

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

Lysander-Triasima Balanced Income Fund



TRIASIMA



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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-Triasima Balanced Income 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 generate returns consisting of income and capital gains by investing primarily in a portfolio of fixed income securities and equities of companies anywhere in the world.

Investment Strategies

The Fund’s portfolio manager is Triasima Portfolio Management Inc. (“Portfolio Manager” or “Triasima”). The Fund’s portfolio positions will be primarily in money market instruments and bonds, as well as income trust, preferred shares and Canadian, American and international equities including American

Depository Receipts and Global Depository Receipts. 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

The performance of the Lysander-Triasima Balanced Income is ahead of the benchmark for 2017. Series A performance was 8.3% and Series F, 9.1% versus the benchmark’s 8.2% for the same year. Since inception, two years ago, the benchmark’s annualized return is 9.2% while Series A and Series F’s is 6.1% and 6.3% respectively.

After raising its overnight discount rate twice during the third quarter, the Bank of Canada (BoC) left it unchanged at 1% during the fourth. Despite the slew of positive economic data in Canada, the BoC mentioned that “The global outlook remains subject to considerable uncertainty, notably about geopolitical developments and trade policies.” One must wonder if the BoC is looking for any excuse to maintain a weak Canadian dollar to stimulate exports and in turn, the manufacturing sector.

With short-term rates pushed up by the Bank of Canada and the Fed and with strong economies here and abroad, a sizeable interest rate readjustment ensued. As such, yield curves in Canada and the United States underwent a parallel shift upwards. The yield-to-maturity of the FTSE TMX Canada Universe Bond Index rose over the second half of 2017, from

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2.17% to 2.47%, in response to these better economies. The lift off of the yield curve depressed the Index's returns to 0.2%, for the semester and to a meagre 2.5% for 2017.

Reflecting the low volatility and supportive economic and financial backdrop, credit spreads eased down further to low levels in Canada and the United States.

The Fund was underweighted in bonds which helped relative performance. Stock selection in the Canadian and Foreign equity asset classes drove most of the Fund's performance. In Canada, the top performers were all cyclical stocks benefitting from a strong global economic backdrop. Labrador Iron Ore jumped 54% on the back of higher iron ore prices, while Suncor and WSP Global each rose 19%. In the foreign equity category, Royal Dutch Shell and Rio Tinto advanced 24% and 10% respectively due to higher commodity prices. Taiwan Semiconductor rose 9% due to higher demand for computer chips.

The net assets of the Fund increased to \$1.6 million at the end of the year from \$437 thousand as 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 confluence of low inflation and low interest rates combined with rising profits provided a near-perfect "Goldilocks" environment for investing in 2017. Global bourses climbed with little volatility around the world while commodity prices firmed late in the year. The equity markets shrugged off a number of political worries, including the rise of populism in Europe and tensions with North Korea.

Economic growth in the United States has been stronger than expected in 2017, especially in the second half of the year. Consumer confidence has risen to levels not seen since 2000, with the labour market in a full employment situation. Meanwhile, consumer credit flows freely. This should translate into more buying power for the consumer and a strong economy in 2018.

Growth in the Eurozone is becoming more broad-based as the sovereign debt crisis recedes in the background. As such, the European Central Bank raised its forecast for growth in the Eurozone for 2018 from 1.8% to 2.3%. At the corporate level, earnings growth has inflected upwards in the majority of

industries. Instances of negative real rates are rarer. Conversely, the ECB inflation forecast for 2018 remains subdued at 1.4%, below the 2% target rate. This low level of inflation means that some degree of quantitative accommodation will remain in 2018.

The Canadian economy is on track to grow 3% in 2017, the strongest showing in six years. This is reflected in the labor market where a spectacular 423,000 jobs were created in 2017. Because of this, the unemployment rate fell to 5.7%, the lowest level since 1976 (comparable data does not go further back). Domestic concerns by market participants continue to center on the high level of indebtedness of Canadians and elevated residential prices in Vancouver and Toronto, and on the outcome of negotiations with the United States and Mexico over NAFTA.

The combination of contributions into the Fund and of the turnover decreased the American equity weighting from 27% to 15%, eliminating this asset class' overweight. Offsetting this change was a 10% increase in the combined weights of Canadian and International equities.

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 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 \$7,796 (including HST) in management fees to the Manager for the year ended December 31, 2017 (December 31, 2016 - \$3,286).

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

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investments. Fees for providing these services are included in the management fee.

The Manager paid \$5,671 (including HST) to the Portfolio Manager for the year ended December 31, 2017 (December 31, 2016 - \$2,166).

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	
Net assets per unit ¹				
Net assets, beginning of year	\$	10.16	\$	10.00
Operations:				
Total revenue		0.38		0.31
Total expenses		(0.22)		(0.18)
Realized gains (losses)		0.21		(0.25)
Unrealized gains (losses)		0.47		0.51
Total increase (decrease) from operations²	\$	0.84	\$	0.39
Distributions:				
From income (excluding dividends)	\$	-	\$	(0.04)
From dividends		(0.12)		(0.19)
From capital gains		-		-
Total distributions^{2 3}	\$	(0.12)	\$	(0.23)
Net assets, end of year^{2 3}	\$	10.88	\$	10.16
Ratios and supplemental data				
Net asset value ⁴	\$	5,623	\$	5,194
Units outstanding		517		511
Management expense ratio ⁵	%	1.94	%	1.68
Management expense ratio before waivers or absorption		3.95		7.62
Portfolio turnover rate ⁶		35.6		52.1
Trading expense ratio ⁷		0.3		0.3
Net asset value per unit, end of year	\$	10.88	\$	10.16

Notes

* The Fund became a reporting issuer on December 31, 2015 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	
Net assets per unit ¹				
Net assets, beginning of year	\$	10.16	\$	10.00
Operations:				
Total revenue		0.38		0.33
Total expenses		(0.13)		(0.11)
Realized gains (losses)		0.06		(0.28)
Unrealized gains (losses)		0.90		0.71
Total increase (decrease) from operations²	\$	1.21	\$	0.65
Distributions:				
From income (excluding dividends)	\$	-	\$	-
From dividends		(0.23)		(0.21)
From capital gains		-		-
Total distributions^{2 3}	\$	(0.23)	\$	(0.21)
Net assets, end of year^{2 3}	\$	10.88	\$	10.16
Ratios and supplemental data				
Net asset value ⁴	\$	1,640,922	\$	432,256
Units outstanding		150,826		42,558
Management expense ratio ⁵	%	1.12	%	0.93
Management expense ratio before waivers or absorption		3.26		6.11
Portfolio turnover rate ⁶		35.6		52.1
Trading expense ratio ⁷		0.3		0.3
Net asset value per unit, end of year	\$	10.88	\$	10.16

Notes

* The Fund became a reporting issuer on December 31, 2015 and accordingly prior period numbers are not available.

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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.

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Management Fees

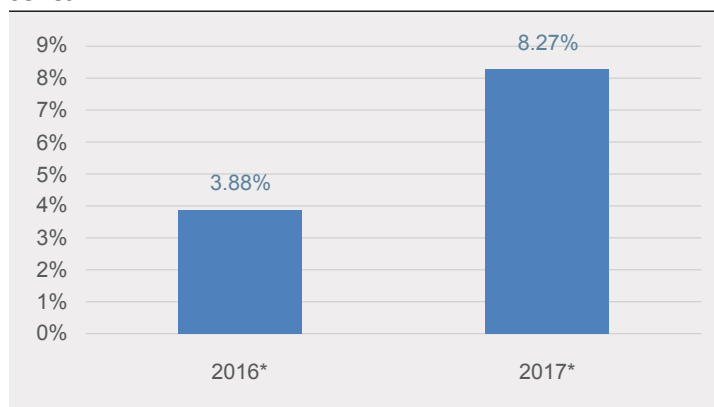
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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

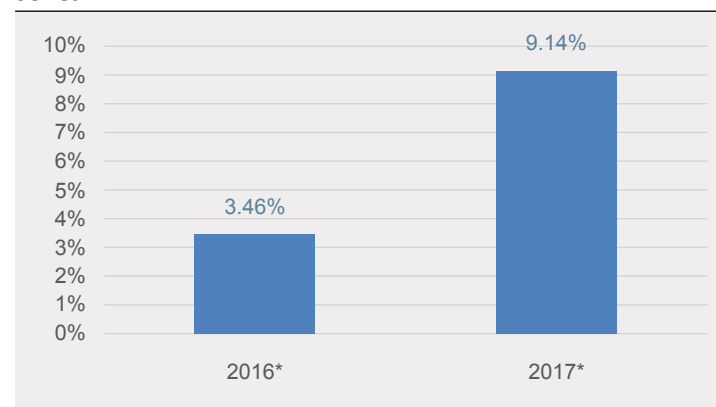


Past Performance

The Fund became a reporting issuer on December 31, 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.

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 5% FTSE TMX Canada 91 Days Tbills; 30% FTSE TMX Canada Universe Bond Index; 5% S&P/TSX Preferred Share Index; 35% S&P/TSX Composite Total Return Index; 15% S&P 500 Total Return Index; 10% 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		Since Inception ²	
Annual Compound Return					
Series A ¹	%	8.27	%	6.05	
Series F ¹		9.14		6.26	
Index ³	%	8.24	%	9.23	

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 starting from December 31, 2015. Since inception returns are annualized.

³ 5% FTSE TMX Canada 91 Days Tbills; 30% FTSE TMX Canada Universe Bond Index; 5% S&P/TSX Preferred Share Index; 35% S&P/TSX Composite Total Return Index; 15% S&P 500 Total Return Index; 10% MSCI EAFE Composite (CAD)

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Summary of Investment Portfolio

% of NAV			% of NAV		
Top 25 Issuers			Asset Mix		
Cash and Cash Equivalents	%	7.6	Canadian Equities	%	37.2
Labrador Iron Royalty Corp (Equity)		2.5	Canadian Fixed Income		16.9
Pembina Pipeline Corp. (Equity)		2.4	Cash and Cash Equivalents		7.6
Government of Canada (Debt)		2.3	International Equities		3.7
Wajax Corporation (Equity)		2.2	Other Assets less Liabilities		1.9
AGF Management Ltd. (Equity)		2.2	Preferreds		8.4
WSP Global (Equity)		2.2	US Equities		24.3
Ishares MSCI Hong Kong (Equity)		2.1	Total	%	100.0
Suncor Energy Inc. (Equity)		2.1	Sector		
Royal Dutch Shell ADR (Equity)		2.0	Cash and Cash Equivalents	%	7.6
Rio Tinto PLC (ADR) (Equity)		2.0	Consumer Discretionary		3.8
Bank of Nova Scotia (Equity)		2.0	Consumer Staples		3.7
New Flyer Industries Inc. (Equity)		2.0	Energy		12.4
WestJet Airlines Ltd. (Equity)		1.9	Federal		2.3
Manulife Financial Corp. (Equity)		1.9	Financials		21.7
National Bank (Equity)		1.9	Health Care		1.4
Banco Santander Chile (Equity)		1.9	Industrials		12.7
Premium Brands Holding (Equity)		1.9	Information Technology		2.1
IGM Financial Inc. (Equity)		1.9	Materials		5.2
BC Ferry (Debt)		1.9	Other Assets less Liabilities		1.9
Boralex Inc. (Equity)		1.9	Provincial		6.4
American Electric Power Co Inc (Equity)		1.8	Real Estate		3.9
Gluskin Sheff + Assoc. (Equity)		1.8	Telecommunication Services		3.9
BAM (Debt)		1.8	Utilities		11.0
Taiwan Semiconductor Co. (Equity)		1.8	Total	%	100.0
Total	%	56.0			



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

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