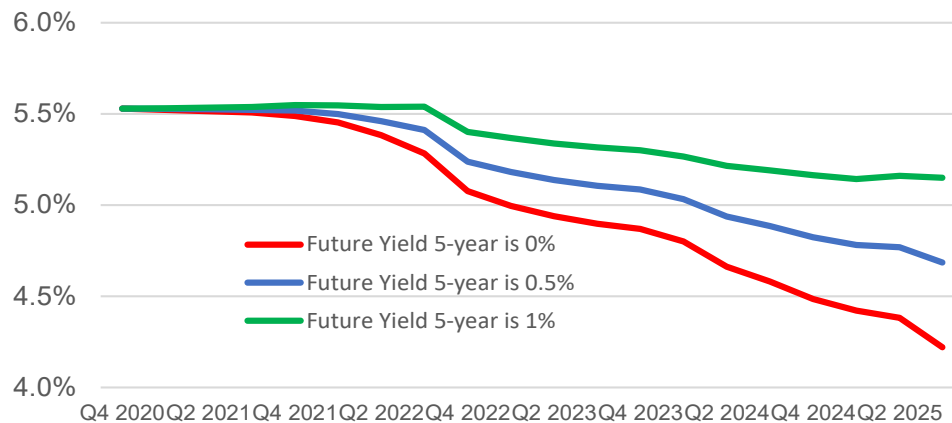
CPSR Preferred Share TPRF ETF Data

Price	\$8.75
Duration	-19.28
5-Year Yield Priced In	0.28%
Weighted Average Credit Rating	Pfd-3H
Average 30-day Daily Liquidity	\$549,481

TPRF ETF Preferred Share Structure Allocation



TPRF Future Yield



TPRF ETF Scenario Analysis Table

Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$8.87	\$9.25	\$9.63	\$10.03	\$10.43
2	\$8.86	\$9.22	\$9.58	\$9.95	\$10.32
3	\$8.86	\$9.21	\$9.56	\$9.92	\$10.28
4	\$8.86	\$9.19	\$9.52	\$9.86	\$10.21
5	\$8.86	\$9.16	\$9.47	\$9.79	\$10.11

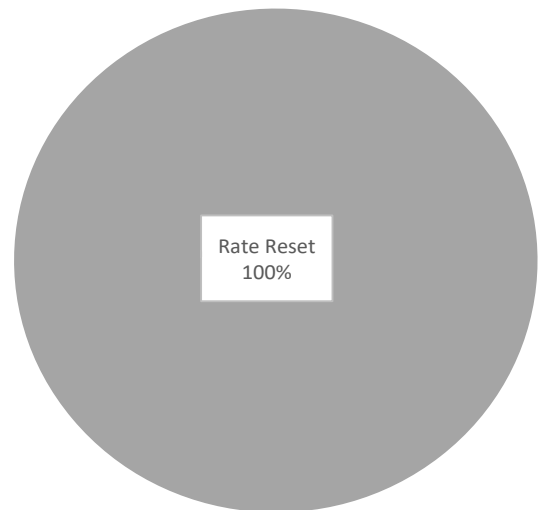
Source: Bloomberg, Capitalight.Co

ZPR – BMO Laddered Preferred Share Index ETF

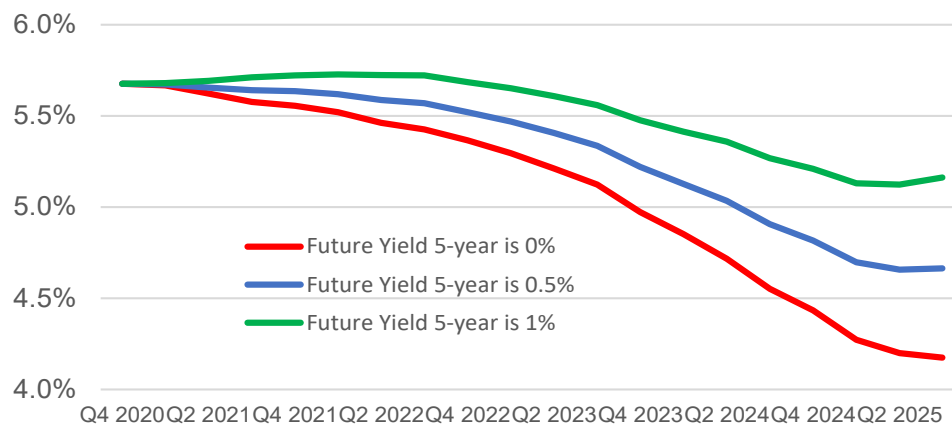
ZPR ETF Preferred Share Structure Allocation

CPSR Preferred Share ZPR ETF Data

Price	\$9.69
Duration	-22.97
5-Year Yield Priced In	0.50%
Weighted Average Credit Rating	Pfd-2L
Average 30-day Daily Liquidity	\$12,254,798



ZPR Future Yield



ZPR ETF Scenario Analysis Table

Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$9.76	\$10.17	\$10.60	\$11.07	\$11.55
2	\$9.75	\$10.15	\$10.57	\$11.02	\$11.47
3	\$9.75	\$10.14	\$10.54	\$10.97	\$11.41
4	\$9.75	\$10.11	\$10.49	\$10.90	\$11.32
5	\$9.75	\$10.09	\$10.45	\$10.84	\$11.25

Source: Bloomberg, Capitalight.Co

Appendix 1

We created some new tools for the ETF report that we would like to walk investors through in this inaugural issue. The first is our ETF Scenario Analysis Tool, which consists of a sensitivity table, to allow investors to compare the current fair value of the ETF based on the current 5-year yield to future expectations. An example of the new sensitivity table is below in Figure A1.

The sensitivity table presents the varying 5-year yield interest rate scenarios according to five scenarios from 1 to 5 years, comparing how fast each interest rate scenario occurs. For example, if investors believe that two years from

Figure A1

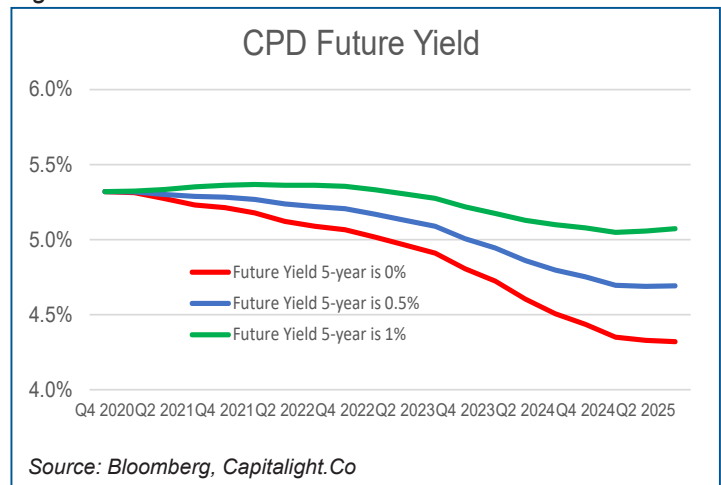
CPD ETF Scenario Analysis Table					
Years Until 5-Year Yield Scenario Takes Place	5-Year Yield Scenario				
	0.50%	0.75%	1.00%	1.25%	1.50%
1	\$12.52	\$12.91	\$13.32	\$13.76	\$14.22
2	\$12.52	\$12.89	\$13.28	\$13.70	\$14.13
3	\$12.52	\$12.88	\$13.25	\$13.66	\$14.08
4	\$12.52	\$12.85	\$13.21	\$13.59	\$13.99
5	\$12.51	\$12.84	\$13.18	\$13.56	\$13.94

Source: Bloomberg, Capitalight.Co

now, we will be at a 1% 5-year yield, the fair value of the ETF is then \$13.28, or 8.4% upside, compared to our current expected return of 1.7%.

Our second tool is the Future Yield Analysis Tool, and it helps investors figure out the future yield of an ETF. This second tool compares three different scenarios; the 5-year yield is 0, 0.5%, and 1%, as shown in Figure A2.

Figure A2



For the graph in Figure A2, we used this second tool to show what the true yield is going-forward on the ETF. Investors can see that the range of outcomes is wide, with a difference of 0.75% in the yield. Preferred share ETFs with narrow ranges of outcomes will have a lower interest rate sensitivity.

Our third and final tool is the Interest Rate Sensitivity Analysis Tool. For the ETF, we overlaid our proprietary preferred share duration calculator to determine the ETF's duration. The duration analysis will help with allocation decisions, as investors may want to hedge their bond portfolio exposure using these ETFs. In such a situation, the best expected return ETF might not always be the best answer for the holistic portfolio.