



# When 8% Is Better Than 10%

## UNDERSTANDING RISK-ADJUSTED INCOME IN PREFERRED OFFERINGS

### NOT ALL PREFERRED OFFERINGS ARE CREATED EQUAL.

In today's market, investors and advisors face a wide range of "preferred" options, from single-asset preferred equity and credit-backed vehicles to non-traded preferred stock issued by REITs and BDCs.

While higher stated yields can be appealing, how that income is generated and protected matters just as much as the headline rate.

In preferred investing, **a durable 8% can be more valuable than a riskier 10%.**

The difference is structure, alignment, and downside protection.

### COMMON SOURCES OF ELEVATED PREFERRED YIELDS

(And Why They Matter)

#### 1 Single-Asset or Development Exposure

Some preferred offerings are backed by a single property or development project. While yields may be higher, repayment often depends on one asset, one business plan, and one exit being successful.

**Why it matters:** Concentration risk increases the likelihood that income interruptions or capital impairment affect preferred shareholders.

#### 2 Aggressive Capital Stack Design

Preferred yields can be inflated by thin common equity cushions, high leverage, or reliance on future refinancing.

**Why it matters:** When markets tighten, preferred investors may be closer to loss than expected.

### 3 Cash Flow Supported by Financial Engineering

Some offerings rely on reserves, short-term capital, or optimistic assumptions to support distributions rather than in-place operating income.

**Why it matters:** When plans deviate unexpectedly, creative mechanisms can erode, causing income stability to deteriorate quickly.

### 4 Unclear or Event-Dependent Liquidity

Liquidity is often tied to asset sales, refinancing events, or sponsor discretion rather than defined policies.

**Why it matters:** Preferred investors may discover exit options are more limited than originally anticipated. Especially if market conditions have deteriorated since their original investment date.

## WHAT MAKES BONAVENTURE'S PREFERRED STOCK ATTRACTIVE?

The Bonaventure Multifamily Income Trust (BMIT) Series 2025 Preferred Offering is designed for income-focused investors who prioritize capital preservation, structural protection, and transparency.

Key characteristics include:

- ✓ **Tax Advantaged 8.0% annualized preferred distribution**, paid monthly \*(cumulative, non-compounded)<sup>1</sup>
- ✓ **Senior position to common equity**, supported by a 10:1 common-to-preferred equity cushion<sup>2</sup>
- ✓ **Balanced capital stack**<sup>3</sup> 53% common stock | ~4% preferred stock | ~43% property level debt
- ✓ **Meaningful Sponsor Co-Investment: \$136M+**
- ✓ **Long-Term Debt Profile: 98% fixed-rate property-level debt** with an 17-year weighted average maturity, reducing refinancing risk<sup>4</sup>

1) Distribution is not guaranteed and is subject to changes or suspension by REIT BODs at any time. 2) This ratio reflects the initial \$50,000,00.00 preferred offering. If the full \$100,000,000.00 is raised, the ratio would adjust to 5:1. 3) The capital stack displays the proportions of equity and debt once the offering is fully subscribed at \$50 million. 4) As of Q4 2025.

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**FORWARD-LOOKING STATEMENTS:** Some of the statements in this material constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, estimates, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. The forward-looking statements in this material are subject to inherent qualifications and are based on a number of assumptions. The forward-looking statements in this material involve risks and uncertainties, including statements as to: (i) general volatility of the securities markets in which we plan to trade; (ii) changes in strategy; (iii) availability, terms, and deployment of capital; (iv) availability of qualified personnel; (v) changes in interest rates, the debt securities markets or the general economy; (vi) increased rates of default and/or decreased recovery rates on our investments; (vii) increased prepayments of the mortgage and other loans underlying our mortgage-backed or other asset backed securities; (viii) changes in governmental regulations, tax rates, and

similar matters; (ix) changes in generally accepted accounting principles by standard-setting bodies; (x) availability of trading opportunities in mortgage-backed, asset-backed, and other securities; (xi) changes in the customer base for our business; (xii) changes in the competitive landscape within our industry and (xiii) the continued availability to the business of Bonaventure's resources described herein on reasonable terms. **THE RISKS ASSOCIATED WITH INVESTING IN A REAL ESTATE PRIVATE EQUITY FUND GENERALLY INCLUDE:**

**Limited Regulatory Oversight** — Since private equity funds are typically private investments, they do not face the same oversight and scrutiny from financial regulatory entities such as the Securities and Exchange Commission ("SEC") and are not subject to the same regulatory requirements as regulated investment companies, including requirements for such entities to provide certain periodic pricing and valuation information to investors. Private equity offering documents are not reviewed or approved by the SEC or any US state securities administrator or any other regulatory body. Also, managers may not be required by law or regulation to supply investors with their portfolio holdings, pricing, or valuation information. **Strategy Risk** — Many private equity funds employ a single investment strategy. Thus, a private equity fund may be subject to strategy risk, associated with the failure or deterioration of an entire strategy. Use of Leverage and Other Speculative Investment Practices — Since many private equity fund managers use leverage and speculative investment strategies such as options, investors should be aware of the potential risks. When used prudently and for the purpose of risk reduction, these instruments can add value to a portfolio. However, when leverage is used excessively and the market goes down, a portfolio can suffer tremendously. When options are used to speculate (i.e., buy calls, short puts), a portfolio's returns can suffer and the risk of the portfolio can increase. **Past Performance** — Past performance is not necessarily indicative and is not a guarantee of a private equity fund's future results or performance. Some private equity funds may have little or no operating history or performance and may use hypothetical or pro forma performance that may not reflect actual trading done by the manager or advisor and should be reviewed carefully. Investors should not place undue reliance on hypothetical or pro forma performance. **Limited Liquidity** — Investors in private equity funds have limited rights to transfer their investments. In addition, since private equity funds are not listed on any exchange, it is not expected that there will be a secondary market for them. A private equity fund's manager may deny a request to transfer if it determines that the transfer may result in adverse legal or tax consequences for the offering.

**\* Tax Risks** — Investors in certain jurisdictions and in private equity funds generally may be subject to pass-through tax treatment on their investment. This may result in an investor incurring tax liabilities during a year in which the investor does not receive a distribution of any cash from the Fund. In addition, an investor may not receive any or only limited tax information from private equity funds may not receive tax information from underlying investments in a sufficiently timely manner to enable an investor to file its return without requesting an extension of time to file. **Reliance on Fund Manager; Lack of Transparency** — A private equity offering's manager or general partner has total investment authority over the private fund. There is often a lack of transparency as to a private equity offering's underlying investment. Because of this lack of transparency, an investor may be unable to monitor the specific investments made by the offering or to know whether the investments are consistent with the sponsor's historic investment philosophy or risk levels. Due to the risks mentioned above, it is important to perform proper due diligence in evaluating and choosing private equity managers to place your money with. There have been occasions when private equity fund managers took on too much risk in their portfolio and lost a substantial amount of their investors' money.

## LET'S CONNECT

We help investors align exchange strategy with timelines, tax posture, and long-term goals.

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