

**Semi-Annual Management Report of Fund Performance**  
As at June 30, 2023

Lysander-Slater Preferred Share Dividend Fund



# Lysander-Slater Preferred Share Dividend Fund

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## A Note About Forward Looking Statements

This semi-annual Management Report of Fund Performance includes certain statements that are “forward looking statements”. All statements, other than statements of historical fact, included in this Management Report of Fund Performance that address activities, events or developments that the Fund expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective” and similar expressions are intended to identify forward looking statements.

These forward looking statements are subject to various risks and uncertainties, including the risks described in the simplified prospectus of the Fund, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed.

Readers are cautioned not to place undue reliance on these forward looking statements. All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

The Fund has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

## About This Report

This semi-annual Management Report of Fund Performance of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) contains financial highlights for the period ended June 30, 2023 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the period ended June 30, 2023. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 3037, Toronto, Ontario, M4N 3N1, by visiting our website at [www.lysanderfunds.com](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact Lysander Funds Limited using one of these methods to obtain a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Investment objective

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

## Investment Strategies

The Fund’s portfolio manager is Slater Asset Management Inc. (“Portfolio Manager” or “Slater”). The Fund’s portfolio is primarily invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. The Fund may invest (at the time of purchase)

up to 30% of its assets in foreign securities. More details are contained in the Fund’s simplified prospectus.

## Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus.

## Results of Operations

For the six-month period ended June 30, 2023, the S&P/TSX Preferred Share Index return was 0.15% and Series F of the Lysander-Slater Preferred Share Dividend Fund return was 1.38%.

The net assets of the Fund were approximately \$60.3 million at June 30, 2023 from \$64.1 million at the beginning of the period. There were net redemptions of approximately \$3.3 million during the period.

Persistent high inflation continued to worry the Bank of Canada “BOC” as inflation continues to remain above the 2% target and came in at 3.4% in May (though coming down from the peak high of 8.1% last summer). However, this was not enough to stop the BOC from raising the overnight rate twice which now sits at 4.75% (As of June 30, 2023). Projections for monetary policy resulted in high interest rate volatility throughout the first half. For instance, the 5-year Canada bond yield (the benchmark for fixed-reset Preferred Shares) fluctuated between 2.8% and 3.86%, and finished at 3.68% by the end of June. High interest rate volatility coupled with many other macroeconomic uncertainties (i.e. debt ceiling, bank failures, etc.) lead to relatively high price volatility in the Preferred Share market.

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As a result, Slater decided to reposition the portfolio into cash & cash equivalents citing market risk. At a certain point, with short-term treasuries yielding as high as 5.0%, investors had plenty of attractive risk-free fixed income alternatives to choose from. Slater used this as an opportunity to increase its cash and equivalent positions up to approximately 30% by the end of May, mainly using Canada T-bills. Due to the uncertainty in interest rates and fears of a potential recession on the horizon, Slater decided to reduce longer duration fixed rate resets which have reset dates in 2025 & 2026.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected or as described below.

The Fund did not borrow money during the period except for immaterial short term cash overdrafts.

## Recent Developments

Slater's view is that the Canadian Preferred Share market is undervalued relative to other high-yielding asset classes, especially if the 5-year Canada bond yield can hold above 2.5%. The risk to this outlook is that a severe recession would result in extreme downward pressure on bond yields. With this in mind, as of mid-June, Slater reduced some of its cash and equivalent positions in favour of discounted fixed resets with reset dates in late-2023 and early-to-mid 2024. At current prices, issues rated in the P2 category offer yields-to-reset in the 8%-10% range; issues in the P3 category offer yields-to-reset above 10%. Slater believes today's historically wide yield spreads will eventually result in upward price movement for the sector.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. There have been no actual or planned reorganizations, mergers or similar transactions involving the Fund.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

## Related Party Transactions

The Manager provides or arranges to provide for 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 and its series, preparing all offering documents, unitholder recordkeeping and other administrative services. The Manager receives a management fee for these services. The fee is calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid \$309,828 (including HST) in management fees to the Manager for the period ended June 30, 2023 (June 30, 2022 - \$463,975).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services are included in the management fee. Portfolio management fees for the Portfolio Manager's services are paid from the management fee.

The Manager paid \$136,944 (including HST) to the Portfolio Manager for the period ended June 30, 2023 (June 30, 2022 - \$206,153).

The Manager relied, or may rely on standing instructions from the IRC in respect of securities traded amongst mutual funds, closed end funds, managed accounts or pooled funds managed by the Manager or an affiliate of the Manager. In such cases the Manager is required to comply with the Manager's written policies and procedures presented to the IRC and provide periodic reports to the IRC in accordance with National Instrument 81-107.

# Lysander-Slater Preferred Share Dividend Fund

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## Financial Highlights

### Series A

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53	\$ 10.00
<b>Operations:</b>						
Total revenue	0.21	0.42	0.42	0.41	0.47	0.45
Total expenses	(0.07)	(0.13)	(0.14)	(0.11)	(0.13)	(0.15)
Realized gains (losses)	(0.80)	(0.32)	1.08	(1.29)	(1.09)	0.11
Unrealized gains (losses)	0.76	(1.77)	0.84	0.64	0.85	(1.56)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.10</b>	<b>\$ (1.80)</b>	<b>\$ 2.20</b>	<b>\$ (0.35)</b>	<b>\$ 0.10</b>	<b>\$ (1.15)</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.16)	(0.30)	(0.24)	(0.34)	(0.32)	(0.27)
From capital gains	-	-	-	-	-	(0.12)
Return of capital	-	-	(0.08)	-	-	(0.12)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.16)</b>	<b>\$ (0.30)</b>	<b>\$ (0.32)</b>	<b>\$ (0.34)</b>	<b>\$ (0.32)</b>	<b>\$ (0.39)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 7.50</b>	<b>\$ 7.57</b>	<b>\$ 9.67</b>	<b>\$ 7.84</b>	<b>\$ 8.33</b>	<b>\$ 8.53</b>
<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 11,749,965	\$ 12,818,292	\$ 19,517,906	\$ 17,676,754	\$ 25,827,659	\$ 25,951,516
Units outstanding	1,566,482	1,693,176	2,018,179	2,254,836	3,101,718	3,041,701
Management expense ratio <sup>5</sup>	% 1.56	% 1.49	% 1.52	% 1.56	% 1.54	% 1.53
Management expense ratio before waivers or absorption	1.56	1.49	1.52	1.56	1.54	1.53
Portfolio turnover rate <sup>6</sup>	66.5	82.1	121.8	157.7	84.8	104.8
Trading expense ratio <sup>7</sup>	0.18	0.24	0.43	0.6	0.4	0.4
Net asset value per unit, end of period	\$ 7.50	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53

### Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.
- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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## Series F

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58	\$ 10.04
Operations:						
Total revenue	0.21	0.42	0.42	0.43	0.47	0.45
Total expenses	(0.04)	(0.08)	(0.09)	(0.07)	(0.08)	(0.10)
Realized gains (losses)	(0.79)	(0.27)	1.07	(1.24)	(1.08)	0.11
Unrealized gains (losses)	0.73	(1.88)	0.68	0.71	0.76	(1.64)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.11</b>	<b>\$ (1.81)</b>	<b>\$ 2.08</b>	<b>\$ (0.17)</b>	<b>\$ 0.07</b>	<b>\$ (1.18)</b>
Distributions:						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.17)	(0.32)	(0.24)	(0.36)	(0.36)	(0.33)
From capital gains	-	-	-	-	-	(0.10)
Return of capital	-	-	(0.10)	-	-	(0.12)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.17)</b>	<b>\$ (0.32)</b>	<b>\$ (0.34)</b>	<b>\$ (0.36)</b>	<b>\$ (0.36)</b>	<b>\$ (0.43)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 7.64</b>	<b>\$ 7.70</b>	<b>\$ 9.80</b>	<b>\$ 7.92</b>	<b>\$ 8.38</b>	<b>\$ 8.58</b>
<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 48,587,619	\$ 51,316,465	\$ 78,535,564	\$ 47,850,514	\$ 53,479,670	\$ 74,783,460
Units outstanding	6,359,507	6,661,345	8,011,843	6,043,971	6,379,154	8,717,097
Management expense ratio <sup>5</sup>	% 0.99	% 0.92	% 0.96	% 0.99	% 0.98	% 0.97
Management expense ratio before waivers or absorption	0.99	0.92	0.96	0.99	0.98	0.97
Portfolio turnover rate <sup>6</sup>	66.5	82.1	121.8	157.7	84.8	104.8
Trading expense ratio <sup>7</sup>	0.18	0.24	0.43	0.6	0.4	0.4
Net asset value per unit, end of period	\$ 7.64	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58

## Notes

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## Management Fees

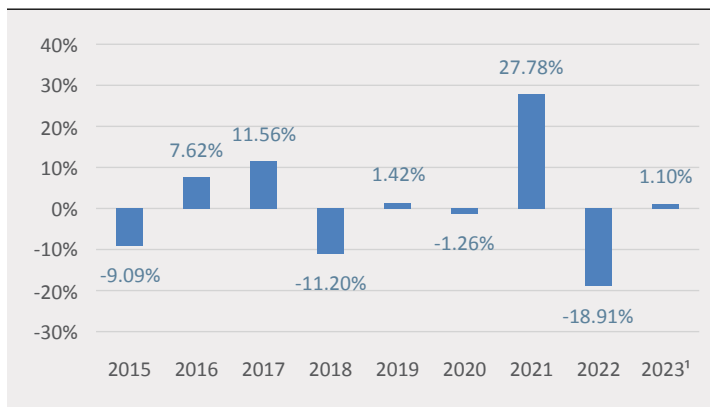
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee at a rate of 1.25% per annum for Series A units and at a rate of 0.75 % per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

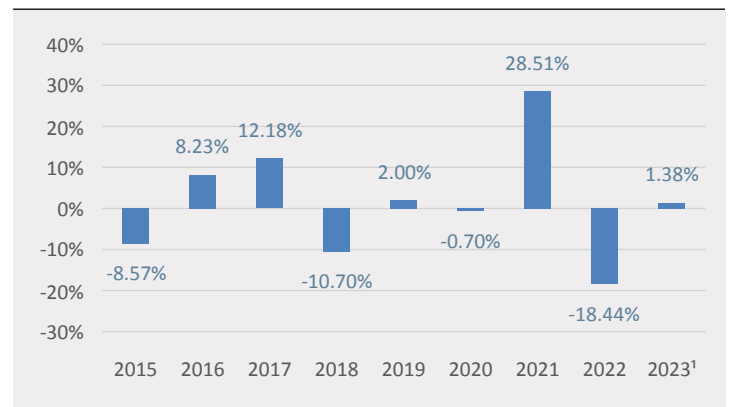


## Past Performance

The Fund became a reporting issuer on December 30, 2014. Accordingly, returns are shown for the relevant period/years as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

### Series F



<sup>1</sup> For the period January 1 to June 30

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## Summary of Investment Portfolio

		% of NAV			% of NAV
<b>Top 25 Issuers</b>			<b>Asset Mix</b>		
Canada T-Bill (Debt)	%	15.6	Canadian Equities	%	7.2
Enbridge Inc.		9.2	Canadian Fixed Income		2.5
Bank Of Montreal		8.8	Cash and Cash Equivalents		0.1
Toronto-Dominion Bank		7.3	Money Market		15.6
Purpose High Interest Savings		6.3	Other Assets less Liabilities		0.2
Power Financial Corp.		4.7	Preferred Shares		74.4
Pembina Pipeline Corp.		4.6	<b>Total</b>	<b>%</b>	<b>100.0</b>
TC Energy Corp.		4.2	<b>Sector</b>		
Great-West Lifeco Inc.		3.9	Cash and Cash Equivalents	%	0.1
Fortis Inc.		3.9	Communication Services		3.6
Fairfax Finl Hldgs Ltd		3.7	Consumer Staples		0.2
Canadian Imperial Bank of Commerce		3.3	Energy		20.5
BCE Inc.		3.3	Financials		44.6
Canadian Utilities Ltd.		3.2	Government		15.6
Cenovus Energy Inc.		2.5	Other Assets less Liabilities		0.2
Royal Bank Of Canada (Debt)		2.5	Utilities		15.2
Emera Inc.		2.3	<b>Total</b>	<b>%</b>	<b>100.0</b>
Altagas Ltd		2.2			
Royal Bank Of Canada		1.9			
Capital Power Corp.		1.4			
Canadian Utilities Ltd		0.9			
Sun Life Financial Inc.		0.8			
Transalta Corp.		0.8			
Manulife Financial Corp.		0.7			
Northland Power Inc.		0.4			
<b>Total</b>	<b>%</b>	<b>98.4</b>			



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