



Slater Monthly Recap

November 2020

The Canadian Preferred Share market had an outstanding month, in line with the broader North American equity markets, on positive Covid-19 vaccine test results. The S&P/TSX Preferred Share Index ended the month up 5.18%, Series F of Lysander-Slater Preferred Share Dividend Fund, (the “Fund”) ended the month up 7.05%, and Lysander-Slater Preferred Share *Activ*ETF (the “ETF”) was up 6.99%.

Altagas called its 5.25% floor fixed reset (ALA.PR.I) for redemption on December 31, 2020. The issue has a 419bps reset spread, and was trading at \$23.70 prior to being called. The Fund and ETF do not hold any of this issue, but each holds an approximate 1.05% weighting in ALA.PR.A, 1.03% in ALA.PR.K, and 0.5% in ALA.PR.E, all of which have moved higher on this news. We believe this is significant because, if Altagas considers a 5.25% dividend rate as expensive for its capital structure, other pipeline issuers are likely to call in some of their Preferred Shares as well.

Some of our top performing holdings last month were discounted fixed resets that were hurt earlier in the year by the significant drop in the 5-year Canada bond yield. We saw our approximately 1.1% weighting in Husky Preferred Shares get a significant bid, with some issues up over 25%, after Cenovus agreed to purchase Husky in late October. Other top performers were: BPO.PR.N (1% weighting in each of the Fund and ETF) which rose approximately 19%; BPO.PR.R (0.85% weighting in each of the Fund and ETF) up 19.2%; and EMA.PR.C (2.2% weighting in each of the Fund and ETF) up 9.85%.

As the North American economy begins to recover from the Coronavirus, we expect government bond yields to rise. An increase in the 5-year Government of Canada bond yield would be positive for the fixed reset sector where coupon rates are tied to the benchmark bond yield. As such, we continue to look for opportunities in discounted fixed resets that offer a yield over 5% and should benefit from a recovery in the 5-year Canada bond yield.

We also anticipate further Preferred Share redemptions in 2021, as high-reset-spread bank, insurance, and pipeline fixed resets approach their next reset/redemption date.

Standard Performance (as of November 30, 2020)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	-0.36	-4.47	1.31	-0.55 (Dec. 30, 2014)
The ETF	0.08	-4.30	1.70	0.86 (Aug. 10, 2015)

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Lysander is the investment fund manager of Lysander-Slater Preferred Share Dividend Fund and Lysander-Slater Preferred Share ACTIVETF (collectively, the “Funds”).

Slater is the portfolio manager of the Funds.

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