

Annual Management Report of Fund Performance
As at December 31, 2016

Lysander-Seamark Balanced 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-Seamark Balanced 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 provide long-term total returns consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and equities.

Investment Strategies

The Fund’s portfolio manager, is Seamark Asset Management Ltd. (“Portfolio Manager” or “Seamark”). The Fund’s portfolio positions will primarily be invested in a diversified portfolio of both equities and bonds. The Fund will not be leveraged. The Fund may invest up to 100% of its assets in foreign securities. 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

Investors in a balanced fund will typically benefit from a mix of fixed income and equity investments. Currently, we are maintaining Fixed Income investments toward the low end of a working range, at about 28% of the portfolio. 2016 may have marked the end of a 35 year bull market in bonds. Meanwhile, the outlook for equities is constructive, given a new pro-growth mantra in the U.S. Nonetheless, uncertainties abound, and prices of various assets are not being dictated solely by economics, or traditional financial metrics. A balanced approach naturally helps to mitigate the volatility inherent in today’s financial and political backdrop. Our challenge is always to ‘lean into the wind’ to take advantage of relative values by asset class, and specific equity securities.

Canadian equities have continued their strength among world bourses. Even though our economic prospects are less assured than those in the US, Canadian equities have performed well. The ongoing recovery of the price of oil, (currently trading near \$50 per barrel versus closer to \$30 earlier in the year) has been aided by OPEC members announcement that they would agree to cut output of crude. We still are cautious that an inventory glut of oil may limit its future price appreciation. This remains an issue as the OPEC cut may entice U.S. shale producers to ramp up drilling activity. Canadian and U.S. names performed well, but the Fund’s International names lagged in performance. The surge in the S&P 500 Index was in large part due to the unexpected Trump presidential victory and the market’s

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expectation of a pro-growth bias in regulatory and economic agendas going forward. But this improvement did not extend to Europe. In fact, several of our European stocks declined in the year due to concerns over Italy's bailout of a prominent bank, and ongoing concerns regarding Brexit. Lower Euro and British Pound exchange rates vis-a-vis the U.S. dollar have also hampered 'translated' values of the ADR's we hold in the Fund.

As we enter the beginning of 2017, we seek to be invested in companies with strong balance sheets and capable management. We are positioned in higher quality larger companies that have the ability to grow their dividends and still fund their growth without compromise. While market volatility increases with uncertainty, we are optimistic in that it offers us the opportunity to selectively buy high quality investments when they are on sale.

The Fund is positioned to capture more durable growth of earnings and dividends over the longer term. At period end the Fund had a dividend yield of 2.7% which should function as an anchor for stable returns in the future.

The Fund had positive returns in the period (7.9% for Series A and 8.7% for Series F). The Fund has been fully invested and has a modest cash level of 2.7 percent at year end. Of the sectors held by the Fund, the financial, energy and industrial sectors were the strongest performers during the year, and were the largest factors in the performance of the Fund during the year. Weak returns in real estate, consumer discretionary and consumer staples sectors tempered the performance of 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 \$2.3 million at December 31, 2016 versus \$2.0 million at December 31, 2015.

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 election of Donald Trump in the US has changed the market outlook in a positive way. Consumer confidence has increased and GDP growth is expected to increase. Reduced regulation and decreased tax rates for businesses should quicken growth. There may be increased uncertainty over retaliatory US trade

actions but if they go ahead with the big infrastructure program it may net out to a reduced positive. The Trump program may also lead to increased inflation. Elsewhere in the world things seem to be stabilizing. Japan and China appear to be picking up. There are still political challenges in the year ahead in Europe but the pace of growth is improving.

The U.S. Federal Reserve finally increased its administered interest rate by 25 basis points in December. Combined with the change in growth sentiment, this caused investor interest to wane in the higher dividend yield stocks. Instead, investors chose to take on added risk, driving price earnings multiples of the more economically sensitive companies to high levels. It will be challenging for these companies to grow their earnings fast enough to meet investor expectations inherent in recent valuation multiples. Consequently, we maintain a mixed outlook for equities. We believe that a pro-growth U.S. administration is a positive, but we are cautious on valuations. Thus, we remain focused on high quality names and on "buying the dips".

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 Fund paid \$23,099 (including HST) in management fees to the Manager for the period ended December 31, 2016 (December 31, 2015: 16,695).

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 \$9,151 (including HST) to the Portfolio Manager for the period ended December 31, 2016 (December 31, 2015: \$6,188).

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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 unit ¹					
Net assets, beginning of year	\$	9.93	\$	10.00	\$ -
Operations:					
Total revenue		0.31		0.31	-
Total expenses		(0.21)		(0.20)	-
Realized gains (losses)		0.06		0.06	-
Unrealized gains (losses)		0.60		(0.33)	-
Total increase (decrease) from operations ²	\$	0.76	\$	(0.16)	\$ -
Distributions:					
From income (excluding dividends)	\$	-	\$	-	\$ -
From dividends		(0.07)		(0.10)	-
From capital gains		(0.08)		(0.04)	-
Total Distributions ^{2 3}	\$	(0.15)	\$	(0.14)	\$ -
Net assets, end of year ^{2 3}	\$	10.57	\$	9.93	\$ -
Ratios and supplemental data					
Net asset value ⁴	\$	510,259	\$	609,832	\$ -
Units outstanding		48,268		61,390	-
Management expense ratio ⁵	%	1.98	%	1.97	% -
Management expense ratio before waivers or absorption		2.84		3.88	-
Portfolio turnover rate ⁶		27.6		14.3	-
Trading expense ratio ⁷		0.02		0.01	-
Net asset value per unit, end of year	\$	10.57	\$	9.93	\$ -

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 unit ¹					
Net assets, beginning of year	\$	9.97	\$	10.00	\$ -
Operations:					
Total revenue		0.31		0.31	-
Total expenses		(0.13)		(0.11)	-
Realized gains (losses)		0.11		0.06	-
Unrealized gains (losses)		0.63		0.01	-
Total increase (decrease) from operations ²	\$	0.92	\$	0.27	\$ -
Distributions:					
From income (excluding dividends)	\$	-	\$	-	\$ -
From dividends		(0.19)		(0.18)	-
From capital gains		(0.10)		(0.06)	-
Total Distributions ^{2 3}	\$	(0.29)	\$	(0.24)	\$ -
Net assets, end of year ^{2 3}	\$	10.58	\$	9.97	\$ -
Ratios and supplemental data					
Net asset value ⁴	\$	1,784,139	\$	1,451,895	\$ -
Units outstanding		168,696		145,685	-
Management expense ratio ⁵	%	1.14	%	1.14	% -
Management expense ratio before waivers or absorption		1.95		3.11	-
Portfolio turnover rate ⁶		27.6		14.3	-
Trading expense ratio ⁷		0.02		0.01	-
Net asset value per unit, end of year	\$	10.58	\$	9.97	\$ -

Notes

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Management Fees

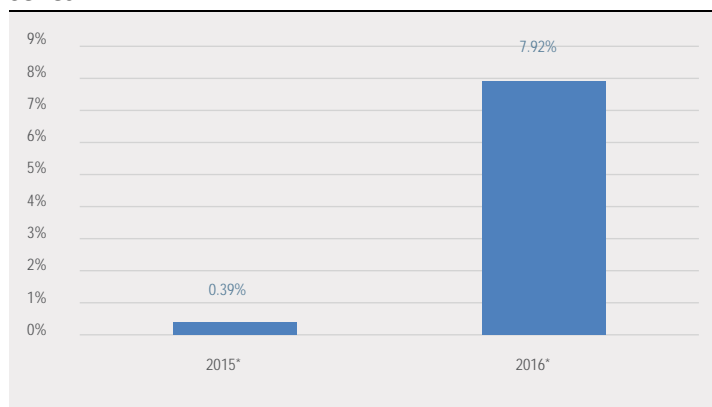
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.50% per annum for Series A units and 0.75 % per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.75% 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

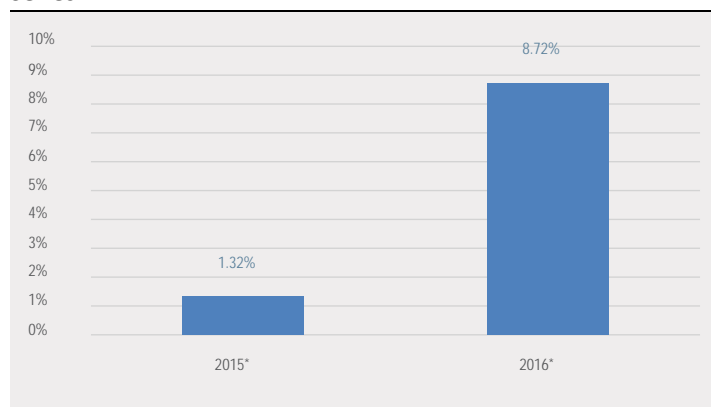


Past Performance

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.

Series F



* 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 40% FTSE TMX Canada Universe, 5% FTSE TMX Canada 91 Day Tbills, 27% S&P/TSX Total Return Index(CAD), 20% S&P Total Return Index (CAD) and 8% MSCI EAFE Composite(CAD) (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, 2016	1 Year		Since Inception ²	
Annual Compound Return				
Series A ¹	%	7.92	%	4.08
Series F ¹		8.72		4.94
Index ³	%	8.71	%	6.44

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.

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Summary of Investment Portfolio

% of NAV			% of NAV		
Top 25 Issuers			Asset Mix		
Government of Canada (Debt)	%	3.9	Fixed Income	%	28.2
Cash and Cash equivalents (Unclassified)		2.7	Canadian Equities		37.2
Canada Housing Trust (Debt)		2.7	Cash and cash equivalents		2.7
Province of Quebec (Debt)		2.3	Foreign Equities		32.1
Royal Bank of Canada (Equities)		2.0	Other assets less liabilities		(0.2)
Bank of Nova Scotia (Equities)		2.0	Total	%	100.0
Toronto Dominion Bank (Equities)		1.9	Sector Mix		
Royal Bank of Canada (Debt)		1.7	Cash and Cash Equivalents	%	2.7
Province of Ontario (Debt)		1.5	Consumer Discretionary		4.5
407 International (Debt)		1.5	Consumer Staples		8.3
State Street Corp (Equities)		1.4	Energy		12.4
Manulife Financial Corp. (Equities)		1.4	Federal		7.7
Province of Nova Scotia (Debt)		1.3	Financials		23.1
HSBC (Debt)		1.3	Healthcare		7.9
Inter Pipeline Fund (Equities)		1.3	Industrials		8.0
JP Morgan Chase & Co (Equities)		1.3	Information Technology		6.4
Enbridge Inc (Equities)		1.2	Materials		3.7
Great-West LifeCo Inc. (Equities)		1.2	Other assets less liabilities		(0.2)
Province of British Columbia (Debt)		1.2	Provincial		7.3
Walt Disney Co. (Equities)		1.2	Real Estate		1.1
Canadian National Railway (Equities)		1.2	Telecommunication Services		3.8
CPPIB Capital Inc. (Debt)		1.2	Utilities		3.3
Bank of America Corp (Equities)		1.2	Total	%	100.0
Industrial Alliance (Equities)		1.2			
Bristol Myers (Equities)		1.2			
Total	%	40.8			



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