

**Interim Financial Statements (unaudited)**  
For the six month periods ended June 30, 2024 and 2023

## Lysander-Slater Preferred Share Dividend Fund



**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, 2024.

# Lysander-Slater Preferred Share Dividend Fund

Interim Financial Statements Six-Month Periods Ended June 30, 2024 (unaudited)

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# Lysander-Slater Preferred Share Dividend Fund

## Interim Statements of Financial Position (unaudited)

As at	30-Jun-24	31-Dec-23
<b>Assets</b>		
Financial assets at fair value through profit or loss*	\$ 80,720,347	\$ 61,975,694
Cash and cash equivalents	2,544,674	411,486
Due from investment dealers	67,790	171,079
Subscriptions receivable	8,811	-
Dividends receivable	109,182	150,882
Interest receivable	271,562	78,870
Reimbursement receivable	2,654	1,592
<b>Total assets</b>	<b>\$ 83,725,020</b>	<b>\$ 62,789,603</b>
<b>Liabilities</b>		
Redemptions payable	\$ 6,376	\$ 34,836
Accrued expenses	74,854	62,781
Distributions payable	114,855	-
<b>Total liabilities</b>	<b>\$ 196,085</b>	<b>\$ 97,617</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 83,528,935</b>	<b>\$ 62,691,986</b>
<b>Net assets attributable to holders of redeemable units, per series</b>		
Series A	\$ 12,198,253	\$ 11,093,819
Series F	71,330,682	51,598,167
<b>Total net assets</b>	<b>\$ 83,528,935</b>	<b>\$ 62,691,986</b>
<b>Number of redeemable units outstanding</b>		
Series A	1,402,998	1,421,796
Series F	8,037,536	6,489,051
<b>Net assets attributable to holders of redeemable units per unit</b>		
Series A	\$ 8.69	\$ 7.80
Series F	8.87	7.95
* Financial assets at fair value through profit or loss at cost	\$ 76,541,907	\$ 63,676,706

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

For the periods ended	30-Jun-24	30-Jun-23
<b>Income</b>		
Interest for distribution purposes	\$ 439,001	\$ 281,912
Dividend income	1,623,879	1,461,785
Other income	21,137	11,130
Short sales income (loss)	-	(311)
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	2,185,273	(6,581,991)
Change in unrealized appreciation (depreciation) on foreign currency	17	(10)
Change in unrealized appreciation (depreciation) on investments	5,989,978	6,170,359
<b>Total operating income (loss)</b>	<b>\$ 10,259,285</b>	<b>\$ 1,342,874</b>
<b>Expenses</b>		
Management fees	\$ 355,132	\$ 309,828
Transaction costs	110,526	119,841
Filing fees	17,782	17,652
Fund administration fees	14,223	10,511
Custodial fees	4,955	2,016
Unitholder reporting expense	1,958	1,725
Audit fees	1,844	3,305
Bank charges	553	10,416
Regulatory fees expense	253	437
Legal fees	211	470
Independent review committee fees	154	256
<b>Total operating expenses</b>	<b>\$ 507,591</b>	<b>\$ 476,457</b>
<b>Change in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 9,751,694</b>	<b>\$ 866,417</b>
<b>Change in net assets attributable to holders of redeemable units from operations per Series</b>		
Series A	\$ 1,527,543	\$ 163,315
Series F	8,224,151	703,102
<b>Change in total net assets</b>	<b>\$ 9,751,694</b>	<b>\$ 866,417</b>
<b>Change in net assets attributable to holders of redeemable units from operations per unit</b>		
Series A	\$ 1.10	\$ 0.10
Series F	1.09	0.11

# Lysander-Slater Preferred Share Dividend Fund

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

### All Series

For the periods ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 62,691,986	\$ 64,134,757
Change in net assets attributable to holders of redeemable units from operations	9,751,694	866,417
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (1,939,814)	\$ (1,397,057)
From management fee rebate income	(21,137)	(11,130)
<b>Total distributions</b>	<b>\$ (1,960,951)</b>	<b>\$ (1,408,187)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
Series A	\$ 497,360	\$ 138,600
Series F	22,219,648	2,791,132
<b>Total proceeds</b>	<b>\$ 22,717,008</b>	<b>\$ 2,929,732</b>
Cost of units redeemed		
Series A	\$ (854,761)	\$ (1,304,920)
Series F	(10,230,342)	(5,891,165)
<b>Total cost</b>	<b>\$ (11,085,103)</b>	<b>\$ (7,196,085)</b>
Reinvested distributions		
Series A	\$ 218,262	\$ 192,810
Series F	1,196,039	818,140
<b>Total reinvested</b>	<b>\$ 1,414,301</b>	<b>\$ 1,010,950</b>
Change in net assets attributable to holders of redeemable units for the period	\$ 20,836,949	\$ (3,797,173)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 83,528,935</b>	<b>\$ 60,337,584</b>

### Series A

For the periods ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 11,093,819	\$ 12,818,292
Change in net assets attributable to holders of redeemable units from operations	1,527,543	163,315
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (282,562)	\$ (256,103)
From management fee rebate income	(1,408)	(2,029)
<b>Total distributions</b>	<b>\$ (283,970)</b>	<b>\$ (258,132)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
	\$ 497,360	\$ 138,600
Cost of units redeemed	(854,761)	(1,304,920)
Reinvested distributions	218,262	192,810
<b>Total redeemable</b>	<b>\$ (139,139)</b>	<b>\$ (973,510)</b>
Change in net assets attributable to holders of redeemable units for the period	\$ 1,104,434	\$ (1,068,327)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 12,198,253</b>	<b>\$ 11,749,965</b>

### Series F

For the periods ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 51,598,167	\$ 51,316,465
Change in net assets attributable to holders of redeemable units from operations	8,224,151	703,102
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (1,657,252)	\$ (1,140,954)
From management fee rebate income	(19,729)	(9,101)
<b>Total distributions</b>	<b>\$ (1,676,981)</b>	<b>\$ (1,150,055)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
	\$ 22,219,648	\$ 2,791,132
Cost of units redeemed	(10,230,342)	(5,891,165)
Reinvested distributions	1,196,039	818,140
<b>Total redeemable</b>	<b>\$ 13,185,345</b>	<b>\$ (2,281,893)</b>
Change in net assets attributable to holders of redeemable units for the period	\$ 19,732,515	\$ (2,728,846)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 71,330,682</b>	<b>\$ 48,587,619</b>

# Lysander-Slater Preferred Share Dividend Fund

## Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-24	30-Jun-23
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units from operations	\$ 9,751,694	\$ 866,417
Adjustments for:		
Foreign exchange loss (gain) on cash and cash equivalents	(4)	(15)
Net realized loss (gain) on investments sold	(2,185,273)	6,581,991
Change in unrealized depreciation (appreciation) on investments	(5,879,452)	(6,050,518)
Change in unrealized depreciation (appreciation) on foreign currency	(17)	10
Purchase of investments	(44,014,071)	(39,086,225)
Proceeds from sale and maturity of investments	33,334,143	41,864,962
Interest receivable	(192,692)	(93,870)
Dividends receivable	41,700	96,887
Reimbursements receivable	(1,062)	(946)
Prepaid distributions	-	(73,900)
Accrued expenses	12,073	(11,329)
Due from investment dealers	103,289	(124,799)
Due to investment dealers	-	1,607,813
<b>Net cash from (used in) operating activities</b>	<b>\$ (9,029,672)</b>	<b>\$ 5,576,478</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (431,795)	\$ (335,988)
Proceeds from issuances of redeemable units	22,708,197	2,929,732
Amounts paid on redemption of redeemable units	(11,113,563)	(7,147,775)
<b>Net cash from (used in) financing activities</b>	<b>\$ 11,162,839</b>	<b>\$ (4,554,031)</b>
Foreign exchange loss (gain) on cash and cash equivalents	\$ 21	\$ 5
Change in cash and cash equivalents during the period	2,133,167	1,022,447
(Bank indebtedness) Cash and cash equivalents, beginning of period	411,486	(988,388)
<b>Cash and cash equivalents (Bank indebtedness), end of period</b>	<b>\$ 2,544,674</b>	<b>\$ 34,064</b>
<b>Supplementary Information</b>		
Interest received	\$ 246,309	\$ 188,042
Dividends received	1,665,579	1,558,672
Interest paid	553	10,416

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Canadian Equities (1.2%)</b>			
14,000	Purpose High Interest Savings ETF	\$ 700,840	\$ 700,490
13,000	Telus Corp.	305,721	269,230
<b>Total</b>		<b>\$ 1,006,561</b>	<b>\$ 969,720</b>
<b>Canadian Fixed Income (1.0%)</b>			
850,000	RBC (AT1) 4.5% Nov 24, 2025/2080	\$ 803,133	\$ 829,236
<b>Total</b>		<b>\$ 803,133</b>	<b>\$ 829,236</b>
<b>Preferred Shares (94.5%)</b>			
30,615	AltaGas Ltd. Preferred Shares Series A	\$ 545,459	\$ 564,847
70,745	Altagas Preferred Share series G	1,422,113	1,708,489
2,235,000	Bank of Montreal 7.057 Perp, Series 52	2,255,796	2,264,810
12,300	Bank of Montreal Preferred Share Series 33	281,898	293,970
27,837	BCE Inc. (BCE.PR.AD)	508,394	473,786
26,200	BCE Inc. (BCE.PR.H)	477,230	441,208
34,247	BMO (BMO.PR.T)	737,305	852,065
47,250	BMO (BMO.PR.W)	937,953	1,151,010
2,280,000	BMO Bank Preferred 7.373 series 50	2,325,101	2,331,282
1,100	Brookfield Preferred share series 38	19,267	20,372
2,295,000	Canadian Imperial Bank of Canada 7.337% Perpetual series 57	2,319,067	2,338,349
63,981	Canadian Utilities (CU.PR.C)	1,273,154	1,287,298
7,500	Canadian Utilities (CU.PR.E)	144,956	144,000
36,444	Canadian Utilities Limited Preferred Share Series FF	841,440	858,256
7,000	Canadian Utilities Preferred Share Series AA	131,127	133,560
68,172	Capital Power Preferred Share Series 1	1,009,903	995,652
35,604	Capital Power Preferred Share series 5	747,140	792,545
25,521	Cenovus Energy Inc (CVE.PR.C)	530,053	612,249

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# Lysander-Slater Preferred Share Dividend Fund

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferred Shares (94.5%)</b>									
<i>Cont'd</i>									
17,149	Cenovus Energy Inc (CVE.PR.E) OLD CODE BBG00YRX1LX9		371,446	413,977	9,483	Fortis Inc. Fixed Rate Reset First Preference Shares Series	178,919	185,772	
70,819	Cenovus Energy Inc (CVE.PR.G)		1,569,391	1,682,659	54,393	Great West Life Preferred Share series L	1,351,495	1,199,910	
-	Cenovus Energy Inc. (CVE.PR.A)		-	-	30,509	Great West Life Preferred Share Series Y	561,872	543,365	
56,400	CIBC (CM.PR.P)		1,124,786	1,362,060	53,598	Great West Lifeco Preferred Share series I	1,217,762	966,908	
2,600,000	CIBC 7.365% Series 56		2,586,225	2,645,966	11,900	Great-West LIFECO Inc 5.80% Series M	273,773	271,320	
10,114	CIBC Preferred Share Series 43		232,643	242,129	27,555	Great-West Lifeco Preferred Share Series N	374,457	407,814	
8,000	Emera Inc. 4.25% Preferred Share Series F		149,945	150,560	11,378	Laurentian Bank Preferred Share Series 13	252,702	212,200	
27,856	Emera Inc. Preferred Share Series A		409,209	415,054	47,960	Manulife Financial (MFC.PR.F)	727,867	768,319	
25,189	Emera Inc. Preferred Share Series C		510,971	544,082	43,227	Manulife Financial (MFC.PR.J)	913,343	1,032,261	
23,426	Emera Preferred Share series J		434,275	490,072	50,983	Manulife Financial (MFC.PR.K)	1,042,785	1,212,376	
21,966	Emera Preferred Share series L		463,346	393,411	62,690	Manulife Financial (MFC.PR.L)	1,172,247	1,382,941	
40,620	Enbridge Inc (ENB.PR.Y)		643,994	718,568	69,286	Manulife Financial (MFC.PR.M)	1,324,135	1,500,735	
21,209	Enbridge Inc. (ENB.PF.A)		350,181	381,550	41,453	Manulife Financial (MFC.PR.N)	778,384	883,778	
66,443	Enbridge Inc. (ENB.PF.C)		1,095,601	1,168,732	15,000	Manulife Financial (MFC.PR.Q)	300,806	352,800	
21,000	Enbridge Inc. (ENB.PF.G)		319,403	360,990	12,357	Manulife Financial 4.40% Preferred Share Series 9	246,290	297,062	
26,580	Enbridge Inc. (ENB.PR.P)		463,848	495,717	21,200	Manulife Financial 4.50% Preferred Share Series 1	383,644	407,040	
56,291	Enbridge Inc. (ENB.PR.T)		961,926	1,083,602	5,000	Manulife Financial 4.65% Mar 19, 2010 Series 2 Pfd	95,848	98,850	
26,798	Enbridge Inc. cumulative redeemable Pref Shares Series 7		472,292	507,018	13	National Bank Preferred Share Series 30	305	314	
43,902	Fairfax Financial 4.578% Series C		897,273	937,308	26,336	Northland Power Preferred Share Series 1	472,580	455,613	
77,434	Fairfax Financial Preferred Share Series G		1,329,235	1,362,064	36,455	Pembina Pipeline Corp (PPL.PR.C)	741,702	713,789	
85,183	Fairfax Financial Preferred Share Series I		1,519,084	1,558,849	50,203	Pembina Pipeline Corp (PPL.PR.E)	998,367	1,083,883	
2,600	Fairfax Preferred Share series E		44,786	44,434	32,889	Pembina Pipeline Corp (PPL.PR.Q)	612,013	696,260	
15,700	Fortis Inc. (FTS.PR.H)		239,077	238,640	38,225	Pembina Pipeline Corp. Preferred Share Series 9	807,872	894,465	
42,335	Fortis Inc. (FTS.PR.M)		841,243	839,503					

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# Lysander-Slater Preferred Share Dividend Fund

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Preferred Shares (94.5%)</b>							
<i>Cont'd</i>							
67,018	Pembina Preferred Share Series 7	1,270,518	1,363,816	41,775	TD Bank Preferred Share Series 7	833,918	1,015,133
2,750	Power Corp Cda 5.80% Non Cum 1st Pfd Series C	71,069	61,545	40,330	TD Bank Preferred Share Series 9	822,396	971,953
10,000	Power Financial Corp (PWF.PR.T)	216,900	220,800	36,364	Thomson Reuters Corp (TRI.PR.B)	495,019	494,550
25,877	Power Financial Corp Preferred Share series D	633,142	541,088	21,826	TransAlta Preferred Share Series C	441,509	401,598
33,500	Power Financial N/C 1st Pfd 4.95% Series K	683,665	649,900	36,255	Transalta Preferred Share series G	741,365	825,164
10,000	Power Financial N/C 1st Pfd 5.90% Series F	236,298	226,900	<b>Total</b>		<b>\$ 74,732,213</b>	<b>\$ 78,921,391</b>
11,300	Power Financial Preferred Share series H	258,086	248,261	<b>Total investment portfolio (96.7%)</b>		<b>\$ 76,541,907</b>	<b>\$ 80,720,347</b>
31,156	Power Financial Preferred Share Series O	776,113	691,352		Cash and Cash Equivalents (3.0%)		\$ 2,544,674
28,494	Power Financial Preferred Share Series R	648,469	604,073		Other Assets less Liabilities (0.3%)		263,914
42,800	RBC (RY.PR.M)	932,360	1,004,944	<b>Net assets</b>			<b>\$ 83,528,935</b>
30,500	Royal Bank Preferred Share Series BD	696,690	738,710				
4,810,000	Royal Bank 7.408% Perpetual	4,915,834	4,954,089				
35,530	Sun Life Financial Inc (SLF.PR.H)	649,700	715,574				
52,590	Sun Life Financial Inc. (SLF.PR.C)	1,075,628	1,012,358				
21,500	Sun Life Financial Preferred Share Series 5	395,468	413,875				
82,417	Sun Life Financial Preferred Share Series 8R	1,209,503	1,420,869				
1,400	Sun Life Financial Preferred Share series 9	21,896	24,780				
46,064	Sun Life Preferred Share Series 4	865,259	884,429				
13,614	TC Energy Corp (TRP.PR.A)	225,499	222,725				
9,200	TC Energy Corp (TRP.PR.B)	116,482	122,636				
5,600	TC Energy Corp (TRP.PR.C)	73,315	75,544				
73,657	TC Energy Corp (TRP.PR.D)	1,318,687	1,432,629				
91,273	TC Energy Corp Preferred Share Series 9	1,457,176	1,667,558				
13,000	TD Bank (TD.PF.A)	312,585	319,150				
196,955	TD Bank (TD.PF.C)	3,970,960	4,726,920				



# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

## 1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 4000, 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 and its series, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Slater Preferred Share Dividend Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by an amendment dated December 30, 2014 to a master declaration of trust dated December 8, 2011, as the same was amended and/or consolidated from time to time. On December 30, 2014, the Fund commenced operations and became a reporting issuer, with its units qualified for distribution under a simplified prospectus.

The Fund's investment 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.

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 21, 2024.

## 3. Material Accounting Policy Information

Effective January 1, 2023, the Fund adopted the International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") amendment with regards to disclosure of material accounting policies. This amendment did not have a material impact on these financial statements. There are no other

standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023, that have a material effect on the financial statements of the Fund. The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

The material 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.

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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 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, 2024 and December 31, 2023, 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, 2024 and December 31, 2023, 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 (loss) 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.

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

## 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 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

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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.

## 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 units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. 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 may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

## Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series 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.

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

As at December 31, 2023, the Fund had \$11,468,490 net capital losses (December 31, 2022 - \$7,194,197) and no non-capital losses (December 31, 2022 - Nil).

## 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, 2024, 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.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 0.50% per annum on the Series A units, exclusive of any applicable taxes.

## 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, 2024 and 2023, the number of units issued, redeemed and outstanding were as follows:

### Series A

For the periods ended	30-Jun-24	30-Jun-23
Units outstanding at beginning of period	1,421,796	1,693,176
Redeemable units issued	58,541	18,035
Redeemable units redeemed	(103,130)	(169,636)
Redeemable units issued on reinvestments	25,791	24,907
<b>Units outstanding at end of period</b>	<b>1,402,998</b>	<b>1,566,482</b>

### Series F

For the periods ended	30-Jun-24	30-Jun-23
Units outstanding at beginning of period	6,489,051	6,661,345
Redeemable units issued	2,590,613	348,202
Redeemable units redeemed	(1,180,540)	(753,778)
Redeemable units issued on reinvestments	138,412	103,738
<b>Units outstanding at end of period</b>	<b>8,037,536</b>	<b>6,359,507</b>

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

## 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.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At June 30, 2024, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 1.8% (December 31, 2023 - 3.2%).

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 1.25% on Series A units and up to 0.75% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

During the period ended June 30, 2024, the Manager paid the Portfolio Manager, \$142,682 (June 30, 2023 - \$121,190) for managing the portfolio of the Fund. As at June 30, 2024 the amount payable to the Portfolio Manager was \$25,586 (December 31, 2023 - \$19,892).

## 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, 2024 and December 31, 2023:

As at June 30, 2024	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Equities	\$ 969,720	\$ -	\$ -	\$ 969,720
Fixed income	-	829,236	-	829,236
Preferred shares	78,921,391	-	-	78,921,391
<b>Total</b>	<b>\$ 79,891,111</b>	<b>\$ 829,236</b>	<b>\$ -</b>	<b>\$ 80,720,347</b>

  

As at December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Investments</b>				
Equities	\$ 1,549,485	\$ -	\$ -	\$ 1,549,485
Fixed income	-	1,888,571	-	1,888,571
Preferred shares	58,537,638	-	-	58,537,638
<b>Total</b>	<b>\$ 60,087,123</b>	<b>\$ 1,888,571</b>	<b>\$ -</b>	<b>\$ 61,975,694</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.

# Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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, 2024 and December 31, 2023, the Fund had directly invested in preferred shares with the following credit ratings:

As a % of net assets		30-Jun-24	31-Dec-23
<b>Credit exposure</b>			
A	%	–	1.2
BBB		1.0	12.4
P1 / P2		7.9	9.4
P2		45.7	39.2
P2 / P3		23.5	13.2
P3		17.5	18.0
Not Rated		–	2.9

## 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, 2024 and December 31, 2023:

As at 30-Jun-2024	Less Than One Month	1-3 Months	3 Months – 1 Year
<b>Liquidity exposure</b>			
Redemptions payable	\$ 6,376	\$ –	\$ –
Accrued expenses	–	74,854	–
Distributions payable	114,855	–	–
As at 31-Dec-2023	Less Than One Month	1-3 Months	3 Months – 1 Year
<b>Liquidity exposure</b>			
Redemption Payable	\$ 34,836	\$ –	\$ –
Accrued expenses	–	62,781	–

## 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.

	Less than 1 year	1-5 years	More than 5 years
<b>Interest rate exposure</b>			
June 30, 2024	\$ –	\$ 8,121,674	\$ –
December 31, 2023	–	1,888,571	6,668,667

If interest rates had increased or decreased by 1% at June 30, 2024, with all other variables remaining constant, net assets of the Fund would have decreased or increased by approximately \$3,316,099 (December 31, 2023- \$2,382,295).

### 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

## Lysander-Slater Preferred Share Dividend Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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-24	31-Dec-23
<b>Currency exposure</b>			
US Dollars	%	- %	-

As at June 30, 2024, 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, 2023 - 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, 2024, approximately 95.7% (December 31, 2023 - 95.8%) 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, 2024 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$3,994,556 (December 31, 2023 - \$3,004,356).





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