

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

Lysander TDV FUND



Lysander TDV FUND

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

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 TDV (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 Canso Investment Counsel (“Portfolio Manager” or “Canso”). The Fund will seek to provide capital growth while moderating the volatility of equities by investing primarily 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 at the time 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

During the period Canso employed its bottom-up process to buy and sell securities for the Fund. The allocation of the Fund to equities and preferred shares rose to 73% as equities performed strongly during the period with the allocation to bonds, other fixed income securities and cash and cash equivalents declining to 27%. Both the equity and the bond components of the Fund continue to have a significant weight in the securities of foreign issuers.

The surprise outcome of the U.S. Presidential election in the fourth quarter triggered a rally in equities. Bond yields rose on the prospects of higher fiscal spending, lower taxes and lighter financial regulation proposed by the incoming President. A recovery in commodity stocks caused the S&P/TSX Index to continue its strong performance for the year. It rose 10.2% in the period

The Fund produced a strong positive return in the period of 5.9% for Series A, 6.6% for Series D and 6.9% for Series F. This was due to significant price increases in several of its fixed income and equity holdings. The Fund’s holdings in Imvescor and Manulife were both up more than 30% in the period. The rise in interest rates was positive for Manulife stock as reinvestment rates improved for their long duration assets. Additionally, the insurer benefited from the strong equity market returns. The Fund’s holding in Bombardier equity also moved up as the company provided an upbeat guidance for next year. They also accessed

Lysander TDV FUND

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

the public markets to raise funds to redeem upcoming bond maturities. Bombardier's future success is now much more assured based on the successful performance of its CSeries aircraft.

In the fixed income portion of the portfolio the Fund benefited from strength in Bombardier bonds, Enbridge, and Teck Resources.

This positioning and performance is entirely consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund increased to \$2.0 million at December 31, 2016 from \$1.6 million at the beginning of the period. This was mainly due to subscriptions of \$210 thousand during the period.

For the period, referral fees of \$6,727 (excluding HST) were paid by the Manager to the Royal Military Colleges Club of Canada in accordance with the disclosures in the Fund's simplified prospectus.

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

In the equity portion of the Fund, Canso continues to evaluate and hold equities on a case-by-case basis based on its research, without regard for the Fund's positioning versus broad market indexes. The objective is to hold equities that are attractively priced in the market relative to Canso's view of their long-term intrinsic value. New equity positions in the Fund during the period include Empire Co. Inc. Canso purchased the equity of Empire Co. as their subsidiary, Sobey's, ran into operational and integration problems related to the acquisition of Safeway Canada from three years ago. This has resulted in declining profitability and an increase in leverage ratios. As the company reported disappointing quarterly results, they were downgraded to below investment grade by some of the bond rating agencies. Canso believes that the company's stock price already reflects much of the market worries. Sobey's remains the second largest food retailer in Canada with a recognizable brand suite and a supportive controlling shareholder. In addition, the company is taking steps to address its problems, including bringing in a new CEO.

Canso continues to believe that Canadian interest rates need to rise in order to normalize versus inflation. They are therefore

positioning the fixed income portion of the Fund conservatively from an interest rate perspective by increasingly holding bonds with shorter maturities and with high credit quality. Canso is also adding floating rate notes where the coupon payments change according to the level of short term interest rates as benchmarked by the Canadian Dollar Offered Rate (CDOR).

The Fund's future performance will be affected by the future direction of equity markets and by future changes in the level of interest rates and by changes to the additional yield provided by corporate bonds over Government of Canada bonds. But the degree to which these future changes occur are highly uncertain.

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 \$15,201 (including HST) in management fees to the Manager for the period ended December 31 2016 (December 31 2015 - \$1,151).

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

Lysander TDV FUND

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

Financial Highlights

Series A

Period ended	31-Dec-16		31-Dec-15	
Net assets per unit¹				
Net assets, beginning of year	\$	10.11	\$	10.00*
Operations:				
Total revenue		0.18		0.01
Total expenses		(0.19)		(0.02)
Realized gains (losses)		0.23		(0.03)
Unrealized gains (losses)		0.38		0.16
Total increase (decrease) from operations²	\$	0.60	\$	0.12
Distributions:				
From income (excluding dividends)	\$	-	\$	(0.01)
From dividends		(0.04)		(0.01)
From capital gains		(0.19)		-
Total Distributions^{2 3}	\$	(0.23)	\$	(0.02)
Net assets, end of year^{2 3}	\$	10.48	\$	10.11
Ratios and supplemental data				
Net asset value ⁴	\$	5,361	\$	5,059
Units outstanding		512		500
Management expense ratio ⁵	%	1.88	%	1.82
Management expense ratio before waivers or absorption		4.86		1.82
Portfolio turnover rate ⁶		16.8		20.3
Trading expense ratio ⁷		0.1		0.2
Net asset value per unit, end of year	\$	10.48	\$	10.11

Notes

* Series A commenced operations on November 20, 2015

- 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.
- 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- 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.

Lysander TDV FUND

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

Series D

Period ended	31-Dec-16		31-Dec-15	
Net assets per unit¹				
Net assets, beginning of year	\$	10.11	\$	10.00*
Operations:				
Total revenue		0.19		0.01
Total expenses		(0.12)		(0.01)
Realized gains (losses)		0.23		(0.03)
Unrealized gains (losses)		0.37		0.16
Total increase (decrease) from operations²	\$	0.67	\$	0.13
Distributions:				
From income (excluding dividends)	\$	-	\$	(0.01)
From dividends		(0.09)		(0.01)
From capital gains		(0.19)		-
Total Distributions^{2 3}	\$	(0.28)	\$	(0.02)
Net assets, end of year^{2 3}	\$	10.50	\$	10.11
Ratios and supplemental data				
Net asset value ⁴	\$	5,399	\$	5,064
Units outstanding		514		501
Management expense ratio ⁵	%	1.12	%	1.14
Management expense ratio before waivers or absorption		3.87		1.14
Portfolio turnover rate ⁶		16.8		20.3
Trading expense ratio ⁷		0.1		0.2
Net asset value per unit, end of year	\$	10.50	\$	10.11

Notes

* Series D commenced operations on November 20, 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 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.

Lysander TDV FUND

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

Series F

Period ended	31-Dec-16		31-Dec-15	
Net assets per unit¹				
Net assets, beginning of year	\$	10.11	\$	10.00*
Operations:				
Total revenue		0.25		0.02
Total expenses		(0.11)		(0.01)
Realized gains (losses)		0.23		(0.05)
Unrealized gains (losses)		0.44		0.24
Total increase (decrease) from operations²	\$	0.81	\$	0.20
Distributions:				
From income (excluding dividends)	\$	(0.03)	\$	(0.01)
From dividends		(0.11)		(0.01)
From capital gains		(0.20)		-
Total Distributions^{2 3}	\$	(0.34)	\$	(0.02)
Net assets, end of year^{2 3}	\$	10.48	\$	10.11
Ratios and supplemental data				
Net asset value ⁴	\$	2,013,566	\$	1,654,626
Units outstanding		192,159		163,606
Management expense ratio ⁵	%	1.05	%	1.14
Management expense ratio before waivers or absorption		4.06		1.14
Portfolio turnover rate ⁶		16.8		20.3
Trading expense ratio ⁷		0.1		0.2
Net asset value per unit, end of year	\$	10.48	\$	10.11

Notes

* Series F commenced operations on November 20, 2015

- 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.
- 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- 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.

Lysander TDV FUND

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

Management Fees

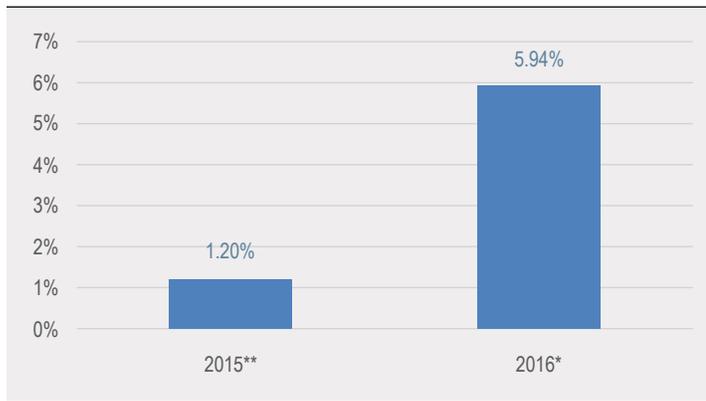
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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, 0.85% per annum for Series D and 0.75% per annum for Series F units.

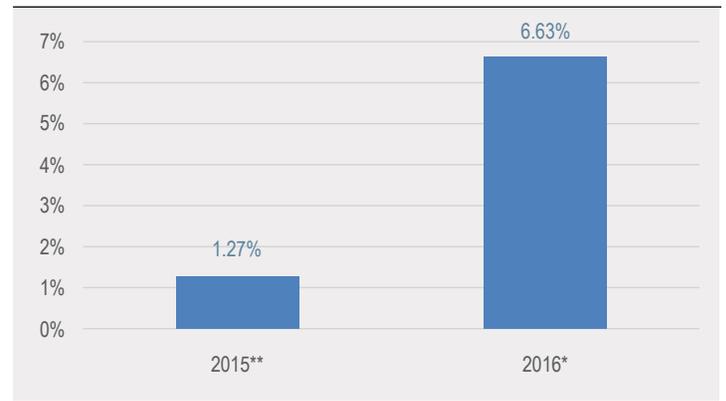
Service fees or trailing commissions of a maximum of 0.75% per annum are paid on Series A units to dealers and 0.10% per annum are paid on Series D units to dealers. This comprises 50.0% of the management fee of Series A units and 11.8% of the management fee of Series D.

Year-by-Year Returns

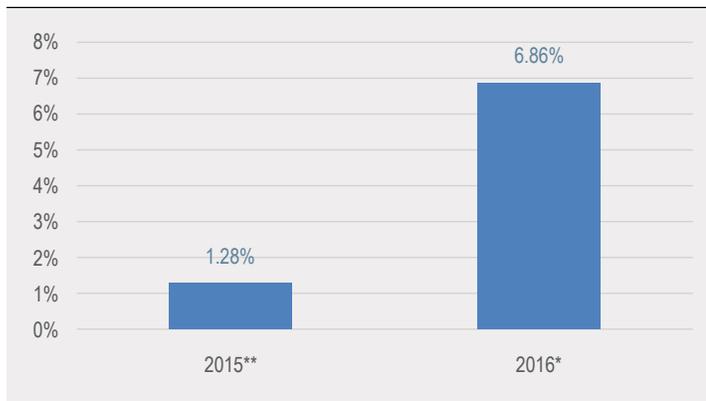
Series A



Series D



Series F



Past Performance

The commencement of operations as a reporting issuer for Series A, D and F was November 20, 2015. 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, ** For the period November 20 to December 31

Lysander TDV FUND

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

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the Fund's index ("Index" which is 50% FTSE TMX Canada All Corporate Bond Index and 50% MSCI World (CAD) Index. The FTSE TMX All Corporate Bond Index is divided into sub-indices based on credit rating: a combined AAA/AA sector, a single A sector, and a BBB sector. The MSCI World (CAD) Index captures large and mid cap representation across 24 Developed Markets countries.

For years ended December 31, 2016		1 Year	Since Inception ²
Annual Compound Return			
Series A ¹	%	5.94	% 6.45
Series D ¹		6.63	7.15
Series F ¹		6.86	7.36
Index ^{3 4}	%	4.39	% 5.07

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 November 20, 2015 to December 31, 2016. Since inception returns are annualized.

3 Source: FTSE TMX Global Debt Capital Markets. Copyright © FTSE TMX Global Debt Capital Markets. All rights reserved. The information contained herein may not be redistributed, sold or modified or used to create any derivative work without the prior written consent of FTSE TMX Global Debt Capital Markets. THE USER AGREES THAT FTSE TMX GLOBAL DEBT CAPITAL MARKET AND THE PARTIES FROM WHOM FTSE TMX OBTAINS DATA DO NOT HAVE ANY LIABILITY FOR THE ACCURACY OR COMPLETENESS OF THE DATA PROVIDED OR FOR DELAYS, INTERRUPTIONS OR OMISSIONS THEREIN OR THE RESULTS TO BE OBTAINED THROUGH THE USE OF THIS DATA. THE USER FURTHER AGREES THAT NEITHER TSX INC. NOR THE PARTIES FROM WHOM IT OBTAINS DATA MAKE ANY REPRESENTATION, WARRANTY OR CONDITION, EITHER EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED FROM THE USE OF THE DATA, OR AS TO THE MERCHANTABILITY QUALITY OR FITNESS OF THE DATA FOR A PARTICULAR PURPOSE.

4 Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information is provided on an as is basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating the MSCI information (collectively, the MSCI Parties.) makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and the MSCI Parties hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.

Lysander TDV FUND

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

Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
SLM Corp (Equity)	%	8.7	Cash and cash equivalents	%	0.7
Manulife (Equity)		7.8	Canadian Equities		38.7
Bombardier Inc. (Equity)		6.4	Canadian Fixed Income		19.5
Apple Inc. (Equity)		6.1	Foreign Equities		34.5
Royal Bank of Scotland (Equity)		5.0	Foreign Fixed Income		3.9
Yellow Pages Digital & Media Solutions Ltd (Equity)		5.0	Other assets less liabilities		2.7
Imvescor Restaurant Group (Equity)		4.0	Total	%	100.0
Commerzbank AG (Equity)		3.9	Sector Mix		
Potash Corp (Equity)		3.9	Cash and cash equivalents	%	0.7
Wal-Mart Stores Inc. (Equity)		3.2	Communication		9.1
SNC Lavalin (Equity)		3.1	Consumer Discretionary		5.1
Other assets less liabilities		2.7	Consumer Staples		8.7
Second Cup (Equity)		2.4	Energy		4.3
Empire Co LTD (Equity)		1.9	Federal		0.2
Nintendo Co Ltd (Equity)		1.7	Financials		37.9
CIT Group (Equity)		1.6	Industrials		19.7
Royal Bank of Canada (Debt)		1.6	Information Technology		1.7
Access Justice Durham (Debt)		1.5	Infrastructure		3.0
ORNGE Issuer Trust (Debt)		1.5	Materials		3.9
Green Timbers LP (Debt)		1.5	Other assets less liabilities		2.7
Unicredit SPA (Equity)		1.3	Provincial		3.0
TransCanada Pipeline (Debt)		1.3	Total	%	100.0
Bombardier Inc. (Debt)		1.3			
Stryker Corp (Equity)		1.2			
Navient Corp (Debt)		1.2			
Total	%	79.8			



100 York Boulevard, Suite 501
Richmond Hill, Ontario L4B 1J8
www.lysanderfunds.com

® Lysander Funds is a registered trademark of Lysander Funds Limited