

**Annual Management Report of Fund Performance**  
As at December 31, 2018

Lysander-Canso Equity Fund



# Lysander-Canso Equity Fund

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## A Note About Forward Looking Statements

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

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

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

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

## About This Report

This annual Management Report of Fund Performance of Lysander-Canso Equity Fund (the “Fund”) contains financial highlights for the year ended December 31, 2018 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, 2018. 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 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 Lysander Funds Limited using one of these methods to obtain a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Investment objective

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

## Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”). The Fund invests primarily in equity securities of small, medium and large companies. The Fund may also hold cash and fixed income securities. The Fund will not be constrained by geographic or sector considerations and could be substantially exposed to equity securities of issuers not in developed markets.

Canso tends to take a “bottom up” approach to portfolio construction, focusing on security selection. The Portfolio Manager selects securities based on its independent, proprietary research and valuation of individual companies.

The Fund may invest in debt securities convertible into common stock, fixed income securities of governments, government agencies, supranational agencies, companies, trusts, limited partnerships and other funds including ETFs. The Fund will not be leveraged. The Fund may invest up to 100% of its net assets in foreign securities.

The Fund may hold all or a portion of its assets in cash or cash equivalents or invest in short term bonds or money market instruments in response to adverse market, economic and/or political conditions or for liquidity, defensive or other purposes. As a result, the Fund may not always be fully invested in accordance with its investment objectives. 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.

## Results of Operations

During the period Canso employed its bottom-up process to buy and sell securities for the Fund. The Fund’s positioning and performance is consistent with the Fund’s fundamental investment objective and strategies.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual or

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infrequent events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected.

The Fund had returns in the year of -19.04% for Series A and -18.12% for Series F.

The net assets of the Fund increased to approximately \$3.9 million at December 31, 2018 from approximately \$3.5 million at the beginning of the year. This was primarily due to net redemptions of \$1 million during the year.

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 period except for immaterial short-term cash overdrafts.

## Recent Developments

Equity markets struggled with higher interest rates in the first quarter as the US Federal Reserve raised rates citing the continued strength in the labour market. The Bank of Canada followed suit with its own hike in January.

The upward trajectory in yields reversed course in June as Canada, the EU and Mexico retaliated against the US steel and aluminum tariffs imposed by the Trump administration. Markets feared a global trade war with US tariffs on Chinese goods (and vice versa) set to begin in July. The Bank of Canada remained on hold in the quarter while the Federal Reserve continued to push US administered rates higher.

A nasty confluence of events pushed equity markets sharply lower in the fourth quarter. The US Federal Reserve continued to raise administered interest rates, which is broadly negative for asset prices. There are also signs of an economic slowdown, based on surveys of manufacturing company executives. Trade tensions between the US and China contributed to this. Finally, equity markets seemed to come to the realization that many stocks, especially in the technology sector, were expensive. Falling equity markets caused investors to shift into Government bonds in the quarter. This drove their yields down and led to Government of Canada bonds being the strongest performers in the Canadian bond market.

Equity markets experienced a very volatile end to the year with significant declines in December. While this impacted the portfolio performance in the year, Canso takes a longer view about the underlying quality of the Fund's holdings. Canso

evaluates and holds equities on a case-by-case basis based on its research, without regard for the Fund's positioning versus broad market indexes. The objective is to always hold equities that are attractively priced in the market relative to Canso's view of their long-term intrinsic value.

To that end, the Fund purchased some new names in 2018 which included Bayer AG, CAE Inc., General Electric, Givaudan, and Maxar Technologies Ltd. Some names that were fully valued were either fully or partially sold from the account including Walmart, Sun Life Financial, SLM Corp, and Imvescor.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. There have been no actual or planned reorganizations, mergers or similar transactions.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

## 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 \$44,611 (including HST) in management fees to the Manager for the year ended December 31, 2018 (December 31, 2017 - \$38,541).

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 \$20,232 (including HST) to the Portfolio Manager for the year ended December 31, 2018 (December 31, 2017 - \$17,312).

The Manager relied, or may rely on standing instructions from the IRC in respect of securities traded amongst mutual funds, closed end funds, managed accounts or pooled funds managed by the Manager or an affiliate of the Manager. In such cases the Manager is required to comply with the Manager's written policies and procedures presented to the IRC and provide

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periodic reports to the IRC in accordance with National Instrument 81-107.

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## Financial Highlights

### Series A

Year ended	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 12.68	\$ 11.38	\$ 11.19	\$ 13.44	\$ 11.42
Operations:					
Total revenue	0.30	0.15	0.16	0.13	0.18
Total expenses	(0.34)	(0.31)	(0.27)	(0.33)	(0.32)
Realized gains (losses)	1.78	0.17	0.11	0.91	0.29
Unrealized gains (losses)	(4.12)	1.44	0.14	(2.19)	2.11
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (2.38)</b>	<b>\$ 1.45</b>	<b>\$ 0.14</b>	<b>\$ (1.48)</b>	<b>\$ 2.26</b>
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	-	-	-
From capital gains	(1.29)	(0.15)	(0.08)	(0.84)	(0.24)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (1.29)</b>	<b>\$ (0.15)</b>	<b>\$ (0.08)</b>	<b>\$ (0.84)</b>	<b>\$ (0.24)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 8.96</b>	<b>\$ 12.68</b>	<b>\$ 11.38</b>	<b>\$ 11.19</b>	<b>\$ 13.44</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 293,361	\$ 377,088	\$ 334,795	\$ 416,095	\$ 521,714
Units outstanding	32,750	29,741	29,414	37,168	38,832
Management expense ratio <sup>5</sup>	% 2.56	% 2.55	% 2.52	% 2.55	% 2.41
Management expense ratio before waivers or absorption	3.16	3.00	3.20	3.45	4.97
Portfolio turnover rate <sup>6</sup>	28.23	10.41	27	23	15
Trading expense ratio <sup>7</sup>	0.23	0.07	0.1	0.2	0.4
Net asset value per unit, end of year	\$ 8.96	\$ 12.68	\$ 11.38	\$ 11.19	\$ 13.44

### Notes

- 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.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- 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-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 13.17	\$ 11.69	\$ 11.37	\$ 13.50	\$ 11.45
Operations:					
Total revenue	0.32	0.15	0.16	0.14	0.18
Total expenses	(0.21)	(0.18)	(0.15)	(0.19)	(0.18)
Realized gains (losses)	1.83	0.17	0.10	0.79	0.35
Unrealized gains (losses)	(4.25)	1.55	0.42	(2.20)	1.74
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (2.31)</b>	<b>\$ 1.69</b>	<b>\$ 0.53</b>	<b>\$ (1.46)</b>	<b>\$ 2.09</b>
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.10)	-	-	-	-
From capital gains	(1.89)	(0.17)	(0.10)	(0.70)	(0.32)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (1.99)</b>	<b>\$ (0.17)</b>	<b>\$ (0.10)</b>	<b>\$ (0.70)</b>	<b>\$ (0.32)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 9.33</b>	<b>\$ 13.17</b>	<b>\$ 11.69</b>	<b>\$ 11.37</b>	<b>\$ 13.50</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 3,616,841	\$ 3,162,448	\$ 2,513,398	\$ 2,252,074	\$ 1,511,484
Units outstanding	387,546	240,177	215,045	197,994	111,965
Management expense ratio <sup>5</sup>	% 1.43	% 1.42	% 1.41	% 1.43	% 1.30
Management expense ratio before waivers or absorption	2.01	1.89	2.07	2.29	3.08
Portfolio turnover rate <sup>6</sup>	28.23	10.41	27	23	15
Trading expense ratio <sup>7</sup>	0.23	0.07	0.1	0.2	0.4
Net asset value per unit, end of year	\$ 9.33	\$ 13.17	\$ 11.69	\$ 11.37	\$ 13.50

## Notes

- 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.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from 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.
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- 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 2.00% per annum for Series A units and 1.00% per annum for Series F units.

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

## Year-by-Year Returns

### Series A

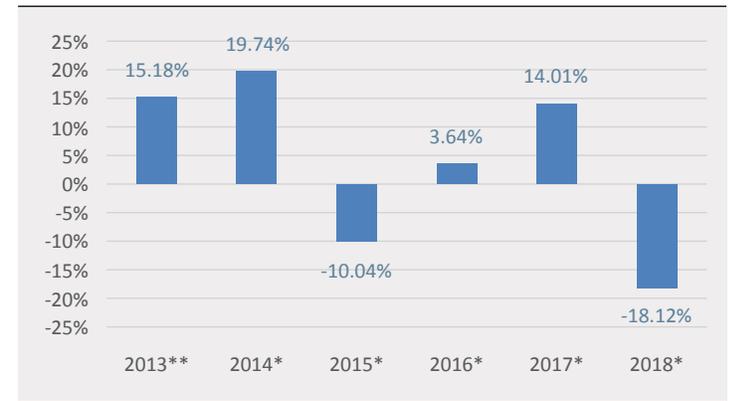


## Past Performance

The commencement date of being distributed under a prospectus for Series A and F was September 18, 2013. Accordingly, returns are shown for the relevant periods 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, \*\* For the period September 18 to December 31

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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the MSCI All Country World (CAD) Index (the "Index"). The Index captures large and mid cap representation across 24 developed markets countries.

For years ended December 31, 2018		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		Since Inception <sup>3</sup>
<b>Annual Compound Return</b>								
Series A <sup>1</sup>	%	(19.04)	%	(2.18)	%	(0.21)	%	2.51
Series F <sup>1</sup>		(18.12)		(1.10)		0.83		3.52
MSCI All Country World (CAD) Index <sup>4</sup>	%	(1.23)	%	6.04	%	9.47	%	11.11

### Notes

<sup>1</sup> Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.

<sup>2</sup> Compound period returns are annualized.

<sup>3</sup> Period from September 18, 2013 to December 31, 2018. Since inception returns are annualized.

<sup>4</sup> The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information is provided on an as is basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating the MSCI information (collectively, the MSCI Parties.) makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and the MSCI Parties hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, noninfringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.

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## Summary of Investment Portfolio

		% of NAV
<b>Top 25 Issuers</b>		
General Electric Company	%	9.9
Cash and Cash Equivalents		9.3
Enbridge Inc.		8.0
Apple Inc.		5.8
Maxar Technologies Ltd.		5.2
Yellow Pages Limited		5.2
Bayer Aktiengesellschaft		5.1
Bombardier Inc.		5.1
Lloyds Banking Group PLC		5.1
Manulife Financial Corp.		5.0
Royal Bank of Scotland		4.9
Nintendo Co Ltd		4.8
SLM Corp		3.5
Commerzbank AG		3.1
Empire Co Ltd.		3.0
CAE Inc.		3.0
Unicredit SPA		2.6
Second Cup Ltd.		2.6
Corus Entertainment Inc.		2.6
Nutrien Ltd.		2.4
Givaudan SA		2.0
SNC Lavalin		1.8
Canfor Pulp Products Inc.		1.2
Fibrecast		0.8
Torstar Corporation		0.4
<b>Total</b>	<b>%</b>	<b>102.4</b>

		% of NAV
<b>Asset Mix</b>		
Canadian Equities	%	47.1
Cash and Cash Equivalents		9.3
Foreign Equities		46.8
Other Assets less Liabilities		(3.2)
<b>Total</b>	<b>%</b>	<b>100.0</b>
<b>Sector</b>		
Cash and Cash Equivalents	%	9.3
Communication		7.7
Consumer Discretionary		3.0
Consumer Staples		3.0
Energy		8.4
Financials		24.5
Health Care		5.1
Industrials		21.8
Information Technology		15.9
Materials		4.5
Other Assets less Liabilities		(3.2)
<b>Total</b>	<b>%</b>	<b>100.0</b>



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