

Annual Management Report of Fund Performance

As at December 31, 2016

Lysander-Crusader Equity Income Fund



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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 simplified 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-Crusader Equity Income Fund (the “Fund”) contains financial highlights for the year ended December 31, 2016 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, 2016. 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 us at Lysander Funds Limited, 100 York Boulevard Suite 501, Richmond Hill Ontario, L4B 1J8, by visiting our website at www.lysanderfunds.com or at SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to obtain a copy of the investment Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment objective

The Fund’s objective is to earn income and to achieve long term capital growth through a diversified portfolio composed primarily of equity securities, however other equity-like income-producing securities, debt and money market securities may be used to achieve this objective.

Investment Strategies

The Fund’s portfolio manager, is Crusader Asset Management Inc. (“Portfolio Manager” or “Crusader”). The Fund’s portfolio positions will primarily be invested in Canadian equity securities. The Fund will not be leveraged. The Fund may invest up to 30%

of its assets in foreign securities. The Fund’s investments will not be constrained by sector considerations. More details are contained in the Fund’s simplified prospectus.

Risks

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

Results of Operations

The Lysander-Crusader Equity Income Fund Series A units returned 16.5%, and Series F units returned 17.8% for the twelve month period ended December 31, 2016 compared to a 21.1% gain in the total return of the S&P/TSX Composite Index. The Fund’s underperformance is due to effectively three factors one of which is the conservative positioning of the Fund through a period of substantial volatility in January through March when the Fund held an index put option to protect the portfolio. The Canadian equity market rallied significantly between the middle of February and the end of March creating a period of underperformance. The second factor which had a material influence was the performance of the S&P/TSX Gold Sector which returned approximately 48%. The Fund is a dividend mandate whose investment process disqualifies securities for inclusion in the portfolio where the dividend yield is below the median of those that pay a dividend, which includes gold stocks. Finally, the S&P/TSX Energy Sector was the second best performer in the Canadian Index returning approximately 36%. The Fund did not hold any energy securities, because in the estimation of the Portfolio Manager crude energy prices and gas prices during the period would not allow most energy companies to pay a dividend out of free cash flow. Moreover, the qualitative assessment and valuation characteristics of these

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energy securities according to the Portfolio Manager do not make these securities eligible for inclusion in the Fund.

This positioning and performance is entirely consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund increased to approximately \$9.3 million at December 31, 2016 from \$4.9 million at the beginning of the period. This was due to both significant subscriptions of almost approximately \$3.4 million in the period.

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.

The Fund did not borrow money during the period except for immaterial short-term cash overdrafts.

Recent Developments

The Fund remains positioned with no securities in the energy sector, a significant underweight in the materials sector, an underweight to commercial banks with an overweight in REITs and Financial companies when compared to a broad measure of Canadian equity such as the S&P/TSX Composite Index.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund in the period. There have been no actual or planned reorganizations, mergers or similar transactions.

There were changes to the membership of the Fund's Independent Review Committee ("IRC"). Merri Jones resigned on November 28, 2016 and on January 31, 2017, Ruth Gould was appointed as an IRC member.

Related Party Transactions

The Manager provides or arranges 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 simplified prospectus.

The Fund paid \$32,486 (including HST) in management fees to the Manager for the period ended December 31, 2016 (December 31, 2015: \$16,853).

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.

The Manager paid \$25,415 (including HST) to the Portfolio Manager for the period ended December 31, 2016 (December 31, 2015: \$17,021).

The Fund did not rely on any approval, positive recommendation or standing instruction from its IRC with respect to any related party transactions.

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Financial Highlights

Series A*

Years ended	31-Dec-16		31-Dec-15		31-Dec-14	
Net assets per unit¹						
Net assets, beginning of year	\$	11.56	\$	11.89	\$	-
Operations:						
Total revenue		1.07		0.52		-
Total expenses		(0.31)		(0.30)		-
Realized gains (losses)		0.38		0.11		-
Unrealized gains (losses)		1.88		(0.60)		-
Total increase (decrease) from operations ²	\$	3.02	\$	(0.27)	\$	-
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.77)		(0.34)		-
From capital gains		-		-		-
Total Distributions ^{2 3}	\$	(0.77)	\$	(0.34)	\$	-
Net assets, end of year ^{2 3}	\$	12.97	\$	11.56	\$	-
Ratios and supplemental data						
Net asset value ⁴	\$	315,486	\$	66,373	\$	-
Units outstanding		24,327		5,743		-
Management expense ratio ⁵	%	2.53	%	2.52	%	-
Management expense ratio before waivers or absorption		2.88		3.82		-
Portfolio turnover rate ⁶		116.1		123.9		-
Trading expense ratio ⁷		0.9		0.6		-
Net asset value per unit, end of year	\$	12.97	\$	11.56	\$	-

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

1 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.

2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in 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.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

5 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.

6 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.

7 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.

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Series F*

Years ended	31-Dec-16		31-Dec-15		31-Dec-14	
Net assets per unit¹						
Net assets, beginning of year	\$	11.33	\$	11.67	\$	-
Operations:						
Total revenue		0.87		0.51		-
Total expenses		(0.17)		(0.16)		-
Realized gains (losses)		0.32		(0.26)		-
Unrealized gains (losses)		1.71		0.12		-
Total increase (decrease) from operations ²	\$	2.73	\$	0.21	\$	-
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.87)		(0.45)		-
From capital gains		-		-		-
Total Distributions ^{2 3}	\$	(0.87)	\$	(0.45)	\$	-
Net assets, end of year ^{2 3}	\$	12.78	\$	11.33	\$	-
Ratios and supplemental data						
Net asset value ⁴	\$	5,677,470	\$	1,989,984	\$	-
Units outstanding		444,236		175,571		-
Management expense ratio ⁵	%	1.42	%	1.41	%	-
Management expense ratio before waivers or absorption		1.75		2.30		-
Portfolio turnover rate ⁶		116.1		123.9		-
Trading expense ratio ⁷		0.9		0.6		-
Net asset value per unit, end of year	\$	12.78	\$	11.33	\$	-

Notes

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Series O*

Years ended	31-Dec-16		31-Dec-15		31-Dec-14	
Net assets per unit¹						
Net assets, beginning of year	\$	11.52	\$	11.76	\$	-
Operations:						
Total revenue		0.82		0.50		-
Total expenses		(0.04)		(0.03)		-
Realized gains (losses)		(0.19)		-		-
Unrealized gains (losses)		1.59		(0.30)		-
Total increase (decrease) from operations ²	\$	2.18	\$	0.17	\$	-
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.53)		(0.41)		-
From capital gains		-		-		-
Total Distributions ^{2 3}	\$	(0.53)	\$	(0.41)	\$	-
Net assets, end of year ^{2 3}	\$	13.16	\$	11.52	\$	-
Ratios and supplemental data						
Net asset value ⁴	\$	3,388,465	\$	2,852,649	\$	-
Units outstanding		257,443		247,557		-
Management expense ratio ⁵	%	0.29	%	0.27	%	-
Management expense ratio before waivers or absorption		0.67		1.34		-
Portfolio turnover rate ⁶		116.1		123.9		-
Trading expense ratio ⁷		0.9		0.4		-
Net asset value per unit, end of year	\$	13.16	\$	11.52	\$	-

Notes

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Management Fees

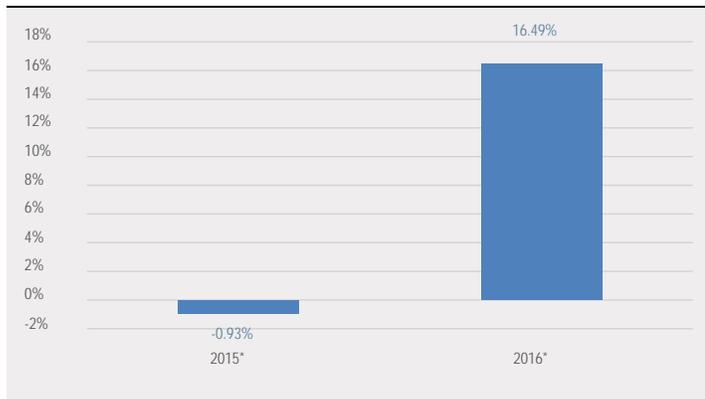
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 2.00% per annum for Series A units and 1.00% per annum for Series F units. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

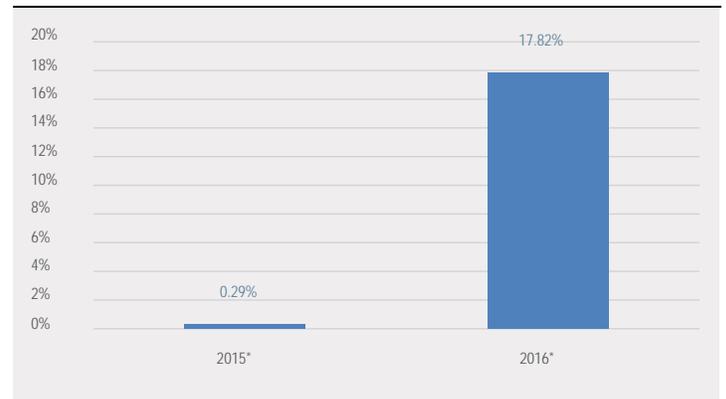
Service fees or trailing commissions of a maximum of 1.00% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

Year-by-Year Returns

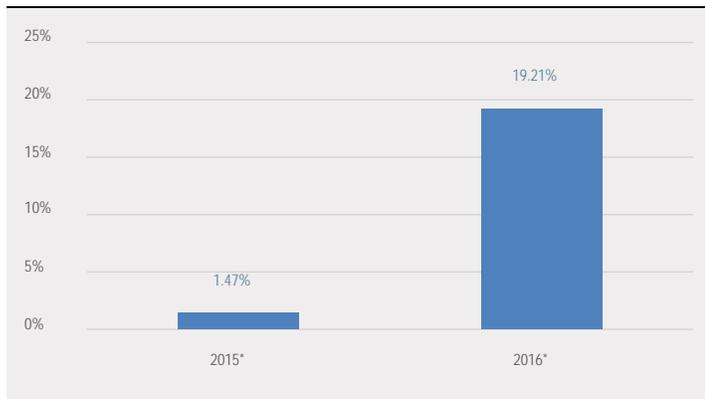
Series A



Series F



Series O



Past Performance

The Fund became a reporting issuer on December 30, 2014. Accordingly, returns are shown for the relevant period as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

* For the period January 1 to December 31

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Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Composite Total Return Index. The returns of the S&P/TSX Composite Total Return 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, 2016		1 Year	Since Inception ²
Annual Compound Return			
Series A ¹	%	16.49	% 7.53
Series F ¹		17.82	8.81
Series O ¹		19.21	10.09
S&P/TSX Composite Total Return Index ³	%	21.08	% 5.33

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 Period starting from December 30, 2014. Since inception returns are annualized.

3 Source: TSX Inc. Copyright © TSX Inc. All rights reserved.

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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Pure Multi-Family REIT LP	%	4.6	Canadian Equities	%	98.9
AGF Management Ltd.		3.5	Cash and cash equivalents		0.2
Evertz Technologies Limited		3.5	Other assets less liabilities		0.9
CanWel Building Materials Group Ltd.		3.4	Total	%	100.0
Milestone Apartments		3.4	Sector Mix		
Pure Industrial REIT		3.4	Cash and cash equivalents	%	0.2
ZCL Composites Inc.		3.4	Consumer Staples		6.7
Rogers Sugar Inc.		3.4	Energy		9.9
Can Real Estate Invest Trust		3.4	Financials		37.7
WPT Industrial Real Estate Investment Trust		3.3	Industrials		10.0
Gluskin Sheff + Assoc.		3.3	Information Technology		6.7
Slate Office REIT		3.3	Other assets less liabilities		0.9
Rocky Mountain Dealers		3.3	Real Estate		24.6
High Liner Foods Inc.		3.3	Utilities		3.3
Emera Inc.		3.3	Total	%	100.0
Superior Plus Corp.		3.3			
Brookfield Property Partner LP		3.3			
MCAN Mortgage Corp.		3.3			
CI Financial Corp.		3.3			
Constellation Software Inc.		3.3			
Toronto Dominion Bank		3.2			
Transcontinental Inc.		3.2			
Fiera Capital Corp		3.2			
Enbridge Income Fund		3.2			
Laurentian Bank of Canada		3.2			
Total	%	84.3			



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