



FEBRUARY 2021

Slater Monthly Recap

The Canadian Preferred Share market continued on its hot streak in February with the S&P/TSX Preferred Share Total Return Index (the "Index") gaining 4.21%. Series F of Lysander-Slater Preferred Share Dividend Fund (the "Fund"), and Lysander-Slater Preferred Share *ActivETF* (the "ETF") outperformed the Index, posting total returns of 6.73% and 6.81%, respectively, for the month.

Most notably, the 5-year Government of Canada bond yield spiked from 0.42% to 0.88% in February. The sharp upward move came as a bit of a surprise, as we were not looking for a recovery in rates until later in the year. However, as the 5-year Canada bond yield is the benchmark for setting coupon rates on fixed-reset Preferred Shares, which dominate the Canadian Preferred Share market, the increase in yield was a huge contributor to the sector's strong performance in February.

Top-performers included: fixed-resets with 225-300bps reset spreads, which gained 9.4%, and fixed-resets with reset spreads under 225bps, which gained 17.9%. **Both the Fund and the ETF benefitted from an overweight position in both categories of fixed-resets compared to the Index.**

Despite the recent trend for Canadian Issuers to raise funds through Limited Recourse Capital Notes (« LRCNs ») and Hybrid securities in the corporate bond market, we saw Sagen MI Canada (formerly Genworth MI) issue a \$100MM 5.4% straight perpetual Preferred Share, which was met with strong demand. We participated in the new issue for 47,000 shares and have increased our position to 120,000 shares (equally allocated between the Fund and the ETF) citing the high yield and perceived low risk. The issue finished the month at \$25.55 per share.

The LRCN market continues to be very active for Canadian issuers, and in mid-February we saw Manulife issue a \$2BN LRCN at 3.375%, which now trades above par value. We believe it is only a matter of time before other large Canadian insurance companies raise capital by issuing LRCNs. To the extent that Canadian corporations issue LRCNs or Hybrid debt securities in lieu of Preferred Shares, and as existing issues are called for redemption, we expect the supply of Preferred Shares to diminish. Scarcity of product should be positive for the valuation of existing issues.

As an active manager we are continually seeking out the best opportunities in the sector. With multiple positive catalysts on the horizon, we anticipate continued strong Preferred Share market performance throughout the year.

STANDARD PERFORMANCE (AS OF FEBRUARY 28, 2021)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	16.17%	-0.08%	6.07%	1.75% (Dec. 30, 2014)
The ETF	16.89%	0.15%	6.24%	3.42% (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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