

**Annual Management Report of Fund Performance**  
As at December 31, 2017

**Lysander-Seamark Balanced Fund**



# Lysander-Seamark Balanced Fund

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## A Note About Forward Looking Statements

This annual Management Report of Fund Performance includes certain statements that are “forward looking statements”. All statements, other than statements of historical fact, included in this Management Report of Fund Performance that address activities, events or developments that the Fund expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective” and similar expressions are intended to identify forward looking statements.

These forward looking statements are subject to various risks and uncertainties, including the risks described in the simplified prospectus of the Fund, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed.

Readers are cautioned not to place undue reliance on these forward looking statements. All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

The Fund has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

## About This Report

This annual Management Report of Fund Performance of Lysander-Seamark Balanced Fund (the “Fund”) contains financial highlights for the year ended December 31, 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](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to obtain a copy of the investment Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Investment objective

The Fund’s objective is to provide long-term total returns consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and equities.

## Investment Strategies

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

## Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus or its amendments.

## Results of Operations

Investors in the balanced fund will typically benefit from a mix of fixed income and equity investments. At December 31, 2017 we continued to maintain Fixed Income investments towards the low-end of a working range, at about 27% of the portfolio. 2017 turned out to be the transitional year as North American central banks started their tightening cycle in a meaningful way. The U.S. Federal Reserve increased the target rate range three times to 1.25-1.50% in 2017, along with starting the balance sheet reduction in October.

By year end, the ten-year Canada bond traded at a yield of 2.07, up from 1.71 a year ago. Notwithstanding the pressure on interest rates, the FTSE TMX Canada Universe Bond Index did earn a total return of 2.5% for the year, and bonds once again made a positive contribution to the Balanced Fund at the same time as equities were rising.

Currency was a factor when reviewing returns in 2017. The U.S. dollar has fallen by more than 10% over the year when compared to a basket of major currencies. This has driven the Canadian currency higher, up by about 7% over the course of the year. A rising loonie reduces USD returns for the Fund, which has a significant weight in U.S. domiciled companies, and foreign companies whose shares are priced in USD. With the Federal Reserve telegraphing that it will continue to raise interest rates, we see pressure on the Canadian dollar during 2018, especially considering the risks associated with NAFTA negotiations.

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Over the year, the Fund returned positive returns (2.46% for Series A and 3.34% for Series F). The Fund lagged the benchmark return, which was driven largely by the U.S. technology sector, which has grown to represent approximately 24% of the S&P500 Index, its highest level since 1999. Our exposure to technology is focused on those companies in the sector that are dividend payers. We believe caution is warranted in those names that have been the recent darlings of investors, particularly as our mission always has dual objectives - to preserve, and to grow capital. The Fund is being careful to invest conservatively, and had cash levels of 8% at year-end.

This positioning and performance is entirely consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund increased to \$2.5 million at December 31, 2017 versus \$2.3 million at December 31, 2016.

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 year except for immaterial short term cash overdrafts.

## Recent Developments

The backdrop for investors is mixed for 2018. A strong economy, equity valuations on the high side, political angst from Washington and a host of geo political concerns leave us with a positive, but cautious view on equities. We remain positioned more defensively, with a selective tilt toward value versus growth stocks. The Fund also holds a healthy cash reserve, which is available to take advantage of any investment opportunities that may arise in coming months. As for bonds, we will continue to be short in duration, and overweight corporate credits, albeit in an increasingly selective manner.

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 \$25,103 (including HST) in management fees to the Manager for the year ended December 31, 2017 (December 31, 2016: 23,099).

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 \$10,843 (including HST) to the Portfolio Manager for the year ended December 31, 2017 (December 31, 2016: \$9,151).

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 unit <sup>1</sup>					
Net assets, beginning of year	\$	10.57	\$	9.93	\$ 10.00
Operations:					
Total revenue		0.31		0.31	0.31
Total expenses		(0.22)		(0.21)	(0.20)
Realized gains (losses)		(0.15)		0.06	0.06
Unrealized gains (losses)		0.31		0.60	(0.33)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$</b>	<b>0.25</b>	<b>\$</b>	<b>0.76</b>	<b>\$ (0.16)</b>
Distributions:					
From income (excluding dividends)	\$	-	\$	-	\$ -
From dividends		(0.11)		(0.07)	(0.10)
From capital gains		-		(0.08)	(0.04)
<b>Total distributions<sup>2 3</sup></b>	<b>\$</b>	<b>(0.11)</b>	<b>\$</b>	<b>(0.15)</b>	<b>\$ (0.14)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$</b>	<b>10.73</b>	<b>\$</b>	<b>10.57</b>	<b>\$ 9.93</b>

<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$	537,458	\$	510,259	\$ 609,832
Units outstanding		50,087		48,268	61,390
Management expense ratio <sup>5</sup>	%	1.98	%	1.98	% 1.97
Management expense ratio before waivers or absorption		2.49		2.84	3.88
Portfolio turnover rate <sup>6</sup>		26.1		27.6	14.3
Trading expense ratio <sup>7</sup>		0.02		0.02	0.01
Net asset value per unit, end of year	\$	10.73	\$	10.57	\$ 9.93

### Notes

\* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Distributions were paid in cash or reinvested in additional units, or both.

<sup>4</sup> This information is provided at the end of the period shown.

<sup>5</sup> 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.

<sup>6</sup> 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.

<sup>7</sup> 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 unit <sup>1</sup>					
Net assets, beginning of year	\$	10.58	\$	9.97	\$ 10.00
Operations:					
Total revenue		0.31		0.31	0.31
Total expenses		(0.13)		(0.13)	(0.11)
Realized gains (losses)		(0.16)		0.11	0.06
Unrealized gains (losses)		0.36		0.63	0.01
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$</b>	<b>0.38</b>	<b>\$</b>	<b>0.92</b>	<b>\$ 0.27</b>
Distributions:					
From income (excluding dividends)	\$	-	\$	-	\$ -
From dividends		(0.17)		(0.19)	(0.18)
From capital gains		-		(0.10)	(0.06)
<b>Total distributions<sup>2 3</sup></b>	<b>\$</b>	<b>(0.17)</b>	<b>\$</b>	<b>(0.29)</b>	<b>\$ (0.24)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$</b>	<b>10.77</b>	<b>\$</b>	<b>10.58</b>	<b>\$ 9.97</b>
Ratios and supplemental data					
Net asset value <sup>4</sup>	\$	1,918,200	\$	1,784,139	\$ 1,451,895
Units outstanding		178,111		168,696	145,685
Management expense ratio <sup>5</sup>	%	1.13	%	1.14	% 1.14
Management expense ratio before waivers or absorption		1.64		1.95	3.11
Portfolio turnover rate <sup>6</sup>		26.1		27.6	14.3
Trading expense ratio <sup>7</sup>		0.02		0.02	0.01
Net asset value per unit, end of year	\$	10.77	\$	10.58	\$ 9.97

## 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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## Management Fees

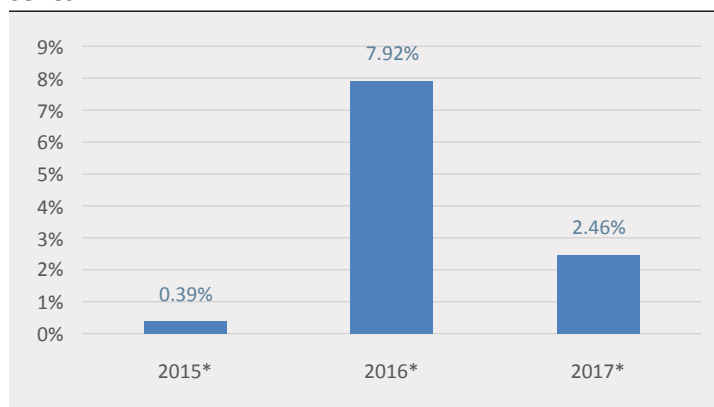
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 1.50% per annum for Series A units and 0.75 % per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.75% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

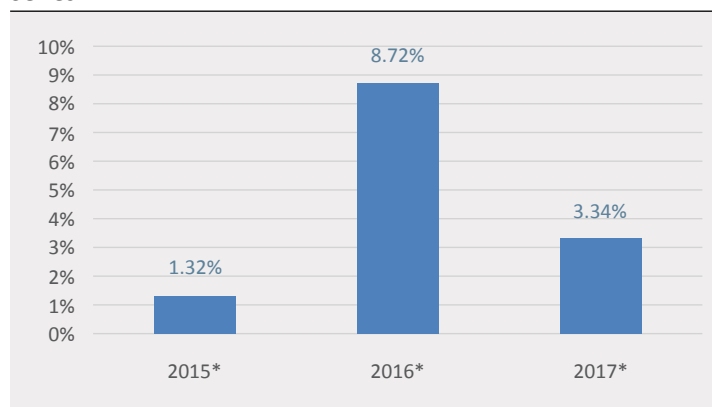


## Past Performance

The Fund became a reporting issuer on December 30, 2014. Accordingly, returns are shown for the relevant period as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

### Series F



\* For the period January 1 to December 31

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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with 40% FTSE TMX Canada Universe, 5% FTSE TMX Canada 91 Day Tbills, 27% S&P/TSX Total Return Index(CAD), 20% S&P Total Return Index (CAD) and 8% MSCI EAFE Composite(CAD) (the "Index"). The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2017		1 Year		3 Year <sup>2</sup>		Since Inception <sup>3</sup>
Annual Compound Return						
Series A <sup>1</sup>	%	2.46	%	3.54	%	3.54
Series F <sup>1</sup>		3.34		4.41		4.41
Index <sup>4</sup>	%	7.40	%	6.59	%	6.73

## 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.

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## Summary of Investment Portfolio

% of NAV			% of NAV		
Top 25 Issuers			Asset Mix		
Cash and Cash Equivalents	%	8.2	Canadian Equities	%	34.4
Canada Housing Trust (Debt)		3.0	Canadian Fixed Income		26.3
407 International Inc. (Debt)		2.1	Cash and Cash Equivalents		8.2
Government of Canada (Debt)		2.0	Foreign Fixed Income		0.8
Province of Ontario (Debt)		1.7	International Equities		9.0
Royal Bank of Canada (Equity)		1.7	Other Assets less Liabilities		0.5
Bank of Nova Scotia (Equity)		1.7	US Equities		20.8
Toronto Dominion Bank (Equity)		1.6	<b>Total</b>	<b>%</b>	<b>100.0</b>
Royal Bank of Canada (Debt)		1.6	Sector		
PSP Capital Inc. (Debt)		1.6	Cash and Cash Equivalents	%	8.2
Toyota Inc. (Debt)		1.6	Energy		7.9
Province of Quebec (Debt)		1.5	Federal		7.1
Franco-Nevada Corp. (Equity)		1.4	Other Assets less Liabilities		0.5
MUN FIN BC (Debt)		1.3	Provincial		7.6
Honeywell Intl Inc. (Equity)		1.3	Real Estate		1.9
HSBC (Debt)		1.2	Industrials		7.7
Vodafone (Equity)		1.2	Materials		4.2
Industrial Alliance (Equity)		1.2	Consumer Discretionary		7.0
Apple Inc. (Equity)		1.2	Consumer Staples		8.8
Province of British Columbia (Debt)		1.2	Information Technology		6.9
Diageo PLC SP (Equity)		1.2	Health Care		5.0
Dollar General Corp. (Equity)		1.2	Financials		19.5
DowDuPont Inc. (Equity)		1.2	Utilities		3.4
Great-West LifeCo Inc. (Equity)		1.1	Telecommunication Services		4.3
Fortis Inc. (Equity)		1.1	<b>Total</b>	<b>%</b>	<b>100.0</b>
<b>Total</b>	<b>%</b>	<b>44.1</b>			





100 York Boulevard, Suite 501  
Richmond Hill, Ontario L4B 1J8  
[www.lysanderfunds.com](http://www.lysanderfunds.com)

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