



JANUARY 2021

# Slater Monthly Recap

The Canadian Preferred Share market continued its hot streak into the new year with the S&P/TSX Preferred Share Total Return Index (the "Index") up 2.56%, 3.90% for Series F of Lysander-Slater Preferred Share Dividend Fund (the "Fund"), and 3.97% for Lysander-Slater Preferred Share ActivETF (the "ETF") for the month of January. This is encouraging news as the Preferred Share market has been highly correlated to the equity market over the past few years. The major North American equity markets finished near flat in January.

Pembina Pipelines launched and priced a C\$600mm 60NC10 Hybrid transaction into the Canadian corporate bond market (not a LRCN) at 4.8% and was 3x oversubscribed. The use of the proceeds were used to redeem the \$170MM 5.75% floor fixed rate reset (PPL.PR.K) and an anticipated \$250MM 5.75% floor reset (PPL.PR.M) in June of this year. Indeed, with the demand for yield in the Canadian corporate bond market, we anticipate Canadian companies to continue to tap into this more tax efficient financing alternative as opposed to further issuing Preferred Shares.

Some of our top performing holdings that contributed to price outperformance last month in January for each of the Fund and the ETF were BPO.PR.R (up 19.21%; 0.95% weighting) & BPO.PR.N (up 19.1%; 1.1% weighting). Recall that Brookfield Asset

Management intends to repurchase all remaining equity in Brookfield Partners Infrastructure that has led to strength in the belief of the credit for Brookfield Properties and thus BPO Preferred Shares. Other strong performers were ALA.PR.A (up 15.0%; 1.61% weighting), PPL.PR.I (up 13.1%; 2.5% weighting) and PPL.PR.G (up 12.7%; 0.7% weighting) to name a few.

As high spread fixed resets >400bp continue to get called in for redemption this year, we believe the momentum will continue to be in 225-300bp resets and 300-400bp resets. In fact, this sub-sector of the Preferred Share market is where the majority of the Fund and ETF weightings lie. As of the end of January each of the Fund and ETF held a 20.5% weighting in 300-400bp resets in comparison to an approximate weighting of 11.7% for the Index with this subsector returning roughly 5.88% in January. The Fund and ETF each holds an approximate weighting of 38.3% in 225-300bp resets in comparison to 27.9% for the Index with this subsector returning 5.15% for the month. Both of these subsectors were the top performing sectors for Preferred Shares in January.

As an active manager we are continuing to seek out the next best Preferred Share opportunities to take advantage of the anticipated events in 2021. It should be an exciting year for Preferred Share investors.

#### STANDARD PERFORMANCE (AS OF JANUARY 29, 2021)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	3.66%	-2.61%	4.10%	0.70% (Dec. 30, 2014)
The ETF	4.20%	-2.42%	4.50%	2.23% (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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