



NOVEMBER 2021

Slater Monthly Recap

The Canadian Preferred Share market has had a tremendous year so far, experiencing only two negative months, including November. The S&P/TSX Preferred Share Total Return Index (the “Index”) lost 1.50% while Series F of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) and Lysander-Slater Preferred Share *Activ*ETF (the “ETF”) were down 1.63% and 1.65%, respectively.

The 5-year Canada bond yield fell 11 bps to end the month at 1.40% as concerns over a new Covid-19 variant (Omicron) put expectations for global recovery on pause. Despite these concerns, Federal Reserve Chair Jerome Powell said the central bank will discuss accelerating its wind down of bond purchases (“tapering”) at its upcoming meeting in December. The Fed Chair’s hawkish stance tells us that he remains focused on inflation, which hit a 30-year high in October, and is still on track to raise interest rates in 2022.

Several Preferred Share issues were called for redemption in November. Great West Life called in its \$194MM 5.9% straight perpetual Preferred Share (GWO.PR.F)¹, which we expected after Power Financial called in its 6% straight perpetual in October. Manulife Financial called in its \$200MM 290bp spread fixed reset (MFC.PR.G)², and ECN Capital called in its \$100MM 6.5% fixed reset (ECN.PR.A)³. All three issues are redeemable for cash in December. The Fund and ETF each owned residual amounts of GWO.PR.F and MFC.PR.G as well as a 0.32% weighting in ECN.PR.A prior to the announcements. Year-to-date, nearly \$10 billion of Preferred Share product has been called for redemption.

The sole new Preferred Share issue in November was a \$150MM Canadian Utilities 4.75% straight perpetual which closes in early December. We considered the deal fairly priced based on secondary market valuations, and each of the Fund and ETF purchased

a small amount. Manulife Financial issued a \$1.2 billion 4.10% Limited Recourse Capital Note (“LRCN”), which brought the total size of the LRCN market to over \$18 billion⁴.

We decreased our straight perpetual Preferred Share weighting from approximately 26% in both the Fund and ETF to approximately 24%, and reallocated the funds to discounted fixed resets.

A tremendous year for Preferred Shares is winding down. We anticipate multiple positive catalysts on the horizon. For 2022, we forecast that the sector will continue to benefit from a further \$8 billion (approximately) in redemptions and rising interest rates. As an active manager, we continually seek out the best opportunities in the Preferred Share market for our fund investors.

1, 2. 3. 4. Bloomberg Finance L.P.

Standard Performance (As of NOVEMBER 30, 2021)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	31.95%	8.20%	6.08%	3.60% (Dec. 30, 2014)
The ETF	32.11%	8.45%	6.25%	5.27% (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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