

**Interim Financial Statements (unaudited)**  
For the six month periods ended June 30, 2023 and 2022

## Lysander-Slater Preferred Share ActivETF



**SLATER**  
**ASSET MANAGEMENT**



**THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.**

Lysander Funds Limited., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2023.

# Lysander-Slater Preferred Share ActivETF

Interim Financial Statements Six-Month Periods Ended June 30, 2023 (unaudited)

## Table of Contents

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3	Statements of Financial Position
3	Statements of Comprehensive Income (Loss)
4	Statements of Changes in Net Assets Attributed to Holders of Redeemable Units
5	Statements of Cash Flows
5	Schedule of Investment Portfolio
10	Notes to the Financial Statements

# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Financial Position (unaudited)

As at	30-Jun-23	31-Dec-22
<b>Assets</b>		
Financial assets at fair value through profit or loss*	\$ 59,782,644	\$ 73,312,990
Cash and cash equivalents	13,311,119	–
Due from investment dealers	850,270	1,525,726
Accrued interest	142,925	32,140
Accrued dividends	88,937	194,040
<b>Total assets</b>	<b>\$ 74,175,895</b>	<b>\$ 75,064,896</b>
<b>Liabilities</b>		
Due to investment dealers	\$ 1,790,086	\$ –
Bank indebtedness	–	8,806
Accrued management fees	38,873	42,358
Other accrued expenses	14,052	30,361
Redemptions payable	260,801	–
Distributions payable to holders of redeemable units	–	286,538
<b>Total liabilities</b>	<b>\$ 2,103,812</b>	<b>\$ 368,063</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 72,072,083</b>	<b>\$ 74,696,833</b>
<b>Number of redeemable units outstanding</b>		
	<b>8,993,150</b>	<b>9,243,150</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
	<b>\$ 8.01</b>	<b>\$ 8.08</b>
* Financial assets at fair value through profit or loss at cost	\$ 65,457,454	\$ 85,247,422

## Interim Statements of Comprehensive Income (Loss) (unaudited)

For the periods ended	30-Jun-23	30-Jun-22
<b>Income</b>		
Interest for distribution purposes	\$ 302,303	\$ 52,596
Dividend income	1,763,818	1,981,940
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	(6,651,381)	1,535,896
Net realized gain (loss) on foreign currency	(3)	(1,354)
Net other gain (loss)	–	(463)
Change in appreciation (depreciation) unrealized on investments	6,259,622	(12,529,772)
<b>Total operating income (loss)</b>	<b>\$ 1,674,359</b>	<b>\$ (8,961,157)</b>
<b>Expenses</b>		
Management fees	\$ 242,476	\$ 303,408
Commissions and other portfolio transaction costs	135,051	130,667
Operating fees	63,005	86,473
Harmonized sales tax	39,690	48,709
Other expenses	626	1,172
<b>Total operating expenses</b>	<b>\$ 480,848</b>	<b>\$ 570,429</b>
<b>Change in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 1,193,511</b>	<b>\$ (9,531,586)</b>
<b>Change in net assets attributable to holders of redeemable units per unit</b>		
	<b>\$ 0.13</b>	<b>\$ (0.99)</b>

# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Changes in Net Assets Attributed to Holders of Redeemable Units (unaudited)

For the periods ended	30-Jun-23	30-Jun-22
Net assets attributable to holders of redeemable units, beginning of period	\$ 74,696,833	\$ 100,836,205
Change in net assets attributable to holders of redeemable units from operations	1,193,511	(9,531,586)
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (1,708,905)	\$ (1,811,740)
<b>Total distributions</b>	<b>\$ (1,708,905)</b>	<b>\$ (1,811,740)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	\$ 2,883,436	\$ 4,445,469
Cost of units redeemed	(4,992,792)	(5,973,000)
<b>Total redeemable</b>	<b>\$ (2,109,356)</b>	<b>\$ (1,527,531)</b>
Change in net assets attributable to holders of redeemable units for the period	\$ (2,624,750)	\$ (12,870,857)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 72,072,083</b>	<b>\$ 87,965,348</b>

# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-23	30-Jun-22
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units from operations	\$ 1,193,511	\$ (9,531,586)
Adjustments for:		
Foreign exchange loss (gain) on cash and cash equivalents	3	1,354
Net realized loss (gain) on investments sold	6,651,381	(1,535,896)
Change in unrealized depreciation (appreciation) on investments	(6,259,622)	12,529,772
Purchase of investments	(33,251,304)	(46,938,938)
Proceeds from sale and maturity of investments	48,855,433	48,212,754
Interest receivable	(110,785)	(24,901)
Accrued dividends	105,103	(21,405)
Other liabilities	(19,794)	8,606
<b>Net cash from (used in) operating activities</b>	<b>\$ 17,163,926</b>	<b>\$ 2,699,760</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units	\$ (1,734,642)	\$ (1,826,159)
Proceeds from issuances of redeemable units	2,883,436	4,445,469
Amounts paid on redemption of redeemable units	(4,992,792)	(5,973,000)
<b>Net cash from (used in) financing activities</b>	<b>\$ (3,843,998)</b>	<b>\$ (3,353,690)</b>
Foreign exchange (loss) gain on cash and cash equivalents	\$ (3)	\$ (1,354)
Change in cash and cash equivalents during the periods	13,319,928	(653,930)
Cash and cash equivalents, beginning of periods	(8,806)	2,258,867
<b>Cash and cash equivalents, end of periods</b>	<b>\$ 13,311,119</b>	<b>\$ 1,603,583</b>
<b>Supplementary disclosures on cash flow from operating activities</b>		
Interest received	\$ 191,518	\$ 27,695
Dividends received, net of withholding taxes	1,868,921	1,960,535

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
<b>Preferred Shares (62.0%)</b>		
28,329	\$ 491,351	\$ 422,669
63,739	1,214,318	1,099,498
28,893	617,151	517,763
43,922	898,833	752,384
40,000	682,324	680,000
13,000	312,861	311,870
427	7,957	7,771
41,126	731,627	743,558
9,842	181,477	176,762
42,829	791,465	768,781
357	8,601	6,208
198	4,412	3,782
8,375	159,716	137,434

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferred Shares (62.0%)</b>									
<i>Cont'd</i>									
3,858	Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual		64,110	66,338	26,161	Emera Inc., 4.60%, Preferred, Series 'L', Perpetual	587,751	447,353	
13,200	Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '49', Variable Rate, Perpetual		307,881	307,956	59,638	Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	1,190,996	1,196,338	
8,600	Canadian Imperial Bank of Commerce, Preferred, Series '51', Variable Rate, Perpetual		206,272	206,916	3,400	Enbridge Inc., 4.00%, Preferred, Series 'H', Perpetual	56,794	56,950	
38,579	Canadian Utilities Ltd., 4.90%, Preferred, Series 'AA', Perpetual		928,923	729,143	83,047	Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,284,642	1,227,435	
33,435	Canadian Utilities Ltd., 4.90%, Preferred, Series 'BB', Perpetual		800,478	622,225	59,798	Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	1,047,836	966,336	
31,300	Canadian Utilities Ltd., Preferred, Series 'FF', Variable Rate, Perpetual		716,002	708,319	56,077	Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	866,508	854,613	
56,385	Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual		1,157,985	999,706	40,877	Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	690,963	607,432	
50,812	Capital Power Corp., Preferred, Series '1', Convertible, Variable Rate, Perpetual		742,522	650,394	55,037	Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	1,006,019	922,970	
22,590	Capital Power Corp., Preferred, Series '5', Variable Rate, Perpetual		478,646	466,484	56,594	Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	1,020,399	979,076	
20,467	Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual		434,963	392,762	36,063	Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	619,560	580,614	
76,667	Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual		1,636,899	1,441,340	27,025	Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	435,970	415,915	
4,435	Element Fleet Management Corp., Preferred, Series 'C', Variable Rate, Perpetual		112,847	109,988	23,045	Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	467,606	412,851	
208	Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual		5,145	5,127	61,157	Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	1,066,578	954,049	
					88,022	Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	1,452,209	1,286,001	
					69,607	Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	1,307,491	1,291,210	

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferred Shares (62.0%)</b>									
<i>Cont'd</i>									
30,237	Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual		565,165	498,608	23,566	Pembina Pipeline Corp., Preferred, Class 'A', Series 'S', Variable Rate, Perpetual	521,161	496,300	
61,881	Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual		1,311,846	1,024,131	29,225	Pembina Pipeline Corp., Preferred, Series '5', Variable Rate, Perpetual	600,266	519,913	
52,565	Great-West Lifeco Inc., 4.50%, Preferred, Series 'I', Perpetual		1,182,779	905,169	32,692	Pembina Pipeline Corp., Preferred, Series '7', Variable Rate, Perpetual	643,084	545,629	
22,630	Great-West Lifeco Inc., 4.50%, Preferred, Series 'Y', Perpetual		423,135	392,631	32,327	Pembina Pipeline Corp., Preferred, Series '9', Variable Rate, Perpetual	672,543	618,416	
57,411	Great-West Lifeco Inc., 5.65%, Preferred, Series 'L', Perpetual		1,424,826	1,188,408	3,040	Power Corp. of Canada, 5.80%, Preferred, Series 'C', Perpetual	78,179	66,272	
8,130	Great-West Lifeco Inc., 5.80%, Preferred, Series 'M', Perpetual		192,017	177,234	26,148	Power Financial Corp., 4.95%, Preferred, Series 'K', Perpetual	549,153	482,823	
12,239	Intact Financial Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual		220,510	211,612	27,831	Power Financial Corp., 5.50%, Preferred, Series 'D', Callable	677,904	570,536	
11,027	Laurentian Bank of Canada, 4.30%, Preferred, Class 'A', Series '13', Perpetual		248,529	169,264	44,646	Power Financial Corp., 5.50%, Preferred, Series 'R', Perpetual	1,048,047	904,974	
21,846	Manulife Financial Corp., Preferred, Series '11', Variable Rate, Perpetual		476,903	447,843	7,733	Power Financial Corp., 5.75%, Preferred, Series 'H', Perpetual	180,665	165,100	
400	National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual		8,356	8,132	33,911	Power Financial Corp., 5.80%, Preferred, Series 'O', Perpetual	844,845	727,730	
20,037	Northland Power Inc., Preferred, Series '1', Variable Rate, Perpetual		371,892	306,967	5,033	Power Financial Corp., 5.90%, Preferred, Series 'F', Perpetual	122,994	110,424	
4,877	Pembina Pipeline Corp., Preferred, Class 'A', Series '1', Variable Rate, Perpetual		85,264	85,591	15,479	Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	287,792	283,266	
48,255	Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual		989,035	815,510	42,400	Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	853,176	741,152	
14,145	Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual		260,825	252,347	39,470	Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	731,363	682,436	
					27,210	Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '3', Perpetual	608,244	485,699	

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)					
<b>Preferred Shares (62.0%)</b>														
<i>Cont'd</i>														
6,780	Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '4', Perpetual		155,047	120,887	5,300	Toronto-Dominion Bank (The), Preferred, Series '22', Variable Rate, Perpetual		126,059	124,497					
62,967	TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual		1,065,149	860,759	5,300	Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual		127,610	126,564					
108,932	TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual		1,939,172	1,665,570	22,074	TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual		447,626	398,656					
31,556	TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual		550,103	465,451	7,882	TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual		166,961	151,413					
17,062	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate		234,928	223,512	<b>Total</b>		<b>\$ 50,049,189</b>	<b>\$ 44,693,387</b>						
42,000	Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Perpetual		727,531	720,720	<b>Equities (8.2%)</b>									
25,000	Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual		436,174	432,000	11,000	BCE Inc.		\$ 680,370	\$ 664,400					
33,393	Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual		684,717	576,697	105,564	Purpose High Interest Savings ETF		5,287,374	5,281,366					
5,500	Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual		101,088	100,375	<b>Total</b>		<b>\$ 5,967,744</b>	<b>\$ 5,945,766</b>						
5,500	Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual		101,626	101,695	<b>Bonds (12.7%)</b>									
200	Toronto-Dominion Bank (The), Preferred, Series '16', Variable Rate, Perpetual		4,978	4,958	1,835,000	Bank of Montreal, Variable Rate, Perpetual, 7.06%, 2028/04/26		\$ 1,853,776	\$ 1,785,135					
3,364	Toronto-Dominion Bank (The), Preferred, Series '18', Variable Rate, Perpetual		71,889	70,274	1,750,000	Bank of Montreal, Variable Rate, Perpetual, 7.37%, 2027/11/26		1,788,567	1,721,049					
5,900	Toronto-Dominion Bank (The), Preferred, Series '20', Variable Rate, Perpetual		131,945	130,921	1,500,000	Canadian Imperial Bank of Commerce, Variable Rate, Perpetual, 7.37%, 2027/09/28		1,509,493	1,472,393					
					1,850,000	Royal Bank of Canada, Variable Rate, 2080/11/24		1,738,250	1,717,264					
					1,150,000	Toronto-Dominion Bank (The), Series '27', Variable Rate, Perpetual, 5.75%, 2027/10/01		1,101,459	974,270					
					1,500,000	Toronto-Dominion Bank (The), Series '28', Variable Rate, Perpetual, 7.23%, 2027/10/01		1,518,607	1,473,380					
					<b>Total</b>		<b>\$ 9,510,152</b>	<b>\$ 9,143,491</b>						
					<b>Transaction costs</b>									
						Transaction costs		\$ (69,631)	\$					
					<b>Total transaction costs</b>		<b>\$ (69,631)</b>	<b>\$</b>						
					<b>Total investment portfolio (82.9%)</b>		<b>\$ 65,457,454</b>	<b>\$ 59,782,644</b>						

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
<i>Cont'd</i>		
Cash and cash equivalents (18.5%)	\$	\$ 13,311,119
Other assets less liabilities (-1.4%)		(1,021,680)
<b>Net assets</b>	<b>\$</b>	<b>\$ 72,072,083</b>

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## 1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Slater Preferred Share ActivETF (the "Fund") was an open-end fund formed under the laws of the Province of Ontario by a master declaration of trust dated July 28, 2015, as the same was amended and restated from time to time. On August 10, 2015, the Fund commenced operations and became a reporting issuer, with its units qualified for distribution under a prospectus. The Fund's units are traded on the Toronto Stock Exchange.

The Fund's investment objective is to seek to generate income while preserving investor capital by investing primarily in preferred shares of Canadian entities that are listed on a Canadian stock exchange.

The portfolio manager of the Fund is Slater Asset Management Inc. ("Portfolio Manager").

## 2. Basis of Presentation

These interim financial statements (the "financial statements") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The financial statements were authorized for issue by Lysander's board of directors on August 23, 2023.

## 3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active

market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

### Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

### Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

#### Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

#### Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

### Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 requires the expected credit loss model ("ECL") as the impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

allowance on cash collateral held, amounts due from broker, accrued income and other short term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material or considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2023 and December 31, 2022, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of Level 3 fair value measurements for the periods ended June 30, 2023 and December 31, 2022, if applicable, are included in the notes to the financial statements of the Fund.

## Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income (loss).

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income (loss).

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income (loss).

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gains or losses from disposition of the related investments at the exercise price of the option.

## Fair value measurements

The securities in the Fund's Portfolio are measured at FVTPL. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory

## Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique, v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has

been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income (loss) represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

## Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

## Accounting estimates

In the application of the Fund's accounting policies, the Fund is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

## Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with each unit representing an equal and rateable share in the assets allocated to the Fund. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund are listed on the Toronto Stock Exchange ("TSX") and investors may buy and sell units on the TSX, or any other exchange on which such units are traded, through registered brokers and designated brokers in the province or

territory where the investor resides. Investors may incur customary brokerage commissions in buying and selling units.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the Fund on each valuation date by the designated brokers in accordance with the prospectus of the Fund.

## Net asset value per unit

The net asset value per unit of the Fund is computed by dividing the NAV by the total number of units outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

## Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

## Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income (loss). Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

## Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2022, the Fund had \$6,192,273 net capital losses (December 31, 2021 - \$5,141,729) and no non-capital losses (December 31, 2021 - Nil).

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## Distributions

The Fund makes distributions of net income monthly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

## Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

### *Determination of Functional Currency*

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then the Fund uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, the Fund has determined that the functional currency of the Fund is CAD unless noted otherwise.

### *Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market*

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

## Future changes in accounting standards

As of June 30, 2023, the Fund has determined there are no new IFRS standards that are issued, but not yet effective, that could materially impact the Fund's financial statements.

## 4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income (loss) on the accrual basis.

## 5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of

which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

During the periods ended June 30, 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

For the periods ended	30-Jun-23	30-Jun-22
Units outstanding at beginning of period	9,243,150	9,769,000
Redeemable units issued	350,000	450,000
Redeemable units redeemed	(600,000)	(600,000)
<b>Units outstanding at end of period</b>	<b>8,993,150</b>	<b>9,619,000</b>

## 6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for certain investment management services and provides certain administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

At June 30, 2023, the Manager had an ownership interest in the Fund amounting to 0.0% (December 31, 2022 - 0.0%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 0.65%, exclusive of applicable taxes.

During the period ended June 30, 2023, the Manager paid the Portfolio Manager \$121,238 (June 30, 2022 - \$151,704) for managing the portfolio of the Fund. As at June 30, 2023 the amount payable to the Portfolio Manager was \$19,437 (December 31, 2022 - \$21,179).

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## 7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at June 30, 2023 and December 31, 2022:

As at June 30, 2023	Level 1		Level 2		Level 3		Total
<b>Investments</b>							
Equities	\$	5,945,766	\$	-	\$	-	\$ 5,945,766
Fixed income		-		9,143,491		-	9,143,491
Preferred shares		44,693,387		-		-	44,693,387
<b>Total</b>	<b>\$</b>	<b>50,639,153</b>	<b>\$</b>	<b>9,143,491</b>	<b>\$</b>	<b>-</b>	<b>\$ 59,782,644</b>
<hr/>							
As at December 31, 2022	Level 1		Level 2		Level 3		Total
<b>Investments</b>							
Equities	\$	204,602	\$	-	\$	-	\$ 204,602
Preferred shares		73,108,388		-		-	73,108,388
<b>Total</b>	<b>\$</b>	<b>73,312,990</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 73,312,990</b>

## 8. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

### Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in preferred shares. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at June 30, 2023 and December 31, 2022, the Fund had directly invested in preferred shares with the following credit ratings:

As a % of net assets	30-Jun-23		31-Dec-22	
<b>Credit exposure</b>				
A	%	-	%	2.0
BBB		12.7		-
BBB-		-		1.7
BB		0.3		-
P1 / P2		8.2		7.1
P2		22.0		40.9
P2 / P3		15.4		24.1
P3		16.1		22.3



# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2023 and December 31, 2022:

As at 30-Jun-2023	Less Than One Month		1-3 Months		3 Months – 1 Year	
<b>Liquidity exposure</b>						
Due to investment dealers	\$	1,790,086	\$	-	\$	-
Accrued management fees		38,873		-		-
Other accrued expenses		-		14,052		-
Distributions payable to holders of redeemable units		260,801		-		-
<b>As at 31-Dec-2022</b>						
<b>Liquidity exposure</b>						
Bank indebtedness	\$	8,806	\$	-	\$	-
Accrued management fees		42,358		-		-
Other accrued expenses		-		30,361		-
Distributions payable to holders of redeemable units		286,538		-		-

## Market risk

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the Portfolio Manager monitors exposures and may rebalance between different types of preferred shares depending on the interest rate environment. The Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

As at June 30, 2023 and December 31, 2022, the Fund had no significant investments in debt instruments that were exposed to interest rate risk.

	Less than 1 year		1-5 years		More than 5 years	
<b>Interest rate exposure</b>						
June 30, 2023	\$	-	\$	7,426,227	\$	1,717,264
December 31, 2022		-		-		-

If interest rates had increased or decreased by 1% at June 30, 2023, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$2,479,280 (December 31, 2022- \$3,141,122).

### Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (before hedging, if any) to currency risk as at:

	30-Jun-23		31-Dec-22	
<b>Currency exposure</b>				
US Dollars	%	-	%	-

## Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

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As at June 30, 2023, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.0% (December 31, 2022 - 0.0%).

### *Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. If applicable, this risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis. As at June 30, 2023, approximately 70.2% (December 31, 2022 - 98.1%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at June 30, 2023 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$2,531,958 (December 31, 2022 - \$3,665,649).



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