

Annual Management Report of Fund Performance

As at December 31, 2016

Lysander-Slater Preferred Share ActivETF



SLATER

ASSET MANAGEMENT



Lysander-Slater Preferred Share ActivETF

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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-Slater Preferred Share ActivETF (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 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”) previously known as Jomisc Investments Inc. The Fund’s portfolio positions 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 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 Canadian Preferred Share market experienced a sharp rebound towards the end of 2016 following the lowest point in the Canadian Preferred Share history that occurred in February 2016. To illustrate, the S&P TSX Preferred Share Index went from a YTD return of -13.67% in February to steadily finish the year with a return of 6.98%.

To end 2016, the Fund had a return of 9.71%. The Fund benefited by selling off of straight discounted perpetual Preferred Shares that had a strong move towards par at mid-year, and invested in deep discounted quality Fixed-Resets that provided an appealing yield in anticipation of bond yields moving higher. Some of the Fund’s performers were the Industrial Alliance (IAG.PR.G) Preferred Share that was bought in the \$19.15-\$19.70 range and finished the year at \$22.33, which represents roughly a 16% price return. Another top performer was the Sun Life Financial (SLF.PR.I) Preferred Share that bought in the range of \$18.43-19.75, and finished the year at \$21.83, representing roughly a 14% return.

The Fund has increased its assets under management from \$17.6 million at the beginning of the year to \$45.2 million at the end of the year. This was mainly due to net purchases of approximately \$24.9 million during the year.

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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

After experiencing a sharp increase in discounted Straight Perpetual Preferred Shares at mid-year, Slater repositioned the Fund into deep discounted Fixed Resets that offered compelling reset spreads. The Fund was weighted 52% in Straight Perpetuals and 43% Fixed Resets at the end of June, and gradually reallocated our portfolio weightings to 69% Fixed Resets & 28% Straight Perpetuals at year end. This re-positioning played well, as bond yields rose sharply after the U.S Election. Under the Trump Presidency, the expectation is for tax cuts and increased government spending on infrastructure. Bond yields were also impacted by anticipated interest rate hikes in 2017. The five year Bank of Canada bond yield rose from 0.6% mid-year to 1.1% to end 2016. Unemployment in Canada remains high, however, the recent OPEC deal to cut back on oil supply has helped bond yields stabilize in the 1.05-1.15% range.

2016 represented a strong year for new issuance Preferred Shares as roughly \$10.4 billion came to market. The second half of 2016 saw roughly \$5.5 billion, and the Fund participated in 10 out of 11 of these deals. We anticipate issuers to come to market with lower coupon yields as the secondary market becomes tighter, and bond yields maintain their current levels.

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.

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 \$174,777 (excluding HST) in management fees to the Manager for the period ended December 31 2016 (December 31 2015 - \$33,594).

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 is included in the management fee.

The Manager paid \$98,749 (including HST) to the Portfolio Manager for the period ended December 31, 2016 (December 31, 2015 - \$16,797).

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

Period ended	31-Dec-16		31-Dec-15	
Net assets per unit¹				
Net assets, beginning of year	\$	9.59	\$	10.00*
Operations:				
Total revenue		0.52		0.19
Total expenses		(0.15)		(0.05)
Realized gains (losses)		0.07		(0.14)
Unrealized gains (losses)		0.83		(0.15)
Total increase (decrease) from operations ²	\$	1.27	\$	(0.15)
Distributions:				
From income (excluding dividends)	\$	-	\$	
From dividends		(0.36)		(0.10)
From return of capital		(0.01)		(0.01)
Total Distributions ^{2 3}	\$	(0.37)	\$	(0.11)
Net assets, end of year ^{2 3}	\$	10.11	\$	9.59
Ratios and supplemental data				
Net asset value ⁴	\$	45,183,756	\$	17,735,216
Units outstanding		4,469,000		1,850,000
Management expense ratio ⁵	%	1.03	%	1.03
Management expense ratio before waivers or absorption		1.44		1.15
Portfolio turnover rate ⁶		200		32
Trading expense ratio ⁷		0.6		0.3
Net asset value per unit, end of year		10.11		9.59
Closing market price per unit ⁴	\$	10.14	\$	9.50

Notes

* The Fund commenced operations on August 10, 2015.

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.

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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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.

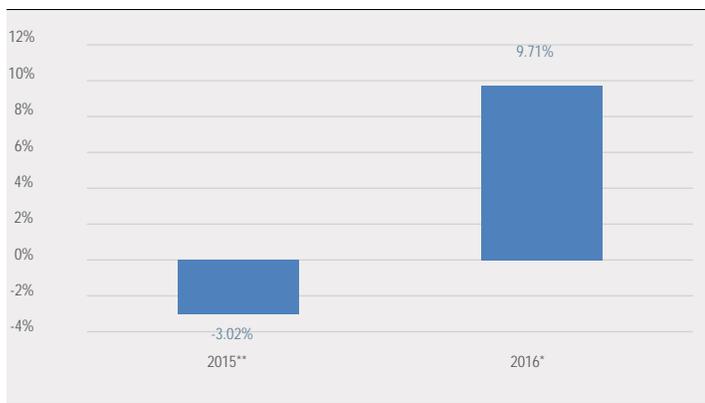
In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of the fund, calculated daily and payable monthly. The Fund pays a management fee of 0.65% per annum.

Past Performance

The Fund's commencement of operations as a reporting issuer was August 10, 2015. Accordingly, returns are shown for the relevant period 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



* For the period January 1 to December 31, ** For the period August 10 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 Preferred Share Total Return Index.

For years ended December 31, 2016		1 Year		Since Inception ²	
Annual Compound Return					
Lysander-Slater Preferred Share ActivETF	%	9.71	%	4.56	
S&P/TSX Preferred Share Total Return Index ³	%	6.98	%	2.66	

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 from August 10, 2015 to December 31, 2016. 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		
Manulife Financial Corp	%	13.3	Cash and cash equivalents	%	5.0
Enbridge Inc		12.9	Canadian Equities		96.9
Toronto Dominion Bank		7.8	Other assets less liabilities		(1.9)
Sun Life Financial Inc		6.5	Total	%	100.0
Canadian Utilities Limited		5.3	Sector Mix		
Cash and cash equivalents		5.0	Cash and cash equivalents	%	5.0
Industrial Alliance Insurance & Financial		4.4	Consumer Staples		5.3
Power Financial Corporation		4.3	Energy		18.1
Fortis Inc		4.2	Financials		53.9
Transcanada Corp		4.0	Other assets less liabilities		(1.9)
National Bank Of Canada		3.7	Real Estate		1.9
Weston George Ltd		3.5	Telecommunication Services		3.0
Fairfax Financial Holdings Ltd		3.4	Utilities		14.7
Emera Inc		3.2	Total	%	100.0
Bce Inc		3.0			
Royal Bank Of Canada		3.0			
Bank Of Nova Scotia		1.9			
George Weston Limited		1.8			
Power Corporation Of Canada		1.7			
Westcoast Energy Inc		1.6			
Great West Lifeco Inc		1.6			
Brookfield Office Properties		1.1			
Laurentian Bank Of Canada		1.1			
Brookfield Office Properties Inc		0.7			
Altagas Ltd		0.7			
Total	%	99.7			



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