

Financial Statements

December 31, 2017

Lysander-Seamark Total Equity Fund



Independent Auditor's Report

To the Unitholders of
Lysander-Seamark Total Equity Fund

We have audited the accompanying financial statements of Lysander-Seamark Total Equity Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lysander-Seamark Total Equity Fund as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants
Licensed Public Accountants
March 23, 2018

Lysander-Seamark Total Equity Fund

Financial Statements December 31, 2017

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Lysander-Seamark Total Equity Fund

Statements of Financial Position

As at	31-Dec-17	31-Dec-16
Assets		
Financial assets at fair value through profit or loss*	\$ 1,952,326	\$ 2,032,412
Cash and cash equivalents	81,626	176,851
Reimbursement receivable	10,612	20,018
Dividends receivable	5,167	5,381
Prepaid distribution	6	–
Due from investment dealers	–	37,525
Accrued interest	–	20
Total assets	\$ 2,049,737	\$ 2,272,207
Liabilities		
Accrued expenses	\$ 4,889	\$ 10,990
Distributions payable	–	394
Total liabilities	\$ 4,889	\$ 11,384
Net assets attributable to holders of redeemable units	\$ 2,044,848	\$ 2,260,823
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 437,286	\$ 393,328
Series F	1,607,562	1,867,495
Total net assets	\$ 2,044,848	\$ 2,260,823
Number of redeemable units outstanding		
Series A	39,857	36,704
Series F	144,641	171,962
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 10.97	\$ 10.72
Series F	11.11	10.86
* Financial assets at fair value through profit or loss at cost	\$ 1,714,700	\$ 1,862,903

Statements of Comprehensive Income

For the years ended	31-Dec-17	31-Dec-16
Income		
Interest for distribution purposes	\$ 4,121	\$ 3,987
Dividend income	64,184	52,800
Realized and unrealized gain (loss) on investments		
Net realized (loss) gain on investments sold	(16,538)	13,636
Net realized (loss) gain on foreign currency	(2,995)	1,148
Change in (depreciation) appreciation unrealized on foreign currency	(1,004)	110
Change in appreciation unrealized on investments	68,747	183,338
Total operating income	\$ 116,515	\$ 255,019
Expenses		
Management fees	\$ 30,339	\$ 24,319
Filing fees	15,795	18,221
Unitholder reporting expense	2,186	26
Fund administration fees	1,579	2,963
Custodial fees	1,248	(1,609)
Transaction costs	630	772
Legal fees	280	76
Bank charges	96	8
Independent review committee fees	66	40
Blended HST expense	58	9
Audit fees	(4,371)	5,699
Total operating expenses	\$ 47,906	\$ 50,524
Withholding tax	\$ 3,690	\$ 2,589
Expense reimbursement	(10,612)	(20,018)
Total net operating expenses	\$ 40,984	\$ 33,095
Change in net assets attributable to holders of redeemable units from operations	\$ 75,531	\$ 221,924
Change in net assets attributable to holders of redeemable units from operations, per series		
Series A	\$ 10,729	\$ 29,296
Series F	64,802	192,628
Change in total net assets	\$ 75,531	\$ 221,924
Change in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ 0.25	\$ 1.09
Series F	0.41	1.22

Lysander-Seamark Total Equity Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Series

For the years ended	31-Dec-17	31-Dec-16
Net assets attributable to holders of redeemable units, beginning of year	\$ 2,260,823	\$ 1,670,830
Change in net assets attributable to holders of redeemable units from operations	75,531	221,924
Distributions to unitholders of redeemable units		
From net investment income	\$ (24,172)	\$ (19,739)
From management fee rebate income	(3,903)	(3,796)
From net capital gains	–	(14,785)
	\$ (28,075)	\$ (38,320)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 97,503	\$ 177,738
Series F	12,080	268,795
Total proceeds	\$ 109,583	\$ 446,533
Cost of units redeemed		
Series A	\$ (64,006)	\$ (42,355)
Series F	(336,489)	(34,615)
Total cost	\$ (400,495)	\$ (76,970)
Reinvested distributions		
Series A	\$ 1,375	\$ 3,063
Series F	26,106	33,763
Total reinvested	\$ 27,481	\$ 36,826
Change in net assets attributable to holders of redeemable units for the year	\$ (215,975)	\$ 589,993
Net assets attributable to holders of redeemable units, end of year	\$ 2,044,848	\$ 2,260,823

Series A

For the years ended	31-Dec-17	31-Dec-16
Net assets attributable to holders of redeemable units, beginning of year	\$ 393,328	\$ 229,592
Change in net assets attributable to holders of redeemable units from operations	10,729	29,296
Distributions to unitholders of redeemable units		
From net investment income	\$ (1,086)	\$ (923)
From management fee rebate income	(557)	(506)
From net capital gains	–	(2,577)
Total distributions	\$ (1,643)	\$ (4,006)
Redeemable unit transactions		
Proceeds from redeemable units issued	\$ 97,503	\$ 177,738
Cost of units redeemed	(64,006)	(42,355)
Reinvested distributions	1,375	3,063
Total redeemable	\$ 34,872	\$ 138,446
Change in net assets attributable to holders of redeemable units for the year	\$ 43,958	\$ 163,736
Net assets attributable to holders of redeemable units, end of year	\$ 437,286	\$ 393,328

Series F

For the years ended	31-Dec-17	31-Dec-16
Net assets attributable to holders of redeemable units, beginning of year	\$ 1,867,495	\$ 1,441,238
Change in net assets attributable to holders of redeemable units from operations	64,802	192,628
Distributions to unitholders of redeemable units		
From net investment income	\$ (23,086)	\$ (18,816)
From management fee rebate income	(3,346)	(3,290)
From net capital gains	–	(12,208)
Total distributions	\$ (26,432)	\$ (34,314)
Redeemable unit transactions		
Proceeds from redeemable units issued	\$ 12,080	\$ 268,795
Cost of units redeemed	(336,489)	(34,615)
Reinvested distributions	26,106	33,763
Total redeemable	\$ (298,303)	\$ 267,943
Change in net assets attributable to holders of redeemable units for the year	\$ (259,933)	\$ 426,257
Net assets attributable to holders of redeemable units, end of year	\$ 1,607,562	\$ 1,867,495

Lysander-Seamark Total Equity Fund

Statements of Cash Flows

For the years ended	31-Dec-17	31-Dec-16
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ 75,531	\$ 221,924
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	58	168
Net realized loss (gain) on sales of investments	16,538	(13,636)
Change in unrealized (appreciation) of investments	(68,117)	(182,566)
Change in unrealized depreciation (appreciation) of foreign currency	1,004	(110)
Purchases of investments	(334,103)	(659,799)
Proceeds from sale and maturity of investments	465,768	351,261
Due from investment dealers	37,525	14,194
Reimbursement receivable	9,406	6,722
Dividends receivable	214	(1,624)
Accrued interest	20	(20)
Prepaid distribution	(6)	-
Distributions payable	(394)	394
Accrued expenses	(6,101)	713
Net cash from (used in) operating activities	\$ 197,343	\$ (262,379)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (594)	\$ (1,494)
Proceeds from issuances of redeemable units	109,583	446,533
Amounts paid on redemption of redeemable units	(400,495)	(76,970)
Net cash from (used in) financing activities	\$ (291,506)	\$ 368,069
Foreign exchange (loss) on cash and cash equivalents	\$ (1,062)	\$ (58)
(Decrease) Increase in cash and cash equivalents during the year	(94,163)	105,690
Balance of cash and cash equivalents, beginning of year	176,851	71,219
Cash and cash equivalents at the end of year	\$ 81,626	\$ 176,851
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 238	\$ 171
Dividends received	64,398	51,175
Withholding tax	3,690	2,589
Interest paid	96	8

Schedule of Investment Portfolio as at December 31, 2017

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
Canadian Equities (53.6%)		
1,050 AGT Food and Ingredients Inc.	\$ 32,223	\$ 21,116
1,000 AltaGas Ltd.	36,409	28,620
600 Bank of Nova Scotia	36,996	48,672
600 BCE Inc.	33,552	36,228
700 Boardwalk REIT	33,648	30,163
300 Canadian National Railway	23,419	31,095
700 Canadian Natural Resources	27,755	31,444
100 Canadian Tire Corp. Ltd.	16,144	16,390
400 Canadian Western Bank	10,574	15,700
1,800 Cenovus Energy Inc.	33,750	20,664
500 CGI Group Inc.	24,858	34,150
1,500 Corby Spirit & Wine Co. B	25,432	31,575
3,000 DHX Media Ltd.	19,364	13,620
750 Emera Inc.	33,273	35,235
600 Enbridge Inc.	32,635	29,496
1,000 Finning International Inc.	22,803	31,720
800 Fortis Inc.	31,217	36,888
450 Franco-Nevada Corp.	29,700	45,207
1,900 Goldcorp Inc.	41,082	30,457
800 Great-West LifeCo Inc.	25,105	28,080
750 Imperial Oil Ltd.	30,231	29,422
500 Industrial Alliance	19,521	29,910
1,200 Inter Pipeline Fund	35,165	31,236
1,300 Manulife Financial Corp.	26,144	34,086
400 Maxar Technologies Ltd.	28,046	32,368
1,000 North West Co.	28,485	30,070
500 Royal Bank of Canada	37,905	51,325
1,000 Smart Real Estate Investment Trust Variable Voting Units	29,995	30,910
700 Stantec Inc.	23,789	24,612
700 Suncor Energy Inc.	25,241	32,305
700 Telus Corp.	29,077	33,334
500 Thomson Reuters Corp.	23,870	27,395
700 Toronto Dominion Bank	37,011	51,555

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Schedule of Investment Portfolio as at December 31, 2017

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Equities (53.6%)							
<i>Cont'd</i>							
2,300	TransAlta Renewables Inc.	33,371	30,797		Cash and cash equivalents (4.0%)	\$	\$ 81,626
500	TransCanada Pipelines	26,496	30,590		Other assets less liabilities (0.5%)		10,896
Total		\$ 1,004,286	\$ 1,096,435	Net assets		\$	\$ 2,044,848
International Equities (13.2%)							
1,000	ABB Ltd-Spon ADR	\$ 24,757	\$ 33,572				
400	BHP Billiton Ltd. SP ADR	21,851	23,027				
180	Diageo PLC SP ADR	24,025	32,903				
475	HSBC Hldgs PLC SP ADR	29,865	30,704				
300	Nestle S A ADR	27,242	32,284				
300	Novartis AG ADR	29,110	31,529				
300	Schlumberger Ltd.	30,387	25,306				
400	Unilever PLC ADR	20,149	27,709				
800	Vodafone Grp Plc-SP ADR	31,048	31,945				
Total		\$ 238,434	\$ 268,979				
US Equities (28.7%)							
150	Apple Inc.	\$ 20,522	\$ 31,775				
900	Bank of America Corp.	17,284	33,257				
400	Bristol Myers	29,113	30,683				
800	Cisco Systems	27,584	38,354				
300	Dollar General Corp.	28,058	34,928				
320	DowDuPont Inc.	22,192	28,528				
800	General Electric	25,086	17,474				
150	Honeywell Intl Inc.	21,977	28,795				
150	Johnson & Johnson	19,513	26,234				
200	JP Morgan Chase & Co.	14,118	26,772				
200	Kla-Tencor Corp.	13,531	26,304				
450	Merck & Co.	31,674	31,696				
750	Pfizer Inc.	30,166	34,004				
450	Qualcomm Inc.	35,858	36,062				
200	SAP ADR	22,153	28,129				
200	State Street Corp.	17,856	24,437				
150	Stryker Corp.	19,101	29,073				
500	Verizon Communications Inc.	30,677	33,128				
150	Walgreen Boots	14,429	13,635				
250	Walt Disney Co.	31,088	33,644				
Total		\$ 471,980	\$ 586,912				
Total investment portfolio (95.5%)		\$ 1,714,700	\$ 1,952,326				

Lysander-Seamark Total Equity Fund

Notes to the financial statements for December 31, 2017 and 2016

1. Formation of Fund

The address of the Fund's registered office is 100 York Boulevard, Suite 501, Richmond Hill, Ontario.

Lysander Funds Limited (the "Manager") is the manager and trustee of the Fund and is responsible for providing or arranging 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 Lysander-Seamark Total Equity Fund (the "Fund") is an open-end unit trust established under the laws of the Province of Ontario pursuant to a master declaration of trust dated December 30, 2014 (the "Declaration of Trust"). The Fund commenced operations on December 30, 2014 and distributed units under a prospectus.

The Fund's objective is to provide long-term capital growth by investing primarily in equity securities of companies anywhere in the world.

The portfolio manager of the Fund is Seamark Asset Management Ltd. ("Portfolio Manager").

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

Amendments to IAS 7

IAS 7 requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. Units issued by the Fund are classified as financial liabilities in accordance with IAS 32, as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes. However, the Units are considered liabilities for the purposes of the IAS 7 disclosures, regardless of their classification for financial reporting purposes under IAS 32. A reconciliation between the opening and closing balances of the Units of the Fund is presented in the statement of changes in net assets attributable to holders of redeemable Units for the year ended December 31, 2017, including changes from cash flows and non-cash changes

The financial statements were authorized for issue by Lysander's board of directors on March 23, 2018.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IAS 39, Financial instruments: recognition and measurement (IAS 39), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses. Accrued interest are designated as loans and receivables and reported at amortized cost. Accrued expenses are designated as financial liabilities and reported at amortized cost. Due to their short term nature, the carrying value of these financial assets and liabilities approximates fair value.

The Fund recognizes financial instruments at fair value upon initial recognition on trade date basis. The Fund classifies its investment in debt and equity securities and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets or financial liabilities are either held for trading or designated at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short-term profit-taking. All derivatives are also included in this category. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets or financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its simplified prospectus, other public documents and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information. All long fixed income and equity securities are included in this category. All

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other financial assets and liabilities, including redeemable units, are measured at amortized cost.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2017 and December 31, 2016, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended December 31, 2017 and December 31, 2016, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at Fair Value Through Profit or Loss ("FVTPL"). The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and

Lysander-Seamark Total Equity Fund

Notes to the financial statements for December 31, 2017 and 2016

makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable Inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value.

When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis.

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Notes to the financial statements for December 31, 2017 and 2016

The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a unit trust within the meaning of the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2017 the Fund has \$9,767 net capital losses (December 31, 2016 - Nil) and no non-capital losses (December 31, 2016 - Nil).

Distributions

The Fund makes distributions of net income annually, please refer to the Fund's Simplified Prospectus, and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

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Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, management has determined that the functional currency of the Fund is CAD unless noted otherwise.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for the financial assets under IAS 39, Financial Instruments Recognition and Measurement. The most significant judgment made includes the determination that certain investments are held-for-trading and that the fair value at inception classification can be applied to those which are not.

Future changes in accounting standards

IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The fund plans to adopt the new standard the date it becomes effective.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income. Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

Hedge accounting

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 1.00% on the Series A units, exclusive of any applicable taxes.

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5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their Net Asset Value.

During the periods ended December 31, 2017 and 2016, the number of units issued, redeemed and outstanding were as follows:

Series A

For the years ended	31-Dec-17	31-Dec-16
Units outstanding at beginning of year	36,704	23,450
Redeemable units issued	8,853	17,304
Redeemable units redeemed	(5,826)	(4,340)
Redeemable units issued on reinvestments	126	290
Units outstanding at end of year	39,857	36,704

Series F

For the years ended	31-Dec-17	31-Dec-16
Units outstanding at beginning of year	171,962	145,786
Redeemable units issued	1,111	26,411
Redeemable units redeemed	(30,785)	(3,366)
Redeemable units issued on reinvestments	2,353	3,131
Units outstanding at end of year	144,641	171,962

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at December 31, 2017 and 2016.

6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for the investment management services and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At December 31, 2017, the shareholders of the Manager and Portfolio Manager, together with certain immediate family members and employees of such shareholders had an ownership interest in the Fund amounting to 72% (December 31, 2016 - 65%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 2.00% on Series A units and up to 1.00% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

During the period ended December 31, 2017, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$11,769 (December 31, 2016 - \$9,417) for managing the portfolio of the Fund. As at December 31, 2017 the amount payable to the Portfolio Manager was \$2,983 (December 31, 2016 - \$2,751).

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As at December 31, 2017		Level 1		Level 2		Level 3		Total
Investments								
Equities	\$	1,952,326	\$	–	\$	–	\$	1,952,326
Total	\$	1,952,326	\$	–	\$	–	\$	1,952,326

As at December 31, 2016		Level 1		Level 2		Level 3		Total
Investments								
Equities	\$	2,032,412	\$	–	\$	–	\$	2,032,412
Total	\$	2,032,412	\$	–	\$	–	\$	2,032,412

8. Financial instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category:

As at December 31, 2017	Financial assets at held for Trading		Financial assets at FVTPL at inception		Loans and Receivables		Total	
Assets								
Equity securities	\$	–	\$	1,952,326	\$	–	\$	1,952,326
Cash and cash equivalents		–		–		81,626		81,626
Reimbursement receivable		–		–		10,612		10,612
Dividends receivable		–		–		5,167		5,167
Prepaid distribution				–		6		6
Total	\$	–	\$	1,952,326	\$	97,411	\$	2,049,737

As at December 31, 2017	Financial liabilities at held for Trading		Financial liabilities at FVTPL at inception		Other Financial Liabilities		Total
Liabilities							
Accrued expenses	\$	–	\$	–	\$	4,889	\$ 4,889
Total	\$	–	\$	–	\$	4,889	\$ 4,889

As at December 31, 2016	Financial assets at held for Trading		Financial assets at FVTPL at inception		Loans and Receivables		Total
Assets							
Equity securities	\$	–	\$	2,032,412	\$	–	\$ 2,032,412
Cash and cash equivalents		–		–		176,851	176,851
Reimbursement receivable		–		–		20,018	20,018
Accrued interest and dividends		–		–		5,401	5,401
Due from investment dealers		–		–		37,525	37,525
Total	\$	–	\$	2,032,412	\$	239,795	\$ 2,272,207

As at December 31, 2016	Financial liabilities at held for Trading		Financial liabilities at FVTPL at inception		Other Financial Liabilities		Total
Liabilities							
Accrued expenses	\$	–	\$	–	\$	10,990	\$ 10,990
Distribution Payable		–		–		394	394
Total	\$	–	\$	–	\$	11,384	\$ 11,384

9. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to

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manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty ratings.

As at December 31, 2017 and 2016, the Fund had no investments in debt instruments with credit ratings.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2017 and December 31, 2016:

As at 31-Dec-2017	Less Than One Month		1-3 Months	3 Months – 1 Year
Liquidity risk				
Accrued expenses	\$	–	\$ 4,889	\$ –
As at 31-Dec-2016	Less Than One Month		1-3 Months	3 Months – 1 Year
Liquidity exposure				
Accrued expenses	\$	–	\$ 10,990	\$ –
Distributions payable		394	–	–

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

As at December 31, 2017 and 2016, the Fund had no investments in debt instruments that were exposed to interest rate risk.

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. The currency risk will typically be hedged by entering into foreign currency forward contracts if required, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

		31-Dec-17	31-Dec-16
Currency exposure			
US Dollars	%	45.8	41.5

As at December 31, 2017, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.5% (December 31, 2016 - 0.4%).

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Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. This risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. In practice, actual results will differ from this sensitivity analysis and the difference could be material.

As at December 31, 2017, approximately 96% (December 31, 2016 – 90%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at December 31, 2017 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$97,616 (December 31, 2016 - \$101,621).



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