



APRIL 2021

# Slater Monthly Recap

The Canadian Preferred Share market continued to be very strong in April, with the S&P/TSX Preferred Share Total Return Index (the "Index") gaining 2.06%. Series F of Lysander-Slater Preferred Share Dividend Fund (the "Fund") and Lysander-Slater Preferred Share *ActivETF* (the "ETF") outperformed the Index, with a total return of 2.73% and 2.76%, respectively, for the month.

In April, approximately \$1.2 billion of Preferred Shares was redeemed<sup>1</sup> and we believe the majority was redeployed back into the Preferred Share market, contributing to the sector's strong performance. A further \$1.6 billion of redemption proceeds will be available in May, resulting in continued upward price momentum in the secondary market<sup>2</sup>.

Royal Bank and Manulife Financial called in their 5.5% (RY.PR.Q) and 5.6% (MFC.PR.O) fixed resets in April, taking total year-to-date redemptions up to \$4.2 billion. We estimate that approximately \$4 billion more will be called by year end.

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<sup>1</sup> Bloomberg Finance L.P.

<sup>2</sup> Bloomberg Finance L.P.

Top performing Fund and ETF holdings included Shaw Communications (SJR.PR.A and SJR.PR.B), which rose 14.8% and 14.7%, respectively, on the announcement that Rogers Communications intended to acquire Shaw subject to regulatory approval. Each of the Fund and ETF held a 0.75% position in SJR.PR.A prior to the announcement, which has since been reduced to 0.25%. Both the Fund's and ETF's current weighting in SJR.PR.B is 0.2%. Other top performers held in each of the Fund and ETF were: Canadian Utilities (CU.PR.C up 10.9%; 2% weighting), Cenovus Energy (CVE.PR.E up 10.2%; 0.5% weighting) and Altagas Preferred Share (ALA.PR.A up 9%; 1.3% weighting).

Year-to-date, the top performing sub-sectors, on an average total return basis, were: fixed resets with reset spreads under 225bps (up 26%), fixed resets with spreads of 225-300bps (up 18.9%), and floating rate Preferred Shares (up 21.4%)<sup>3</sup>. Both the Fund and ETF hold over weighted positions in all of these sectors compared to the Index.

Looking forward, it is worth noting that approximately 48% of the Index consists of issues that trade above par, compared to approximately 18% in each of the Fund's and the ETF's portfolios. As such, we believe each of the Fund and the ETF are well positioned to experience more capital gains, relative to the Index, as rising interest rates and further redemptions propel the discounted issues higher.

As an active manager, we continually seek out the best opportunities in the Preferred Share market. With multiple positive catalysts on the horizon, we are optimistic about the Fund's and the ETF's performance in the year.

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<sup>3</sup> Bloomberg Finance L.P.

## STANDARD PERFORMANCE (AS OF APRIL 30, 2021)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	43.45%	2.26%	5.97%	2.64% (Dec. 30, 2014)
The ETF	43.64%	2.52%	6.17%	4.36% (Aug. 10, 2015)

Performance information for periods greater than 1 year is annualized.

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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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