

# Slater Monthly Recap

The Preferred Share market had a nice bounce back month in May with the S&P/TSX Preferred Share Total Return Index (the “Index”) up 5.01%. Series F of the Lysander-Slater Preferred Share Dividend Fund (the “Fund”) and the Lysander-Slater Preferred Share *Activ*ETF (the “ETF”) both gained 5.10% respectively, on a total return basis.

Interest rates began to stabilize in May and helped calm the selling pressure for many fixed income asset classes caused by fears of runaway inflation. Specifically, the Canadian 5-year bond yield stayed within the range of 2.6-2.9% which is a very healthy range for Canadian Preferred Shares and helped spark the rally for investors. We believe that the redemption proceeds from The Bank of Montreal (BMO.PR.C) \$500MM fixed rate reset that was made available May 30<sup>th</sup>, & the \$1BN proceeds from the TC Energy (TRP.PR.K) redemption at month end also helped the market with Preferred Shares up over 2.3% in the last few trading days<sup>1</sup>.

Enbridge surprisingly called in their U.S pay \$200MM fixed rate reset Preferred Share that carried a 301bp spread (ENB.PR.U) that is due for redemption in June<sup>2</sup>. Industrial Alliance also called in their \$250MM 2.85bp spread fixed rate reset (IAF.PR.G) also due for redemption in June<sup>3</sup>. Industrial Alliance quickly facilitated the redemption by issuing a \$250MM 376bp 6.16% Limited

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Recourse Capital Note "LRCN"<sup>4</sup>. We believe the deal is a reconfirmation of our belief that many financial institutions are looking to move the majority of their debt issuance to institutional investors. In this case, the cost savings by issuing an LRCN was not significant after factoring in issuance fees, lawyer fees, etc. since the extension of the IAF.PR.G would have been around a 5.7% coupon rate. Year to Date over \$5.8 billion in Preferred Share product has been called, and we expect an estimated \$3.2 billion to be called by year end.

In May, we reduced our straight perpetual weighting in both the Fund and ETF from approximately 15% to 13%. We used the cash proceeds to increase our weightings in fixed resets from approximately 78% to 83%. We continue to add to discounted bank fixed rate resets that offer an attractive risk-reward opportunity increasing the weighting to approximately 23% in both the Fund & ETF.

We believe that a combination of rising interest rates and a shortage of Preferred Share product will be positive for performance going forward. We believe that a stabilization in interest rates and for continued Preferred Share redemptions offers a compelling opportunity for investors seeking good yield and capital gain opportunity.

As an active manager, we continually seek out the best opportunities in the Preferred Share market for our fund investors based on market conditions.

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

### Standard Performance (As of May 31, 2022)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	0.2%	8.3%	3.7%	2.8% (Dec. 30, 2014)
The ETF	0.1%	8.6%	3.8%	4.3% (Aug. 10, 2015)

Performance information for periods greater than 1 year is annualized.

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