WEALTHSTACK SPECIAL REPORT

The Strategy Capital Stack

Understanding MSTR, STRF, STRC, STRK & STRD—Income, Risk, Bitcoin Exposure & Portfolio Role

WealthStack · wealthstack.vip

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THE BIG PICTURE

One Company.
Five Exposure Points.

Strategy has quietly built something unique in public markets: a full capital structure built around Bitcoin exposure. Investors can now choose different combinations of yield, volatility, seniority, and upside participation—each serving a fundamentally different portfolio role.

These are not interchangeable securities.

THE SPECTRUM

STRF
Most Defensive Preferred

STRC
Variable-Rate Cash Reserve

STRK
Yield + Upside Hybrid

STRD
Equity-Adjacent Income

MSTR
Pure Bitcoin Equity Proxy

KEY STRUCTURAL INSIGHT

The Most Important Distinction in the Structure

Most investors treat these products as interchangeable yield vehicles. They are not. One structural fact determines how each security behaves—and shapes every decision that follows:

Security	Rate Structure	Price Behavior	Primary Role
STRF	Fixed 10%	Long-duration preferred	Defensive income
STRK	Fixed 8%	Hybrid preferred + upside	Yield + participation
STRD	Fixed 10%	Equity-adjacent	Conviction income
STRC	**Variable — adjusts monthly**	Stabilized near par	**Cash-flow reserve**

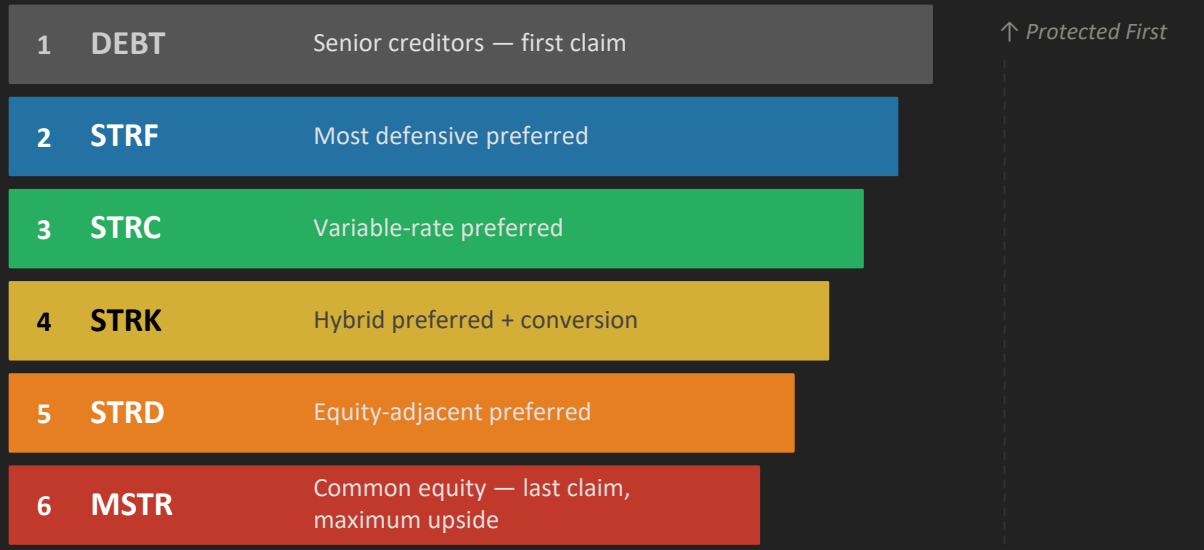
STRC is fundamentally different. Its dividend adjusts over time in an attempt to stabilize price near par; making it behave more like a floating-rate reserve instrument than a traditional long-duration preferred.

Each security covered in depth (slides 5 through 9)

CAPITAL STRUCTURE

Understanding the Capital Stack

In a downside scenario, payment priority determines who gets protected first. Seniority is not a technicality—it is the foundation of risk management in structured securities.



KEY PRINCIPLE

As you move down the stack:

- Yield potential rises
- BTC sensitivity increases
- Volatility increases
- Protection weakens
- Equity behavior increases

"The further down the stack, the more your outcome depends on Bitcoin momentum and market confidence."

COMMON EQUITY

MSTR

The Pure Bitcoin Equity Proxy

MSTR is the common equity of Strategy. It functions as a leveraged Bitcoin treasury company—the cleanest public-market vehicle for investors seeking maximum upside participation in the Bitcoin cycle.

STRENGTHS

- Maximum BTC upside
- Financial engineering leverage
- Capital market access
- Treasury accumulation

RISKS

- Extreme volatility
- Lowest claim priority
- Dilution from issuance
- Sentiment-driven pricing

BEST FIT FOR

- Maximum asymmetry seekers
- Long multi-year timeframes
- High BTC conviction
- Comfort with full drawdown
- Growth phase portfolios

"MSTR outperforms Bitcoin during bull cycles—and amplifies drawdowns in bear cycles. That leverage is the feature, not the bug."

DEFENSIVE PREFERRED

STRF

The Most Defensive Preferred

STRF is designed primarily for income, stability, and seniority. It behaves most like a traditional preferred security—with the strongest preferred claim positioning in the entire capital structure.

DIVIDEND STRUCTURE

~$10.00	~$2.50	$100
Annual	Quarterly	Par Value

KEY NOTES

- Fixed 10% preferred dividend
- Based on $100 liquidation par
- Buying below par = higher yield
- Buying above par = lower yield
- Strongest preferred seniority
- Best fit: preservation-first

"STRF: strongest structural protection in the stack for investors who prioritize preservation over participation."

VARIABLE-RATE PREFERRED

STRC

The Cash-Flow Reserve Vehicle

STRC is fundamentally different from the other preferreds. Its variable dividend adjusts monthly in an attempt to stabilize price near $100 par; making it behave more like a floating-rate reserve instrument than a long-duration preferred.

ALPHA PORTFOLIO — HOW WE USE STRC

In the WealthStack Alpha portfolio, STRC serves as our primary cash holding. Rather than sitting in a money market or savings account earning 4–5%, we park deployment capital here earning ~11.5% while maintaining full flexibility to rotate into higher-conviction opportunities when they arise.

WHY THIS CHANGES EVERYTHING

- Variable rate adjusts monthly — price stabilizes near par
- ~11.5% annualized, paid monthly (not quarterly)
- Dry powder that earns yield while you wait

PORTFOLIO ROLES

Within WealthStack Alpha, STRC functions as:

- ▶ Primary cash holding
- ▶ High-yield reserve bucket
- ▶ Deployment staging area
- ▶ Dry powder that earns yield
- ▶ Income while awaiting setups

"Why earn 4–5% in a money market when STRC is yielding ~11.5%—with the same deployment flexibility?"

HYBRID PREFERRED

STRK

Yield + Upside Optionality

STRK combines fixed preferred income with a conversion feature linked to MSTR common equity—delivering income today with potential Bitcoin-driven capital gains tomorrow.

BASE CASE — INCOME

$8 / share / year

Fixed 8% on $100 par

Ex: Buy at $80 → effective yield ~10%
Yield improves as price falls

CONVERSION UPSIDE

~10:1 ratio

Based on current conversion terms

MSTR ≥ ~$1,000 = break-even
Above $1,000 = capital gains

BEST FIT FOR

- Investors wanting yield + upside
- Some downside improvement vs equity
- BTC bull cycle participation
- Balanced income-growth hybrid
- Monitor below ~$76 for rotation

"Collect the yield while waiting. If MSTR breaks $1,000, the conversion turns income into bonus capital gains."

ALPHA ROTATION STRATEGY

STRC → STRK Rotation Framework

When STRK drops to $76 or below, we selectively rotate a portion of STRC long-term holdings into STRK. At that price, the yield differential becomes an acceptable trade for materially greater upside optionality.

CURRENT HOLDING

STRC

~11.5% yield · Variable rate

Monthly income · Near-par price stability

Best for: deploying cash, income-first, no conversion need

→

≤ $76

WATCHING ≤ $76

STRK

~10.5% yield at $76 · Fixed rate

~10:1 conversion ratio · MSTR ≥ $1,000 break-even

Giving up ~1% yield in exchange for equity conversion optionality if MSTR rallies substantially

"The rotation makes sense at $76. You sacrifice ~1% yield and gain the possibility of MSTR equity upside—while still collecting meaningful income throughout."

EQUITY-ADJACENT PREFERRED

STRD

The Conviction Yield Expression

STRD sits closest to common equity among the preferreds. That proximity is not a design flaw—it is a deliberate structure for investors with high conviction on Bitcoin liquidity cycles. STRD holders are effectively underwriting continued market confidence in Strategy's ability to access capital efficiently.

WHEN STRD IS INTENTIONAL

- BTC bull cycle + easy liquidity conditions
- Expanding risk appetite in broader markets
- Aggressive treasury expansion environment

CRITICAL NOTES

Fixed 10% non-cumulative dividend

Non-cumulative means missed dividends do not accrue—making STRD materially riskier than cumulative structures.

- Closest to common equity
- Highest preferred volatility
- Highest stress sensitivity
- Non-cumulative dividend risk

"STRD is not simply 'high risk.' It is a conviction vehicle for investors who believe the cycle continues and capital access remains open."

TAX EFFICIENCY

Return of Capital: The Hidden Tax Advantage

Dividends from STRC, STRK, STRF and STRD have historically been classified as Return of Capital (ROC)—not ordinary income. This distinction has significant tax implications that most investors overlook entirely.

WHAT IS ROC?

Return of Capital (ROC) payments reduce your cost basis rather than being taxed as current income. Tax is deferred until your cost basis reaches zero—after which gains are taxed as capital gains, not ordinary income.

THE EFFECTIVE YIELD MATH

STRC Stated Yield	Tax Rate (example)	Effective ROC Yield
~11.5%	÷35%	=~17.7%
As received	Ordinary income	Tax-equivalent

IMPORTANT CAVEATS

Not guaranteed
Strategy classifies ROC annually on the 1099-DIV. This can change.

Monitoring required
Track ROC declarations at strategy.com each tax year.

Basis reaches zero
Once cost basis hits zero, distributions become taxable gains.

Tax law can change
ROC treatment is subject to legislative and regulatory shifts.

Consult a qualified tax professional. This is not personalized tax advice. Individual tax situations vary.

DECISION FRAMEWORK

Cycle Sensitivity Framework

The right security depends not just on risk tolerance—but on where we are in the macro and Bitcoin cycle. Each environment favors different parts of the stack.

Market Environment	Likely Beneficiaries	Why
BTC bull + easy liquidity	**MSTR, STRD**	Maximum upside participation; conviction income expressions
BTC bull + moderate volatility	**STRK**	Hybrid structure captures upside while collecting yield
Risk-off / uncertain macro	**STRF, STRC**	Defensive positioning; capital preservation with yield
High-rate environment	**STRC advantage increases**	Variable rate adapts; fixed-rate preferreds reprice lower
Deploying cash / awaiting entries	**STRC (primary)**	Alpha default: earn ~11.5% while waiting for better setups
BTC sustained decline	**STRF strongest position**	Senior claim; fixed income; least equity-adjacent exposure

"No single security is optimal across all environments. The correct choice is dynamic—not fixed."

PORTFOLIO CONSTRUCTION

Matching Securities to Portfolio Roles

There is no universally 'best' security. The correct choice depends entirely on income needs, volatility tolerance, Bitcoin conviction, and the role you need filled inside your portfolio system.

Investor Objective	Portfolio Need	Security	Key Trade-Off
Maximum Bitcoin upside	Growth engine	MSTR	Extreme volatility; lowest priority
Defensive income first	Capital preservation	STRF	Lower upside; less BTC participation
Yield reserve / dry powder	Alpha cash holding	STRC	Variable rate; not risk-free
Income + cycle upside	Balanced hybrid	STRK	Lower yield; MSTR ≥ $1,000 for conversion
Conviction yield expression	Aggressive income	STRD	Non-cumulative; equity-adjacent risk

CRITICAL RISK

What These Securities Actually Are

The most important risk most investors overlook:

These are NOT collateralized claims on Bitcoin itself.

They are claims on Strategy's corporate structure and cash flows.

The key risks are not simply Bitcoin price—they are liquidity, financing conditions, dividend coverage, and capital market access. A company can hold an enormous Bitcoin position and still face preferred stress if financing markets tighten or obligations expand too quickly.

WHAT ACTUALLY MATTERS

01	**Cash balance trend**	Quarterly filings — stable or rising is constructive
02	**Preferred obligations**	Rising issuance = rising distribution load
03	**BTC strength**	Drives market confidence and financing flexibility
04	**New issuance activity**	Can improve liquidity while adding long-term obligations
05	**STRC rate + ROC status**	Variable rate and tax classification to monitor annually

MONITORING FRAMEWORK

Monthly Monitoring Checklist

Watching Bitcoin price alone is not sufficient. These are the metrics that matter for all preferred holders—regardless of which security you hold.

01 Cash balance trend
Stable or rising cash signals healthy liquidity runway

02 BTC holdings trend
Continued accumulation reflects strategy execution

03 Preferred dividend obligations
Rising obligations require proportional cash coverage

04 New issuance activity
Preferred / equity / debt — monitor expansion pace

05 STRC current rate
Rate adjustments signal broader market conditions

06 ROC classification status
Confirmed annually on 1099-DIV — can change year to year

07 Financing conditions
Capital market access is the foundation of the structure

08 BTC macro trend
Bull or bear cycle context shapes every other metric

"Monitoring these metrics gives you a structural view of the position—not just a price chart."

MONITORING RESOURCE

Using strategy.com for Independent Monitoring

Strategy publishes a comprehensive analytics dashboard at strategy.com—updated in real time.

Each tab maps directly to the monitoring framework on the previous slide.

strategy.com

MSTR	/ Stock price, equity metrics, market cap vs BTC holdings	STRC	/strc Current dividend rate, price, dividend history
STRK	/strk Conversion terms, yield at price, dividend schedule	STRF	/strf Fixed dividend schedule, seniority details
STRD	/strd Dividend status, equity proximity metrics	BTC	/btc Total BTC held, cost basis, BTC per share (mNAV)
Assets	/assets Full balance sheet view of BTC and other holdings	Shares	/shares Share count, dilution tracking, issuance history
Credit	/credit Credit profile and debt structure overview	Notes	/notes Convertible note details and maturity schedule

WEALTHSTACK ALPHA

You Don’t Have to Monitor This Alone.

The monitoring framework in this report is thorough—but we understand that tracking eight metrics across multiple securities, a dedicated analytics site, and shifting macro conditions is a real commitment of time and attention.

FOR WEALTHSTACK ALPHA MEMBERS

Each month, we review all eight monitoring metrics and the full strategy.com dashboard on your behalf. Should we identify anything material or concerning; a change in cash position, dividend coverage, ROC reclassification, or capital structure stress—we flag it in that month’s issue with specific guidance on what it means for your positioning.

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ALPHA COVERS MONTHLY

- Capital structure review
- STRC rate monitoring
- ROC classification watch
- BTC holdings + trend
- Financing conditions
- Rotation trigger alerts
- Cycle sensitivity update
- Actionable positioning notes

THE REAL EDGE

Strategy no longer offers just
one Bitcoin exposure vehicle.

It now offers an entire spectrum
of risk, income, and upside participation.

The real edge is not choosing the ‘best’ security.

It’s understanding which role each security serves
inside a broader portfolio system.

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WealthStack Playbook

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