

## **Annual Management Report of Fund Performance**

As at December 31, 2024

# Lysander-Slater Preferred Share ActivETF



# Lysander-Slater Preferred Share ActiveETF

Annual Management Report of Fund Performance as at December 31, 2024

## 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 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 ActiveETF (the “Fund”) contains financial highlights for the year ended December 31, 2024 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, 2024. 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](http://www.lysanderfunds.com) or at SEDAR+ at [www.sedarplus.ca](http://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 seeks to generate income while preserving investor capital by investing primarily in preferred shares in Canadian entities 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 will primarily be invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. More details are contained in the Fund’s prospectus.

## Risks

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

## Results of Operations

The Fund’s returns for the year ended December 31, 2024 was 23.76%. The S&P/TSX Preferred Share Index was up 24.70% during the same period.

The net assets of the Fund were approximately \$78.7 million at December 31, 2024 from approximately \$73.3 million at the beginning of the year. There were net redemption of approximately \$7.6 million and cash distributions of \$3.8 million during the year.

A few main reasons helped contribute to a strong second half for Preferred Shares. Firstly, the Bank of Canada committed to cutting interest rates by slashing the overnight rate 4 times bringing the overnight rate from 4.75% down to 3.25% by the end of the year. As a result, the CAD 5-year bond yield dropped from 3.4% at the end of Q2 to 3.0% at year end. The market had already priced in most of the interest rate cuts by the end of second quarter, and the strength in the CAD 5-year bond yield helped support fixed rate resets that were set to be reset. Preferred Shares on a relative basis to other fixed income alternatives are also offering attractive yields to investors with much of the market having current yields of 6% or more.

Secondly, favourable demand/supply dynamics continued to support the Preferred Share market’s positive performance with approximately \$6.4 billion of Preferred Share product being redeemed in 2024 which is more than Slater was initially expecting. Listed bank issuers continued to redeem their \$25 par

# Lysander-Slater Preferred Share ActivETF

Annual Management Report of Fund Performance as at December 31, 2024

---

Preferred Shares in lieu of issuing over-the-counter Limited Recourse Capital Notes ("LRCN") and \$1000 Preferred Shares, and some mid-level investment grade issuers also surprised the market by redeeming Preferred Shares (iA Financial Group, Cenovus Energy Inc, Fairfax Financial Holdings Limited). This helped spark a rally in Preferred Shares as investors reinvest some of the cash proceeds back into the secondary market upon receipt of cash.

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 remains at attractive level with bond yields remaining above 3% and continued favorable demand/supply dynamics should result in positive performance. However, the market could be due for a slight pullback if geopolitical risks such as trade tariffs on Canadian goods were to take effect as was announced by President Trump, thereby increasing the risks of a recession.

Slater has reduced the Fund's exposure to resets that are fully valued and approaching par value such as listed bank paper and other mid-level investment grade resets that have duration risks. The Fund has increased its exposure to high spread and dividend rate resets in the OTC \$1000 Preferred Share market that are more defensive going from 19.8% at the beginning July to 26.1% at the end of the year.

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.

Effective June 30, 2024, Paul Fahey resigned as a member of the Fund's Independent Review Committee ("IRC"). Effective July 1, 2024, Donna Peters-Imbrogno was appointed as a member of the 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 prospectus.

The Fund paid \$520,957 (excluding HST) in management fees to the Manager for the year December 31, 2024 (December 31, 2023- \$475,755).

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 \$294,341 (including HST) to the Portfolio Manager for the year ended December 31, 2024 (December 31, 2023 - \$268,802).

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 ActivETF

Annual Management Report of Fund Performance as at December 31, 2024

## Financial Highlights

Year ended	31-Dec-2024	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 8.34	\$ 8.08	\$ 10.32	\$ 8.35	\$ 8.83
Operations:					
Total revenue	0.52	0.47	0.43	0.44	0.44
Total expenses	(0.10)	(0.10)	(0.11)	(0.14)	(0.12)
Realized gains (losses)	0.78	(0.90)	(0.14)	1.27	(1.33)
Unrealized gains (losses)	0.74	1.19	(2.04)	0.69	0.71
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.94</b>	<b>\$ 0.66</b>	<b>\$ (1.86)</b>	<b>\$ 2.26</b>	<b>\$ (0.30)</b>
Distributions:					
From income (excluding dividends)	\$ (0.06)	\$ (0.02)	\$ -	\$ -	\$ -
From dividends	(0.37)	(0.38)	(0.34)	(0.30)	(0.36)
From capital gains	-	-	-	-	-
Return of capital	(0.01)	-	(0.04)	(0.10)	(0.04)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.44)</b>	<b>\$ (0.40)</b>	<b>\$ (0.38)</b>	<b>\$ (0.40)</b>	<b>\$ (0.40)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 9.85</b>	<b>\$ 8.34</b>	<b>\$ 8.08</b>	<b>\$ 10.32</b>	<b>\$ 8.35</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 78,714,559	\$ 73,319,181	\$ 74,696,833	\$ 100,836,205	\$ 64,876,122
Units outstanding	7,993,150	8,793,150	9,243,150	9,769,000	7,769,000
Management expense ratio <sup>5</sup>	% 0.89	% 0.92	% 0.90	% 0.99	% 1.03
Management expense ratio before waivers or absorption	0.89	0.92	0.90	0.99	1.03
Portfolio turnover rate <sup>6</sup>	99.21	119	95	140	164
Trading expense ratio <sup>7</sup>	0.24	0.33	0.24	0.42	0.60
Net asset value per unit, end of year	9.85	8.34	8.08	10.32	8.35
Closing market price per unit <sup>4</sup>	\$ 9.80	\$ 8.27	\$ 8.07	\$ 10.29	\$ 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 Accounting Standards as issued by the International Accounting Standards Board ("IASB").
- 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.
- 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.

# Lysander-Slater Preferred Share ActivETF

Annual Management Report of Fund Performance as at December 31, 2024

## 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.

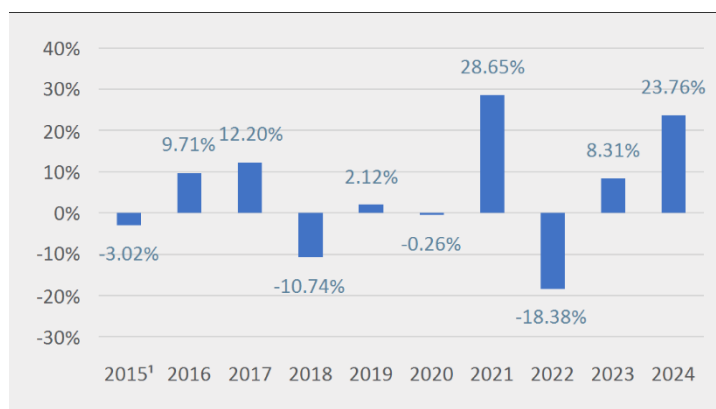
In consideration for such services, the Manager receives a management fee, based on the net asset value of the fund, calculated daily and payable monthly. The Fund pays a management fee at a rate of 0.65% per annum.

## Past Performance

The Fund commenced operations on August 10, 2015. Accordingly, returns are shown for the relevant years/periods as indicated below.

The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown assumes that cash distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

## Year-by-Year Returns



<sup>1</sup> For the period August 10 to December 31

# Lysander-Slater Preferred Share ActivETF

Annual Management Report of Fund Performance as at December 31, 2024

## Annual Compound Returns

The following table shows the Fund’s annual compound return for each period indicated, compared with the S&P/TSX Preferred Share Total Return 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, 2024		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		Since Inception <sup>3</sup>
Annual Compound Return								
Lysander-Slater Preferred Share ActivETF	%	23.76	%	3.04	%	7.01	%	4.61
S&P/TSX Preferred Share Total Return Index <sup>4</sup>	%	24.70	%	2.66	%	6.51	%	4.69

### 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 period returns are annualized.
- 3 Period starting from August 10, 2015. Since inception returns are annualized.
- 4 TSX © Copyright 2024 TSX Inc. All Rights Reserved.

# Lysander-Slater Preferred Share ActivETF

Annual Management Report of Fund Performance as at December 31, 2024

## Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
Bank of Montreal (Debt)	%	8.7	Cash and Cash Equivalents	%	4.5
Enbridge Inc.		8.2	Equities		0.3
Royal Bank of Canada (Debt)		8.2	Fixed Income		27.8
Manulife Financial Corp.		7.7	Other Assets less Liabilities		(0.1)
Canadian Imperial Bank of Commerce (Debt)		7.7	Preferred Shares		67.5
Sun Life Financial Inc.		6.8	<b>Total</b>	<b>%</b>	<b>100.0</b>
Fairfax Financial Holdings Ltd.		5.9	Sector		
Great-West Lifeco Inc.		5.3	Cash and Cash Equivalents	%	4.5
Power Financial Corp.		5.0	Communication Services		2.0
Canadian Utilities Ltd.		4.9	Consumer Staples		0.7
Cash and Cash Equivalents		4.5	Energy		15.6
Pembina Pipeline Corp.		3.4	Financials		63.5
TC Energy Corporation		3.4	Government		1.8
TD Bank Group		2.7	Other Assets less Liabilities		(0.1)
Emera Inc.		2.2	Utilities		12.0
Government of Canada (Debt)		1.8	<b>Total</b>	<b>%</b>	<b>100.0</b>
Capital Power Corp.		1.8			
TransAlta Corp.		1.5			
TD Bank Group (Debt)		1.5			
Brookfield Corp.		1.4			
Royal Bank of Canada		1.3			
Fortis Inc.		1.0			
BCE Inc.		0.9			
Thomson Reuters Corp.		0.8			
George Weston Ltd.		0.7			
<b>Total</b>	<b>%</b>	<b>97.3</b>			



3080 Yonge Street, Suite 4000  
Toronto, ON M4N 3N1  
[www.lysanderfunds.com](http://www.lysanderfunds.com)

® Lysander Funds is a registered trademark of Lysander Funds Limited