

Annual Management Report of Fund Performance

As at December 31, 2017

Lysander-Fulcra Corporate Securities 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-Fulcra Corporate Securities 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 income and capital growth by investing in fixed income, floating rate, convertible, preferred equity, and common equity securities of corporations anywhere in the world.

Investment Strategies

The Fund’s portfolio manager, is Fulcra Asset Management Inc. (“Portfolio Manager” or “Fulcra”). The Fund seeks to provide income and capital growth by investing in fixed income, floating rate, convertible, preferred equity, and common equity

securities of corporations primarily headquartered in North America.

Fulcra is focused on generating absolute returns that do not replicate any particular index or competing funds in the same category.

The Fund may invest up to 100% of its net assets in foreign securities.

Risks

On December 21, 2017, the Manager decreased the risk rating of the Fund from “medium” to “low-to-medium” in accordance with the new standardized methodology for classifying fund volatility mandated by the Canadian Securities Administrators. Please refer to the Fund’s most recent simplified prospectus or its amendments.

Results of Operations

The Class A returned 8.00% and the Class F units returned 8.60%. The Fund performed better than the broad market indexes over the year due to its lack of sensitivity to interest rate increases and specific security selection. At year-end, the Fund had 55.0% invested in high yield bonds, 23.1% in cash and equivalents (government bonds), 12.9% in convertible bonds, 7.7% in preferred stock, 1.5% in loans, and 0.8% in common stock.

During the year, despite growing political risks, tax reform in the U.S. and the potential for interest rates to rise in Canada and the U.S., the Fund remained immune from interest rate rises and by keeping duration low, mitigated this risk.

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The US dollar denominated BofA Merrill Lynch US High Yield Index performed 7.48% year to date, with a duration of 3.90 at December 31, 2017. The BofA Merrill Lynch Canada Corporate Index performed 3.48% year to date with a duration of 6.36 at December 31, 2017. The FTSE TMX Canada Universe Bond Index returned -0.41% in December, 2.52% in 2017, and ended the year with a duration of 7.59 years.

The net assets of the Fund increased to \$24.1 million from \$155 thousand at the start of the year. The Fund has grown through subscriptions of \$24.6 million with \$1.6 million in redemptions.

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 North American high yield market finished the year exceptionally strongly due to a steady economy, declining default rates, low volatility, and the U.S. stock market hitting all-time highs. Combined with expectations of a more business-friendly tax regime and regulatory environment induced a bull market. We are more cautious entering 2018 and continue to search for uncorrelated event-driven opportunities and high quality investments when cheap.

Purchases made in 2017 were mostly bonds, some selective preferred's, and government bonds to serve as a cash proxy. In the latter half of the year, the Fund purchased four Rite Aid bonds (6.125%, 9.25%, 7.70% and 6.75%). The rationale for purchase was the announced sale of approximately 50 percent or Rite Aid's stores to Walgreens for over USD \$4 billion in cash proceeds. The Portfolio Manager's thesis is that this will be a major deleveraging event for Rite Aid.

At the end of the year, the Fund held 23.1% in cash. Overall duration was 1.51 years at the end of the year, which is a defensive position from an interest rate perspective. The yield-to-maturity of the portfolio was 5.1%.

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 \$139,910 (including HST) in management fees to the Manager for the year ended December 31, 2017 (December 31, 2016 - \$Nil).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services is included in the management fee.

The Manager paid \$65,988 (including HST) to the Portfolio Manager for the year ended December 31, 2017 (December 31, 2016 - \$Nil).

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-17	31-Dec-16
Net assets per unit¹			
Net assets, beginning of year	\$	10.00	\$ -
Operations:			
Total revenue		0.48	-
Total expenses		(0.19)	-
Realized gains (losses)		0.12	-
Unrealized gains (losses)		0.44	-
Total increase (decrease) from operations²	\$	0.85	\$ -
Distributions:			
From income (excluding dividends)	\$	(0.22)	\$ -
From dividends		(0.03)	-
From capital gains		(0.10)	-
Total distributions^{2 3}	\$	(0.35)	\$ -
Net assets, end of year^{2 3}	\$	10.52	\$ -
Ratios and supplemental data			
Net asset value ⁴	\$	5,757,093	\$ -
Units outstanding		546,996	-
Management expense ratio ⁵	%	1.82	% -
Management expense ratio before waivers or absorption		1.86	-
Portfolio turnover rate ⁶		85.9	-
Trading expense ratio ⁷		0.1	-
Net asset value per unit, end of year	\$	10.52	\$ -

Notes

* The Fund became a reporting issuer on December 30, 2016 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-17	31-Dec-16
Net assets per unit¹			
Net assets, beginning of year	\$	10.00	\$ -
Operations:			
Total revenue		0.49	-
Total expenses		(0.13)	-
Realized gains (losses)		0.14	-
Unrealized gains (losses)		0.44	-
Total increase (decrease) from operations²	\$	0.94	\$ -
Distributions:			
From income (excluding dividends)	\$	(0.31)	\$ -
From dividends		(0.03)	-
From capital gains		(0.12)	-
Total distributions^{2 3}	\$	(0.46)	\$ -
Net assets, end of year^{2 3}	\$	10.52	\$ -
Ratios and supplemental data			
Net asset value ⁴	\$	18,320,094	\$ -
Units outstanding		1,741,358	-
Management expense ratio ⁵	%	1.26	% -
Management expense ratio before waivers or absorption		1.28	-
Portfolio turnover rate ⁶		85.9	-
Trading expense ratio ⁷		0.1	-
Net asset value per unit, end of year	\$	10.52	\$ -

Notes

* The Fund became a reporting issuer on December 30, 2016 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

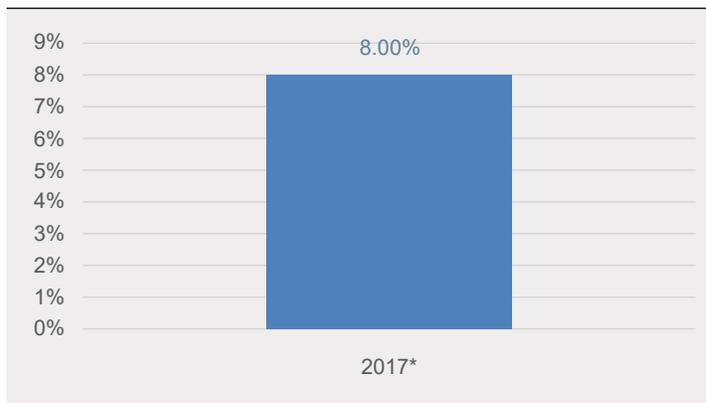
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.35% per annum for Series A units and 0.85% per annum for Series F units.

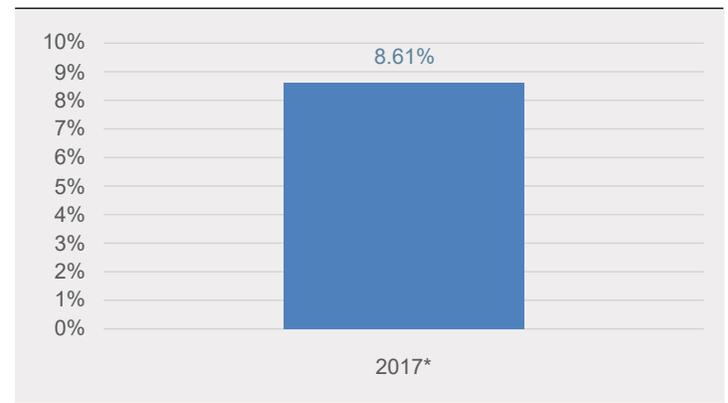
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 42% of the management fee of Series A units.

Year-by-Year Returns

Series A



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:

For years ended December 31, 2017		1 Year		Since Inception ²
Annual Compound Return				
Series A ¹	%	8.00	%	7.98
Series F ¹		8.61		8.59
Index ³	%	5.00	%	5.00

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 30, 2016. Since inception returns are annualized.

³ The Fund aims to exceed an absolute annual return of 5% per annum. Therefore, an annual return of 5% has been used as the Fund's benchmark.

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Cash and Cash Equivalents	23.1	Bank Loans	1.5
Government of Canada (Debt)	10.8	Canadian Equities	0.5
Temple Hotels (Debt)	7.0	Canadian Fixed Income	48.2
Rite Aid Corporation (Debt)	6.6	Cash and Cash Equivalents	23.1
Aimia (Debt)	5.9	Foreign Fixed Income	18.5
Sherritt International Corp (Debt)	4.7	Other Assets less Liabilities	0.2
Graftech Intl. (Debt)	3.5	Preferreds	7.7
Bellatrix Exploration (Debt)	2.7	US Equities	0.3
DHX Media 5.875 9/30/2024 (Debt)	2.6	Total	100.0
SANDCN (Debt)	2.5	Sector	
STNG (Debt)	2.3	Cash and Cash Equivalents	23.1
Nav Canada (Debt)	2.3	Energy	12.4
Teekay Offshore General Partners LP (Debt)	2.2	Federal	10.8
Fortress Paper (Debt)	1.9	Other Assets less Liabilities	0.2
Aimia (Equity)	1.8	Real Estate	7.2
Logiq Asset Management Inc (Debt)	1.7	Industrials	13.1
TWMCN (Debt)	1.7	Materials	7.9
Petsmart (Debt)	1.5	Consumer Discretionary	4.2
WLB (Debt)	1.4	Consumer Staples	7.6
Chesswood Group Ltd. (Debt)	1.4	Financials	6.2
Atlantic Power (Equity)	1.4	Utilities	2.6
Enbridge Inc. (Equity)	1.4	Telecommunication Services	1.8
CNG Holdings (Debt)	1.3	Technology	2.9
Atlantic Power (Debt)	1.2	Total	100.0
Shaw Communications Inc. (Equity)	1.1		
Total	93.5		



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