



Slater Monthly Recap


The Canadian Preferred Share market was up and down in August, but ended the month on a positive note. The S&P/TSX Preferred Share Total Return Index (the “Index”) gained 1.12%, while Series F of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) and Lysander-Slater Preferred Share *Activ*ETF (the “ETF”) outperformed the Index with total returns of +1.23% and +1.27%, respectively.

The Bank of Canada and the U.S. Federal Reserve (the “FED”) continued to emphasize their intent to raise interest rates to help fight high inflation. This resulted in the 5-year Canada bond yield rising from 2.64% to 3.33% over the course of the month. Analysts expect the Bank of Canada to raise a further 50bps in September, which would place the overnight rate at 3.0%, a level last seen in 2008.

Rising interest rates should support valuations in the rate reset sub-sector, where coupon rates are expected to be increased on upcoming reset dates. Both the Fund and ETF have an approximate 76% weighting in discounted rate reset Preferred Shares at the present time.

Three rate reset Preferred Share issues were called for redemption in August, bringing total Preferred Share redemptions to approximately \$7.5BN year-to-date. First, Capital Power called in its \$150MM 4.12bp reset spread issue (“CPX.PR.1”) for September 30¹, and then announced it would replace the funds with a 7.95% hybrid note.

SLATER ASSET MANAGEMENT

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Next, Altgas called in its 200MM 3.58bp reset spread US-Pay issue (“ALA.PR.U”), and then launched a 7.35% subordinate note². Finally, Artis REIT called in its \$80MM 4.06bp reset spread issue (“AX.PR.A”), which had been trading at \$24.80 prior to being called³. Both the Fund and ETF held an approximate 1.0% weighting in AX.PR.A.

In August, both the Fund and ETF reduced their rate reset exposure slightly, from 80% to 76%. Specifically, we reduced our exposure to 225bp spread bank rate resets by approximately 4% and added to higher-spread TD and BMO \$1,000 par value institutional Preferred Shares for diversification purposes. Both the Fund and ETF now hold an approximate 6.6% weighting in \$1,000 par value Preferred Shares.

We believe that both the FED and the Bank of Canada are nearing the end of their monetary tightening cycles, and interest rates will stabilize. This, we believe, will set the stage for an end-of-year rally in the Preferred Share market.

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

1, 2, 3 Bloomberg Finance L.P.

Standard Performance (As of August 31, 2022)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	-6.3%	8.5%	2.1%	2.1% (Dec. 30, 2014)
The ETF	-6.3%	8.7%	2.2%	3.5% (Aug. 10, 2015)

Performance information for periods greater than 1 year is annualized.

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