

Annual Management Report of Fund Performance

As at December 31, 2023

Lysander-Slater Preferred Share Dividend Fund



SLATER
ASSET MANAGEMENT



Lysander-Slater Preferred Share Dividend Fund

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A Note About Forward Looking Statements

This 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 annual Management Report of Fund Performance of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) contains financial highlights for the year ended December 31, 2023 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 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 4000, Toronto, Ontario, M4N 3N1, by visiting our website at www.lysanderfunds.com or at SEDAR+ at www.sedarplus.ca.

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 year ended December 31, 2023, the S&P/TSX Preferred Share Index return was 5.9% and Series F of the Lysander-Slater Preferred Share Dividend Fund return was 8.3%.

The net assets of the Fund were approximately \$62.7 million at December 31, 2023 from \$64.1 million at the beginning of the year. There were net redemptions of approximately \$3.3 million during the year.

Persistent high inflation continued to plague the Bank of Canada up until October when Slater began to see inflation start to taper off to more normalized levels of 3%, much lower than the 6% rate at the beginning of the year. The Bank of Canada raised rates to 5% in July 2023 and recently mentioned they do not see the need for an interest rate cut until inflation drops further and there is a clear indication of economic weakness occurring.

The signs of slowing inflation and signals from central banks to lower interest rates in the future caused risk-free assets to move to more normalized levels of approximately 4%, making preferred shares attractive from a yield perspective. Specifically, fixed rate resets yield in the range of 6% to 10% and straight perpetuals on average yield 6.6% both of which are tax efficient dividend income.

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Slater was comfortable repositioning the portfolio out of cash & cash equivalents into preferred shares. This allocation worked well, as the S&P/TSX Preferred Share Index rose over 10% from the low of the market in October to year end. A number of other factors played into preferred shares performing well in the last few months including the removal of the proposal to tax banks and insurance company's preferred share dividend as income from the final budget. In addition, continued redemptions of listed preferred shares has caused investors to redeploy some of their proceeds into other listed Preferred Shares resulting in upward movement.

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 year 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 3.0%. The risk to our outlook is that a severe recession occurs, resulting in extreme downward pressure on bond yields. With the outlook of interest rates staying higher for longer, Slater positioned the Fund into shorter duration resets that will receive a new dividend rate in 2024 and the Fund has an approximate 40% weighting in 2024 fixed rate resets. Slater believe preferred shares will be in for another great year in 2024 due to spreads being attractive from a historical perspective.

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 \$598,509 (including HST) in management fees to the Manager for the year ended December 31, 2023 (December 31, 2022 - \$838,609).

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 \$265,158 (including HST) to the Portfolio Manager for the year ended December 31, 2023 (December 31, 2022 - \$372,486).

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.

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Financial Highlights

Series A

Year ended	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
Net assets per unit¹					
Net assets, beginning of year	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53
Operations:					
Total revenue	0.44	0.42	0.42	0.41	0.47
Total expenses	(0.12)	(0.13)	(0.14)	(0.11)	(0.13)
Realized gains (losses)	(0.97)	(0.32)	1.08	(1.29)	(1.09)
Unrealized gains (losses)	1.20	(1.77)	0.84	0.64	0.85
Total increase (decrease) from operations²	\$ 0.55	\$ (1.80)	\$ 2.20	\$ (0.35)	\$ 0.10
Distributions:					
From income (excluding dividends)	\$ (0.01)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.33)	(0.30)	(0.24)	(0.34)	(0.32)
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.08)	-	-
Total distributions^{2 3}	\$ (0.34)	\$ (0.30)	\$ (0.32)	\$ (0.34)	\$ (0.32)
Net assets, end of year^{2 3}	\$ 7.80	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33

Ratios and supplemental data					
Net asset value ⁴	\$ 11,093,819	\$ 12,818,292	\$ 19,517,906	\$ 17,676,754	\$ 25,827,659
Units outstanding	1,421,796	1,693,176	2,018,179	2,254,836	3,101,718
Management expense ratio ⁵	% 1.53	% 1.49	% 1.52	% 1.56	% 1.54
Management expense ratio before waivers or absorption	1.53	1.49	1.52	1.56	1.54
Portfolio turnover rate ⁶	109.8	82.1	121.8	157.7	84.8
Trading expense ratio ⁷	0.34	0.24	0.43	0.6	0.4
Net asset value per unit, end of year	\$ 7.80	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33

Notes

- The information is derived from the Fund's 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

Year ended	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
Net assets per unit¹					
Net assets, beginning of year	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58
Operations:					
Total revenue	0.45	0.42	0.42	0.43	0.47
Total expenses	(0.07)	(0.08)	(0.09)	(0.07)	(0.08)
Realized gains (losses)	(0.96)	(0.27)	1.07	(1.24)	(1.08)
Unrealized gains (losses)	1.20	(1.88)	0.68	0.71	0.76
Total increase (decrease) from operations²	\$ 0.62	\$ (1.81)	\$ 2.08	\$ (0.17)	\$ 0.07
Distributions:					
From income (excluding dividends)	\$ (0.01)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.36)	(0.32)	(0.24)	(0.36)	(0.36)
From capital gains	-	-	-	-	-
Return of capital	-	-	(0.10)	-	-
Total distributions^{2 3}	\$ (0.37)	\$ (0.32)	\$ (0.34)	\$ (0.36)	\$ (0.36)
Net assets, end of year^{2 3}	\$ 7.95	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38

Ratios and supplemental data					
Net asset value ⁴	\$ 51,598,167	\$ 51,316,465	\$ 78,535,564	\$ 47,850,514	\$ 53,479,670
Units outstanding	6,489,051	6,661,345	8,011,843	6,043,971	6,379,154
Management expense ratio ⁵	% 0.94	% 0.92	% 0.96	% 0.99	% 0.98
Management expense ratio before waivers or absorption	0.94	0.92	0.96	0.99	0.98
Portfolio turnover rate ⁶	109.8	82.1	121.8	157.7	84.8
Trading expense ratio ⁷	0.34	0.24	0.43	0.6	0.4
Net asset value per unit, end of year	\$ 7.95	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38

Notes

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- 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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Management Fees

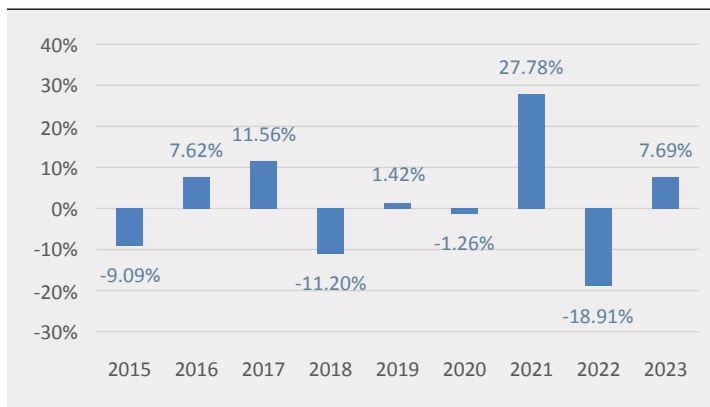
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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

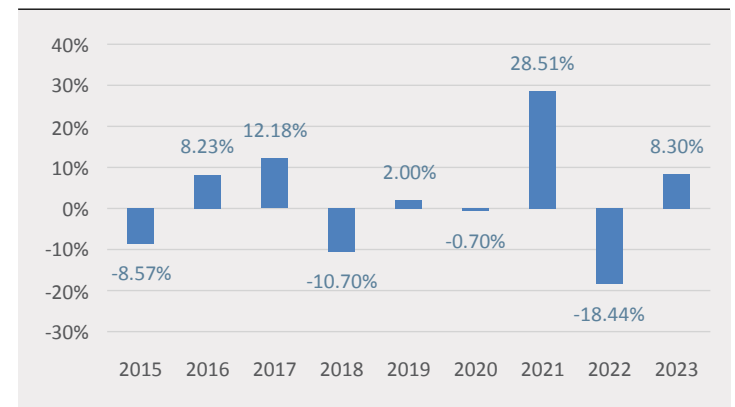


Past Performance

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



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Annual Compound Returns

The following table shows the Fund's annual compound return for each year indicated, compared with the S&P/TSX Preferred Share Index (the "Index"). The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2023		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	7.69	%	3.72	%	2.25	%	0.89
Series F ¹		8.30		4.31		2.83		1.46
S&P/TSX Preferred Share Total Return Index ⁴	%	5.90	%	1.17	%	2.61	%	0.93

Notes

- 1 Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.
- 2 Compound year returns are annualized.
- 3 Period starting from December 30, 2014. Since inception returns are annualized.
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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Bank Of Montreal	9.9	Canadian Equities	2.5
Toronto-Dominion Bank	8.5	Canadian Fixed Income	3.0
Manulife Financial Corp.	7.5	Cash and Cash Equivalents	0.7
Enbridge Inc.	6.4	Other Assets less Liabilities	0.5
Pembina Pipeline Corp.	6.2	Preferred Shares	93.3
Power Financial Corp.	5.1	Total	100.0
Canadian Imperial Bank of Commerce	4.3	Sector	
TC Energy Corp.	4.3	Cash and Cash Equivalents	0.7
Great-West Lifeco Inc.	4.1	Communication Services	2.4
Altagas Ltd	3.9	Consumer Discretionary	0.7
Fairfax Finl Hldgs Ltd	3.8	Energy	20.7
Sun Life Financial Inc.	3.8	Financials	59.4
Cenovus Energy Inc.	3.8	Industrials	0.6
Royal Bank Of Canada	3.5	Other Assets less Liabilities	0.5
BMO Laddered Preferred Share ETF	2.9	Utilities	15.0
Fortis Inc.	2.4	Total	100.0
Royal Bank Of Canada (Debt)	2.3		
BCE Inc.	2.0		
Canadian Utilities Ltd.	1.9		
Capital Power Corp.	1.9		
Transalta Corp.	1.5		
Emera Inc.	1.3		
Toronto-Dominion Bank (Debt)	1.2		
Sun Life Financial Inc	1.0		
Canadian Utilities Ltd	0.9		
Total	94.4		



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