

Annual Management Report of Fund Performance

As at December 31, 2017

Lysander-18 Asset Management Canadian Equity 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-18 Asset Management Canadian Equity Fund (the “Fund”) contains financial highlights for the year ended December 31, 2017 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, 2017. 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 capital growth by investing primarily in equity securities of Canadian companies.

Investment Strategies

The Fund’s portfolio manager is 18 Asset Management Inc. (“Portfolio Manager” or “18AM”). 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 Fund’s uses a hybrid style strategy, with equal allocations to Offence (growth and momentum) and Defence (lower volatility, income, quality) styles. The Portfolio Manager employs a bottom-up systematic stock selection process to buy and sell securities within each style. Overall, the Fund’s net performance for the the year was 6.4% for Series A and 7.6% for Series F. The Defense strategy was the stronger performing style, outperforming the TSX Composite Index year-to-date. This conservative focused style benefitted on a relative basis from limited exposure to the exploration and production segment of the Energy sector. The Offence strategy lagged the market and its style counterpart during 2017. While appreciation was garnered from stocks such as West Fraser, Dollarama and Air Canada, these were offset by the relatively poor performance of Pan American, Sunlife and gold stocks.

The net assets of the Fund for the year is at approximately \$4.5 million as of December 31, 2017 from approximately \$4.1 million at the beginning of the year. This was due to subscriptions of approximately \$950 thousand less redemptions of approximately \$813 thousand along with the Fund’s positive performance.

The positioning of the Fund by style, market capitalization and sector are consistent with the Fund’s fundamental investment objectives and strategies. There were no unusual changes to the components of revenue and expenses of the Fund and there

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were no unusual events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably be expected.

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

Recent Developments

18 AM's investment philosophy is founded on empirical research that supports investing in companies with attractive income statement and balance sheet fundamentals. Additionally, we view style diversification as an effective risk management lever which can provide the Fund with prudent return generation. The Fund's strategy is to maintain a relatively equal allocation to two opposing styles – Offence (companies having attractive growth and momentum characteristics) and Defence (companies with desirable income and quality characteristics). In addition, the Fund had exposure across a majority of sectors throughout the year. There have been no changes to this investment philosophy.

The Organization for Economic Cooperation and Development ("OECD") and the International Monetary Fund ("IMF") both forecast Canada's 2017 GDP growth to come in at 3.0% or slightly better. This level would give Canada the highest level of economic growth in 2017 for all G7 countries. However, both the OECD and IMF expect a moderation in Canada's growth rate in 2018 to 2.0% – 2.1%. Many reasons are expected for 2018's moderation including the possibility of changes to NAFTA, the impact of lower housing prices, the extended state of consumer balance sheets and the strength of the Canadian dollar now versus a year ago. Nonetheless, Canada's 2018 GDP forecast ranks second among G7 countries, trailing only the United States, which is predicted to grow at a 2.3% pace. Within the context of this economic growth, Bay Street analysts are expecting an average growth rate in earnings for all TSX constituents of 10.7% in 2018. At year end, the TSX is trading at 16.5 times these expected 2018 earnings. As to other valuation metrics, the TSX is trading at 1.8 times 2017 sales and 1.9 times current book value. Valuations, by any of these three measures, are not stretched. However, if economic growth moderates by an amount more than either the IMF or OECD expects, then valuations could become an issue. The 18 AM team has been managing Canadian equities for more than 25 years. We have time-tested our disciplined, systematic process through interest rate cycles, growth and retraction phases, and through our share of stock market shocks. We believe a focus on company fundamentals, rather than speculating on macroeconomic and political events, provides investors the best opportunity for long-term success.

The Fund's future performance will be affected by changes in the financial condition of the companies held as well as the general condition of the stock market overall; the degree to which these future changes will 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 in the year. 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"). 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 \$41,521 (including HST) in management fees to the Manager for the year ended December 31, 2017 (December 31, 2016: \$36,748).

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 \$23,388 (including HST) to the Portfolio Manager for the year ended December 31, 2017 (December 31, 2016: \$19,031).

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*

Year ended	31-Dec-2017		31-Dec-2016		31-Dec-2015	
Net assets per unit¹						
Net assets, beginning of year	\$	11.83	\$	10.66	\$	11.37
Operations:						
Total revenue		0.35		0.36		0.35
Total expenses		(0.31)		(0.28)		(0.29)
Realized gains (losses)		-		0.07		(0.06)
Unrealized gains (losses)		0.78		1.26		(0.82)
Total increase (decrease) from operations²	\$	0.82	\$	1.41	\$	(0.82)
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.06)		(0.04)		(0.02)
From capital gains		-		-		-
Total distributions^{2 3}	\$	(0.06)	\$	(0.04)	\$	(0.02)
Net assets, end of year^{2 3}	\$	12.55	\$	11.83	\$	10.66
Ratios and supplemental data						
Net asset value ⁴	\$	464,596	\$	383,146	\$	300,004
Units outstanding		37,007		32,378		28,155
Management expense ratio ⁵	%	2.55	%	2.53	%	2.53
Management expense ratio before waivers or absorption		2.75		3.11		3.92
Portfolio turnover rate ⁶		74.2		92.9		94.8
Trading expense ratio ⁷		0.2		0.1		0.2
Net asset value per unit, end of year	\$	12.55	\$	11.83	\$	10.66

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*

Year ended	31-Dec-2017		31-Dec-2016		31-Dec-2015	
Net assets per unit¹						
Net assets, beginning of year	\$	12.02	\$	10.86	\$	11.59
Operations:						
Total revenue		0.36		0.37		0.36
Total expenses		(0.18)		(0.16)		(0.16)
Realized gains (losses)		-		0.05		(0.35)
Unrealized gains (losses)		0.75		1.09		(0.59)
Total increase (decrease) from operations²	\$	0.93	\$	1.35	\$	(0.74)
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.18)		(0.22)		(0.18)
From capital gains		-		-		-
Total distributions^{2 3}	\$	(0.18)	\$	(0.22)	\$	(0.18)
Net assets, end of year^{2 3}	\$	12.77	\$	12.02	\$	10.86
Ratios and supplemental data						
Net asset value ⁴	\$	3,002,912	\$	2,698,702	\$	1,960,285
Units outstanding		235,065		224,481		180,539
Management expense ratio ⁵	%	1.42	%	1.41	%	1.41
Management expense ratio before waivers or absorption		1.61		1.97		2.80
Portfolio turnover rate ⁶		74.2		92.9		94.8
Trading expense ratio ⁷		0.2		0.1		0.2
Net asset value per unit, end of year	\$	12.77	\$	12.02	\$	10.86

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Series O*

Year ended	31-Dec-2017		31-Dec-2016		31-Dec-2015	
Net assets per unit¹						
Net assets, beginning of year	\$	12.11	\$	10.92	\$	11.63
Operations:						
Total revenue		0.35		0.35		0.33
Total expenses		(0.04)		(0.04)		(0.03)
Realized gains (losses)		-		0.03		0.01
Unrealized gains (losses)		0.75		1.15		(0.78)
Total increase (decrease) from operations²	\$	1.06	\$	1.49	\$	(0.47)
Distributions:						
From income (excluding dividends)	\$	-	\$	-	\$	-
From dividends		(0.3)		(0.31)		(0.24)
From capital gains		-		-		-
Total distributions^{2 3}	\$	(0.3)	\$	(0.31)	\$	(0.24)
Net assets, end of year^{2 3}	\$	12.87	\$	12.11	\$	10.92
Ratios and supplemental data						
Net asset value ⁴	\$	1,078,021	\$	990,412	\$	873,650
Units outstanding		83,751		81,781		79,977
Management expense ratio ⁵	%	0.29	%	0.28	%	0.27
Management expense ratio before waivers or absorption		0.48		0.86		1.70
Portfolio turnover rate ⁶		74.2		92.9		94.8
Trading expense ratio ⁷		0.2		0.1		0.2
Net asset value per unit, end of year	\$	12.87	\$	12.11	\$	10.92

Notes

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Management Fees

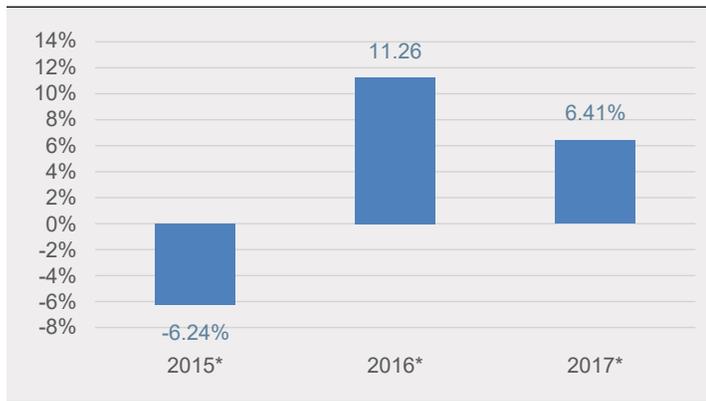
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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.

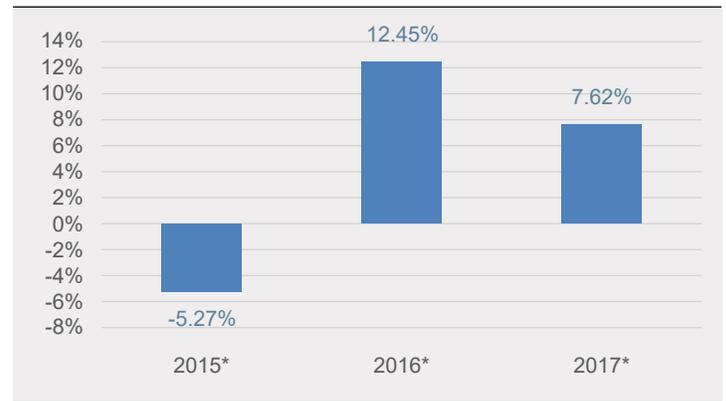
Service fees or trailing commissions of a maximum of 1.00% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

Year-by-Year Returns

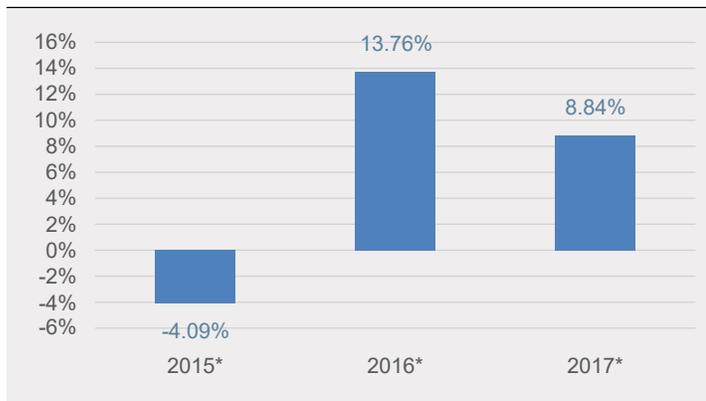
Series A



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, 2017		1 Year		3 Year ²		Since Inception ³
Annual Compound Return						
Series A ¹	%	6.41	%	3.54	%	3.63
Series F ¹		7.62		4.66		4.75
Series O ¹		8.84		5.90		5.99
S&P/TSX Composite Total Return Index ⁴	%	9.10	%	6.59	%	6.56

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 Compound period returns are annualized.
- 3 Period starting from December 30, 2014. Since inception returns are annualized.
- 4 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		
Canadian Imperial Bank of Commerce	%	3.8	Canadian Equities	%	97.8
Royal Bank of Canada		3.6	Cash and Cash Equivalents		1.9
TransCanada Pipelines		3.5	Other Assets less Liabilities		0.3
Teck Resources Limited		3.5	Total	%	100.0
Bank of Montreal		3.4	Sector		
IGM Financial Inc.		3.4	Cash and Cash Equivalents	%	1.9
Sun Life Financial Inc.		3.4	Consumer Discretionary		6.5
West Fraser Timber Co.		3.4	Consumer Staples		3.1
Waste Connections Inc.		3.4	Energy		13.2
Constellation Software Inc.		3.4	Financials		27.0
Suncor Energy Inc.		3.4	Industrial		3.5
BCE Inc.		3.3	Industrials		12.7
Empire Co Ltd		3.3	Information Technology		6.5
Methanex Corp		3.3	Materials		6.7
Restaurant Brands International Inc.		3.2	Other Assets less Liabilities		0.3
Canadian National Railway		3.2	Real Estate		6.0
Power Financial Corp.		3.2	Telecommunication Services		6.2
Fortis Inc.		3.2	Utilities		6.4
Inter Pipeline Fund		3.2	Total	%	100.0
Emera Inc.		3.2			
Canadian Natural Resources		3.2			
Shopify Inc.		3.1			
Air Canada		3.1			
Dollarama Inc.		3.1			
Bank of Nova Scotia		3.1			
Total	%	82.9			



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