

Slater Monthly Recap

The Canadian Preferred Share market was down slightly in October, with the S&P/TSX Preferred Share Total Return Index (the “Index”) losing 0.88%. In the same period, Series F of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) and Lysander-Slater Preferred Share ActivETF (the “ETF”) lost 1.87% and 1.88%, respectively, on a total return basis.

The Bank of Canada (the “Bank”) raised its overnight rate by 50bps, which was less than the anticipated 75bp increase. In its statement, the Bank noted that future rate increases would depend on its assessment of how the economy was responding to monetary tightening.

In terms of redemption activity during the month, Pembina Pipeline called in its 5.25% floor rate-reset (PPL.PR.C)¹, which had a 365bp reset spread. Had it been extended, the issue would have carried an approximate 7.25% coupon rate. Neither the Fund nor the ETF held a position in this issue.

TD Bank and National Bank surprised the market by *not* calling TD.PF.I (301bp reset spread) and NA.PR.C (343 reset spread) for redemption on their reset date. The decision not to redeem ended a 27-month trend for the banks to call in their traditional \$25 par value fixed rate-resets on their reset date and replace them with Limited Recourse Capital Notes (“LRCNs”) or \$1000 institutional Preferred Shares². The surprise development sent existing bank fixed rate-resets lower which we believe is now

SLATER ASSET MANAGEMENT

Doug Grieve,
Portfolio Manager

[LinkedIn Profile](#) 

LYZ920F

Lysander-Slater Preferred
Share Dividend Fund

TSX:PR

Lysander-Slater Preferred
Share ActivETF



fully priced in relative to the market. Both the Fund and ETF hold an overweight positioning in discounted bank fixed rate resets relative to the Index, which we can attribute to the Fund’s and ETF’s relative short-term underperformance for the month.

It is our opinion that *all* traditional bank Preferred Shares will be called in at some point upon their respective reset dates, but the banks will do it on a needed basis and will continue to replace them with LRCNs or \$1000 institutional Preferred Shares.

Looking forward, we expect interest rates to peak and then flatten out at some point over the next few quarters. We also look for new issue reset spreads to tighten in to more historical levels. These developments would benefit existing Preferred Shares that are yielding 7.50% to north of 10% (all else equal) the most, in our opinion.

The Fund and ETF have continued to add to positions in discounted rate-resets, focusing on issues with a relatively short term to reset/redemption. 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. Bloomberg Finance L.P.

Standard Performance (As of October 31, 2022)

	1 YR (%)	3YR (%)	5YR (%)	Since Inception (%)
The Fund Series F	-16.8%	4.1%	-0.4%	1.0% (Dec. 30, 2014)
The ETF	-16.9%	4.3%	-0.3%	2.2% (Aug. 10, 2015)

Performance information for periods greater than 1 year is annualized.

IMPORTANT DISCLAIMER

Lysander Funds Limited ("Lysander") is the investment fund manager of Lysander-Slater Preferred Share Dividend Fund and Lysander-Slater Preferred Share ACTIVETF (collectively, the "Funds"). Slater Asset Management Inc. ("Slater") is the portfolio manager of the Funds. This document was prepared by Slater as portfolio manager of the Funds. In this document, "we", "us", and "our" means Slater. This document has been prepared solely for information purposes. Information in this document is not intended to constitute legal, tax, securities or investment advice and is made available on an "as is" basis. Neither Lysander nor Slater make any warranties or representations regarding the information herein. Information in this document is subject to change without notice. Neither Lysander nor Slater assume any duty to update any information herein. Certain information in this document has been derived or obtained from sources believed to be trustworthy and/or reliable. Neither Lysander nor Slater assume responsibility for the accuracy, currency, reliability or correctness of any such information.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently, and past performance may not be repeated. The indicated rates of return are historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Different series may have different fees payable which may result in series of the same fund having a different rate of returns. You will usually pay brokerage fees to your dealer if you purchase or sell units of the ETF on the Toronto Stock Exchange ("TSX"). If the units are purchased or sold on the TSX, investors may pay more than the current net asset value when buying units of the ETF and may receive less than the current net asset value when selling them.

This document may contain forward-looking statements. Statements concerning a fund's or entity's objectives, goals, strategies, intentions, plans, beliefs, expectations and estimates, and the business, operations, financial performance and condition are forward looking statements. The words "believe", "expect", "anticipate", "estimate", "intend", "aims", "may", "will", "would" and similar expressions and the negative of such expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words.

These forward- looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from current expectations. Readers are cautioned not to place undue reliance on these forward-looking statements. While Lysander and Slater consider these risks and uncertainties to be reasonable based on information currently available, they may prove to be incorrect.

Nothing in this document should be considered a recommendation to buy, sell or short a particular security. Any specific securities discussed are intended as an illustration of the portfolio manager's security selection process. The portfolio manager may sell these securities at any time, or purchase securities that have previously been sold. The positions may increase or decrease in value after the date hereof, and the portfolios that hold such positions may accordingly gain or lose money on the investment. The statements by the portfolio manager in their commentaries are intended to illustrate their approach in managing the funds, and should not be relied upon for any other purpose.

The source of all S&P/TSX Indexes is TSX © Copyright 2022 TSX Inc. All Rights Reserved.

®Lysander Funds is a registered trademark of Lysander Funds Limited.

Lysander Funds Limited

WWW.LYSANDERFUNDS.COM

TORONTO

3080 Yonge Street, Suite 3037
Toronto, Ontario, M4N 3N1

Phone (416) 640-4275

Toll Free 1-877-308-6979

Fax (416)855-6515

Email manager@lysanderfunds.com

Follow Us on [LinkedIn](#) 

VANCOUVER

520 - 1090 West Georgia Street
Vancouver, BC, V6E 3V7

Phone (778) 819-1193

MONTRÉAL

1 Place Ville Marie, Suite 3150
Montréal, QC, H3B 3Y2

Phone (514) 316-9257