LYSANDER FUNDS

SLATER ASSET MANAGEMENT

Q2 2026

Slater Quarterly Recap

The Canadian Preferred Share market finished higher in Q2 2026, with the S&P/TSX Preferred Share Total Return Index (the "index") up 4.0%. Series F of Lysander-Slater Preferred Share Dividend Fund ("the Fund"), and Lysander-Slater Preferred Share *Activ*ETF (the "ETF") (Ticker "PR") each gained 2.3% on a total-return basis. Geopolitical risk eased during the quarter as the U.S.–Iran conflict was resolved on paper, pulling crude oil prices back to pre war levels and relieving upward pressure on bond yields. The Canadian 5 year bond closed the quarter at 3.0%, a level Slater views as constructive for the Preferred Share market at current valuations.

Market fundamentals remain solid relative to other fixed income segments, though yield spreads have continued to compress modestly alongside the sector's steady performance. Straight perpetuals are yielding roughly 5.5%, while fixed rate resets are closer to 5.7% on a current yield basis. Approximately 27% of the reset universe is scheduled to reset in 2026–2027, and both the Fund and the ETF have minimal exposure (1.5%) to these issues. Many of these upcoming resets could reset at yields below their current levels, all else equal, reinforcing the importance of maintaining limited exposure and remaining selective as the reset cycle progresses.

The Bank of Canada held its overnight rate at 2.25% for a fifth consecutive meeting, underscoring its effort to balance a cooling domestic economy against persistent inflation pressures. South of the border, the U.S. Federal Reserve (the "Fed") maintained its target range at 3.50%–3.75%, signaling a firm reluctance to deliver the rate cuts markets continue to hope for. Fed officials pointed to stronger than expected employment and sticky inflation as justification for keeping policy tight, a stance that runs counter to what markets had been hoping for.

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LYZ920F
Lysander-Slater Preferred Share Dividend Fund

TSX:PR
Lysander-Slater Preferred Share *Activ*ETF

Two Preferred Share issues were redeemed during Q2: ECN Capital (ECN.PR.C, $100MM, 519 bps spread), and Brookfield Properties (BPO.PR.C, $200MM, 518 bps spread). Preferred Shares also saw two new issues come to market, the first being Brookfield Renewable Partners ($200MM 5.75% floor reset, 265bps spread), and Great-West Life issuing a $200MM 5.75% straight perpetual. Both the Fund and the ETF participated in these new issues, with an approximate 0.4% weighting in each.

In the over-the-counter market, two Limited Recourse Capital Notes followed. TD issued a $1 billion LRCN at a 285bp reset spread with a 5.91% coupon, which was roughly 2x covered. National Bank then brought a $600 million LRCN at a 295bp reset spread and a 6.06% coupon, attracting 2.8x coverage. Both the Fund and the ETF participated on the National deal with a 0.9% weight. Both transactions reflected continued strong demand for high-quality LRCN issuance.

We continue to see attractive relative value in Preferred Shares compared to other areas of fixed income. In our view, this could contribute to further spread compression, provided broader market conditions remain stable.

Standard Performance (As of June 30, 2026)

	1 YR (%)	3YR (%)	5YR (%)	10YR (%)	Since Inception (%)
Lysander-Slater Preferred Share Dividend Fund (Series F)	8.6%	14.4%	5.4%	5.9%	4.2% (Dec. 30, 2014)
Lysander-Slater Preferred Shares *Active*ETF	8.8%	14.5%	5.4%	6.1%	5.2% (Aug. 10, 2015)

Performance information for periods greater than 1 year is annualized

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