

FEATURE FUND

Louisbourg Preferred Share Fund

Fund Details

- **Series:** Registered investment accounts D, E & G. Segregated funds B & H
- **Fund Manager:** Louisbourg Investments
- **Lead Manager:** Heather Hurshman, VP and Portfolio Manager
- **Inception Date:** September 2017
- **Fund Volatility Level:** Low to moderate

The only fund of its kind

Available for registered investment accounts and segregated funds in Canada

Objective & Strategy

The principal investment objective of the Louisbourg Preferred Share Fund is to generate high dividend income while focusing on capital preservation.

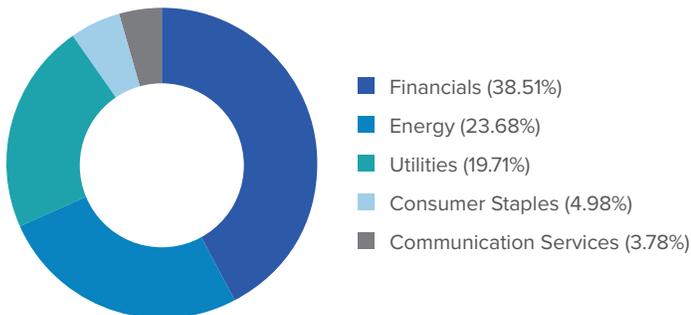
The fund primarily invests in preferred shares listed on a Canadian stock exchange or issued by companies with significant operations in Canada.

Why Invest?

- Great opportunity to generate income as we move into a falling interest rate environment.
- Advantageous tax structure for non-registered and corporate accounts.
- Compelling expected total return.
- Full compensation payable normally applicable to equity-type funds.

Weightings by Sector

As of March 31, 2025



Performance

As of July 31, 2025

Product	Assumption/ Louisbourg Preferred Share	Returns		
		1yr	3yrs	5yrs
SEG	B 75/100	17.70	9.32	11.65
RIA	D 75/75	18.49	10.08	12.38

Fund Manager Insights

View quarterly commentary from lead fund manager, Heather Hurshman, for Q2 2025 on the next page. →

Available in *Vesta*, Assumption Life's investment application platform.



Sources:

1. Lipper, a Refinitiv Company 2. Louisbourg Investments

The data shown above was derived from Series D 75/75 (RIA) and Series B 75/100 (SEG). The performance information is as of July 31, 2025, net of all fees. For the RIA, the performance is based on the actual performance of the underlying Reference Fund. Past performance is not indicative of future returns. This document is not intended to constitute legal, accounting, tax, investment, or other personalized financial advice. Investments come with risk and the possibility of principal loss. The information herein is believed accurate at the time of publication. MER and additional unitholder information is available upon request.

Louisbourg Preferred Share Fund



*Heather Hurshman,
VP and Portfolio Manager*

Market

The preferred share asset class performed well in second quarter, lagging equity returns but surpassing the bond market performance. The S&P/TSX Preferred Share index generated a 4.6% return in this 3-month period. Preferred shares continue to participate fully with other risk assets as investors cheer a resistant economy. At the same time, a 5-year rate holding solidly in a higher new normal range in positive territory helps investors be comfortable about a minimum absolute level of future coupons. The 5-year Government of Canada bond yield moved higher from 2.61% to 2.82% during the second quarter. As trade concerns eased, investors assumed a lesser need for additional rate cuts. The smaller segment of the market made up of straight coupon preferred shares were dealt an interest rate headwind as the 30-year rate climbed from 3.23% to 3.56%. Corporate bond credit spreads continued to tighten up, which is helpful for all types of preferred shares. In addition and also helpful, we continue to experience redemption of preferred shares and a lack of new supply.

Major Contributors

The Fund, with a 5.3% return, outperformed the S&P/TSX Preferred Share index for the quarter. A rising 30-year rate tempered the appeal of straight fixed coupon securities. As such, our straight holdings were our weakest performers but still managed 1-2% positive returns. Our best performing securities were essentially our riskiest in the context of reinvestment risk. Our near term reset securities with thin reset spreads benefited the most from a rising 5-year rate. TC Energy B, Canadian Utilities C, Intact A & C, Emera A and TC Energy C generated returns of +12-16%. There were the most sensitive to a climbing 5-year rate as a new coupon rate is likely to benefit.

Major Transactions

As we discussed, securities with near term resets were performing the best with a rising 5-year rate. They also carry more risk, and we were generally reducing them throughout the quarter. We reduced TC Energy B, Cenovus A and Capital Power A with this in mind. We also liquidated Royal Bank J and CIBC Q as both issues were going to be redeemed, leaving very little return to be realized. We reinvested those proceeds in securities with more coupon certainty. Fortis M, IA 6.435%, Capital Power C, Pembina E and TC Energy A are all securities where we will receive attractive yields for 3.5 to 5 years.

Strategy

After a very strong 2024, we believe investors need to reset expectations lower in terms of expected return from this asset class. Still, we continue to believe that preferred shares offer an attractive expected return for the level of risk, perhaps in the mid to high single digit range. We are getting paid a superior level of income from strong issuers. We always favour issuers that are in a strong financial position and, even in adverse economic scenarios, have minimal risk of not paying their dividends. It is a sensitive asset class given its illiquidity and is generally correlated with the direction of risk assets. Announced and potential redemptions of securities can act as a tailwind, as investors reinvest their proceeds into other preferred share issues. Longer term, we believe these securities will deliver what they were originally designed to provide investors: tax preferred income with an element of inflation protection. Under the very reasonable assumption that the economy continues to expand longer term and exhibit inflation, current price discounts should disappear, and holders will be rewarded for holding in these volatile times. With the average next dividend expected to reset at 6.0% at quarter end price and government bond yield, the reward for holding continues to be compelling.