

**Interim Financial Statements (unaudited)**  
For the six month periods ended June 30, 2018 and 2017

## Lysander-Slater Preferred Share ActivETF



**SLATER**  
**ASSET MANAGEMENT**



# Lysander-Slater Preferred Share ActivETF

Interim Financial Statements Six-Month Period Ended June 30, 2018 (unaudited)

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# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Financial Position (unaudited)

As at	30-Jun-18	31-Dec-17
<b>Assets</b>		
Financial assets at fair value through profit or loss*	\$ 109,524,107	\$ 90,453,920
Cash and cash equivalents	4,037,035	2,905,416
Subscriptions receivable	16,685	–
Accrued dividends	90,078	71,282
Other assets	–	28,576
<b>Total assets</b>	<b>\$ 113,667,905</b>	<b>\$ 93,459,194</b>
<b>Liabilities</b>		
Due to investment dealers	\$ 549,594	\$ –
Accrued management fees	58,588	49,097
Other accrued expenses	104,651	56,284
Distributions payable to holders of redeemable units	396,603	2,458,583
<b>Total liabilities</b>	<b>\$ 1,109,436</b>	<b>\$ 2,563,964</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 112,558,469</b>	<b>\$ 90,895,230</b>
<b>Number of redeemable units outstanding</b>		
	<b>10,769,000</b>	<b>8,569,000</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
	<b>\$ 10.45</b>	<b>\$ 10.61</b>
* Financial assets at fair value through profit or loss at cost	\$ 108,109,258	\$ 86,507,243

## Interim Statements of Comprehensive Income (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
<b>Income</b>		
Dividend income	\$ 2,295,188	\$ 1,437,360
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments	1,516,268	2,382,779
Net foreign exchange gain (loss) on cash	1,889	3,320
Net other gain (loss)	2,625	(8,951)
Change in appreciation (depreciation) unrealized on investments	(2,531,828)	295,691
<b>Total operating income</b>	<b>\$ 1,284,142</b>	<b>\$ 4,110,199</b>
<b>Expenses</b>		
Commissions and other portfolio transaction costs	\$ 216,261	\$ 191,907
Management fees	334,074	187,847
Operating fees	136,451	76,930
Harmonized sales tax	55,106	33,334
Other expenses	508	130
<b>Total operating expenses</b>	<b>\$ 742,400</b>	<b>\$ 490,148</b>
Expense reimbursement	\$ –	\$ (204)
<b>Total net operating expenses</b>	<b>\$ 742,400</b>	<b>\$ 489,944</b>
<b>Change in net assets attributable to holders of redeemable units</b>	<b>\$ 541,742</b>	<b>\$ 3,620,255</b>
<b>Change in net assets attributable to holders of redeemable units per unit</b>		
	<b>\$ 0.04</b>	<b>\$ 0.65</b>

# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Changes in Net Assets Attributed to Holders of Redeemable Units (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 90,895,230	\$ 45,183,756
Change in net assets attributable to holders of redeemable units	541,742	3,620,255
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (2,214,968)	\$ (1,246,604)
<b>Total distributions</b>	<b>\$ (2,214,968)</b>	<b>\$ (1,246,604)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	\$ 26,463,861	\$ 21,884,075
Cost of units redeemed	(3,127,396)	(509,905)
Change in net assets attributable to holders of redeemable units for the period	21,663,239	23,747,821
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 112,558,469</b>	<b>\$ 68,931,577</b>

# Lysander-Slater Preferred Share ActivETF

## Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units	\$ 541,742	\$ 3,620,255
Adjustments for:		
Foreign exchange loss/(gain) on cash and cash equivalents	(1,889)	(3,320)
Net realized loss/(gain) on sales of investments and derivatives	(1,516,268)	(2,382,779)
Change in unrealized (appreciation) depreciation of investments and derivatives	2,531,828	(295,691)
Purchase of investments	(81,925,952)	(81,100,323)
Proceeds from the sale and maturity of investments	62,389,799	58,734,217
Accrued dividends	(18,796)	19,994
Other receivables	28,576	108,924
Other liabilities	57,858	11,926
<b>Net cash from (used in) operating activities</b>	<b>\$ (17,913,102)</b>	<b>\$ (21,286,797)</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units	\$ (4,276,948)	\$ (1,152,728)
Proceeds from issuances of redeemable units	26,447,176	21,875,962
Amounts paid on redemption of redeemable units	(3,127,396)	(509,905)
<b>Net cash from (used in) financing activities</b>	<b>\$ 19,042,832</b>	<b>\$ 20,213,329</b>
Foreign exchange (loss) on cash and cash equivalents	\$ 1,889	\$ 3,320
(Decrease) Increase in cash and cash equivalents during the period	1,129,730	(1,073,468)
Balance of cash and cash equivalents, beginning of the period	2,905,416	2,274,719
<b>Cash and cash equivalents at the end of period</b>	<b>\$ 4,037,035</b>	<b>\$ 1,204,571</b>
<b>Supplementary disclosures on cash flow from operating activities</b>		
Dividends received, net of withholding taxes	\$ 2,276,392	\$ 1,457,354

## Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
<b>Preferreds (95.6%)</b>		
97,073	\$ 1,948,338	\$ 2,016,206
17,038	539,069	559,751
26,437	632,346	619,948
18,234	460,859	456,762
157	3,927	3,993
47,490	1,134,112	1,111,741
25,726	600,013	596,843
5,803	140,799	142,638
13,871	348,725	345,943
2,070	53,981	54,275
92,267	2,359,809	2,326,051
33,879	546,844	654,881
75,837	1,610,912	1,600,161
238	4,765	4,741

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferreds (95.6%)</b>									
<i>Cont'd</i>									
19,974	BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual		387,676	382,103	504	Canadian Imperial Bank of Commerce, Preferred, Series '43', Variable Rate, Perpetual		12,485	12,172
8,924	Brookfield Asset Management Inc., 4.75%, Preferred, Class 'A', Series '17', Perpetual		193,127	188,921	49,678	Canadian Imperial Bank of Commerce, Preferred, Series '45', Variable Rate, Perpetual		1,251,266	1,238,969
1,803	Brookfield Asset Management Inc., 4.75%, Preferred, Class 'A', Series '18', Perpetual		38,623	38,079	112,880	Canadian Utilities Ltd., 4.50%, Preferred, Series 'DD', Perpetual		2,402,941	2,420,147
5,874	Brookfield Asset Management Inc., 4.85%, Preferred, Class 'A', Series '36', Perpetual		130,588	126,585	8,311	Canadian Utilities Ltd., 4.50%, Preferred, Series 'CC', Perpetual		179,366	177,606
32,614	Brookfield Asset Management Inc., 4.90%, Preferred, Class 'A', Series '37', Perpetual		719,681	712,290	934	Canadian Utilities Ltd., 4.90%, Preferred, Series 'AA', Perpetual		22,271	21,594
25,922	Brookfield Office Properties Inc., 4.60%, Preferred, Class 'AAA', Series 'T', Perpetual		572,762	582,208	38,368	Canadian Utilities Ltd., 4.90%, Preferred, Series 'BB', Perpetual		894,471	881,313
10,550	Brookfield Office Properties Inc., 4.85%, Preferred, Class 'AAA', Series 'GG', Perpetual		256,630	247,187	52,663	Canadian Utilities Ltd., 5.25%, Preferred, Series 'EE', Perpetual		1,308,606	1,292,876
2,877	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'II', Variable Rate, Perpetual		71,548	67,063	159,233	Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual		3,526,908	3,592,296
25,726	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual		537,173	518,379	40	Capital Power Corp., Preferred, Series '7', Variable Rate, Perpetual		1,007	1,032
45,891	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual		930,444	995,376	20,253	CU Inc., 4.60%, Preferred, Series '1', Perpetual		438,925	437,161
627	Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate		15,132	14,860	8,633	Emera Inc., 4.50%, Preferred, Series 'E', Perpetual		184,094	182,588
241	Canadian Imperial Bank of Commerce, Preferred, Series '39', Variable Rate, Perpetual		5,456	5,613	126,319	Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual		2,213,020	2,396,271
					197,013	Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual		4,577,684	4,681,029
					56,113	Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual		1,295,575	1,328,475
					87,589	Enbridge Inc., 4.00%, Preferred, Series 'H', Perpetual		1,655,716	1,610,762

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferreds (95.6%)</b>									
<i>Cont'd</i>									
	Enbridge Inc., Preferred, Series '1', Variable Rate, Perpetual	3	90	94	29,653	Fortis Inc., 4.90%, Preferred, Series 'F', Perpetual	699,156	680,536	
	Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	368	7,478	7,559	90,383	Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	1,924,639	1,979,388	
	Enbridge Inc., Preferred, Series '17', Variable Rate, Convertible, Perpetual	208	5,367	5,275	26,336	Fortis Inc., Preferred, Series 'I', Floating Rate, Perpetual	442,697	475,892	
	Enbridge Inc., Preferred, Series '5', Variable Rate, Perpetual	46,935	1,335,044	1,382,149	40,950	Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	858,147	880,425	
	Enbridge Inc., Preferred, Series 'J', Variable Rate, Perpetual	6,992	203,631	203,144	22,608	Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	538,756	531,288	
	Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	20,045	594,172	590,815	3,587	George Weston Ltd., 4.75%, Preferred, Series 'V', Perpetual	80,503	79,524	
	Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	20,304	410,085	404,049	2,954	George Weston Ltd., 5.20%, Preferred, Series 'III', Perpetual	70,769	70,453	
	Fairfax Financial Holdings Ltd., 5.00%, Preferred, Series 'K', Perpetual	65,436	1,464,339	1,552,142	1,792	George Weston Ltd., 5.20%, Preferred, Series 'IV', Perpetual	43,125	42,829	
	Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	152,044	3,375,631	3,626,249	113,825	George Weston Ltd., 5.80%, Preferred, Series 'I', Perpetual	2,918,645	2,910,505	
	Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Convertible, Perpetual	31,956	616,344	653,181	33,630	Great-West Lifeco Inc., 4.50%, Preferred, Series 'I', Perpetual	705,395	725,399	
	Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	42,046	863,428	908,193	5,570	Great-West Lifeco Inc., 4.80%, Preferred, Series 'R', Perpetual	125,635	125,938	
	Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	1,624	38,340	40,600	89,886	Great-West Lifeco Inc., 4.85%, Preferred, Series 'H', Perpetual	2,076,420	2,053,895	
	Fortis Inc., 4.25%, Preferred, Series 'H', Perpetual	59,929	1,018,910	1,096,101	48,860	Great-West Lifeco Inc., 5.15%, Preferred, Series 'Q', Perpetual	1,175,602	1,162,379	
	Fortis Inc., 4.75%, Preferred, Series 'J', Perpetual	59,909	1,383,898	1,334,773	1,477	Great-West Lifeco Inc., 5.15%, Preferred, Series 'T', Perpetual	35,851	35,448	
					7,794	Great-West Lifeco Inc., 5.20%, Preferred, Series 'G', Perpetual	189,163	186,978	
					1,005	Great-West Lifeco Inc., 5.25%, Preferred, Series 'S', Perpetual	24,535	24,643	

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Preferreds (95.6%)</b>							
<i>Cont'd</i>							
1,622	Great-West Lifeco Inc., 5.40%, Preferred, Series 'P', Perpetual	40,903	40,696	404	National Bank of Canada, Preferred, Series '36', Variable Rate, Perpetual	10,629	10,581
98,895	Great-West Lifeco Inc., 5.90%, Preferred, Series 'F', Perpetual	2,544,892	2,559,402	50,957	National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	1,275,973	1,274,435
138,529	Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'G', Variable Rate, Convertible, Perpetual	3,162,959	3,270,670	26	National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	643	625
10,191	Intact Financial Corp., Preferred, Series 'A', Variable Rate, Perpetual	252,133	252,227	4,587	National Bank of Canada, Preferred, Series '42', Variable Rate, Perpetual	114,675	114,629
46,010	Kinder Morgan Canada Ltd., Preferred, Series '1', Variable Rate, Perpetual	1,147,169	1,147,489	32,291	Northland Power Inc., Preferred, Series '1', Variable Rate, Perpetual	650,026	640,815
76,443	Manulife Financial Corp., 4.40%, Preferred, Series '9', Perpetual	1,825,616	1,899,609	34,461	Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	787,889	759,865
51,837	Manulife Financial Corp., 4.50%, Preferred, Series '3', Callable	1,097,064	1,106,720	43,265	Pembina Pipeline Corp., Preferred, Class 'A', Series 'O', Variable Rate, Perpetual	1,003,518	1,009,372
95,005	Manulife Financial Corp., 4.65%, Preferred, Class 'A', Series '2', Perpetual	2,068,274	2,090,110	12,238	Power Corp. of Canada, 5.00%, Preferred, Series 'D', Perpetual	283,087	281,229
717	Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	16,477	16,168	51,345	Power Financial Corp., 4.80%, Preferred, Series 'S', Perpetual	1,168,384	1,149,101
25,726	Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	596,170	576,777	53,969	Power Financial Corp., 4.95%, Preferred, Series 'K', Perpetual	1,248,081	1,226,715
8,132	Manulife Financial Corp., Preferred, Class '1', Series '5', Variable Rate, Convertible, Perpetual	197,230	197,526	3,114	Power Financial Corp., 5.10%, Preferred, Series 'L', Callable	73,728	73,770
12,535	National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	290,563	292,692	42,350	Power Financial Corp., 5.15%, Preferred, Series 'V', Perpetual	1,052,597	1,004,966
338	National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	7,819	7,771	2,110	Power Financial Corp., 5.25%, Preferred, Series 'E', Perpetual	50,998	50,956
				8,847	Power Financial Corp., 5.90%, Preferred, Series 'F', Perpetual	227,526	227,368

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# Lysander-Slater Preferred Share ActivETF

## Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Preferreds (95.6%)</b>									
<i>Cont'd</i>									
162,003	Power Financial Corp., 6.00%, Preferred, Series 'I', Perpetual		4,169,288	4,192,638	11,595	Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	258,768	270,048	
303	Royal Bank of Canada, 4.50%, Preferred, Series 'AG', Perpetual		7,655	7,657	15,287	Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	373,663	374,684	
12,660	Royal Bank of Canada, 4.90%, Preferred, Series 'W', Convertible, Perpetual		316,446	312,196	29,537	TransAlta Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	427,972	423,856	
251,613	Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual		6,090,467	6,119,228	20,886	TransAlta Corp., Preferred, Series 'B', Floating Rate, Perpetual	316,198	310,157	
20,352	Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual		475,941	493,536	50,401	TransCanada Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	991,413	1,020,116	
12,185	Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '3', Perpetual		254,115	262,587	9,155	TransCanada Corp., Preferred, Series '11', Variable Rate, Perpetual	221,988	218,988	
15,825	Sun Life Financial Inc., 4.45%, Preferred, Class 'A', Series '4', Perpetual		331,078	343,402	147,313	TransCanada Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	2,585,435	2,603,021	
76,743	Sun Life Financial Inc., 4.50%, Preferred, Class 'A', Series '5', Perpetual		1,649,830	1,667,625	<b>Total</b>		<b>\$ 106,291,049</b>	<b>\$ 107,641,046</b>	
45,178	Sun Life Financial Inc., 4.75%, Preferred, Class 'A', Series '1', Perpetual		1,028,171	1,025,541	<b>Equities (1.7%)</b>				
65,382	Sun Life Financial Inc., 4.80%, Preferred, Class 'A', Series '2', Convertible, Perpetual		1,507,544	1,493,979	2,039	Bank of Nova Scotia	\$ 155,262	\$ 151,783	
10,859	Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Convertible, Perpetual		216,402	232,817	5,120	Canadian Utilities Ltd. Class 'A'	161,018	169,984	
229,047	Sun Life Financial Inc., Preferred, Class 'A', Series '12R', Variable Rate, Convertible, Perpetual		5,402,271	5,536,066	16,487	Emera Inc.	765,272	705,644	
44,221	Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Perpetual		1,037,912	1,033,887	367	Hudson's Bay Co.	3,759	4,301	
					12,800	Hydro One Ltd.	247,212	256,512	
					18,571	Manulife Financial Corp.	483,846	438,647	
					12,231	Superior Plus Corp.	152,899	156,190	
					<b>Total</b>		<b>\$ 1,969,268</b>	<b>\$ 1,883,061</b>	
					<b>Transaction costs</b>				
						Transaction costs	\$ (151,059)	\$	
					<b>Total transaction costs</b>		<b>\$ (151,059)</b>	<b>\$</b>	
					<b>Total investment portfolio (97.3%)</b>		<b>\$ 108,109,258</b>	<b>\$ 109,524,107</b>	
						Cash and cash equivalents (3.6%)	\$	\$ 4,037,035	
						Other assets less liabilities (-0.9%)		(1,002,673)	
					<b>Net assets</b>		<b>\$</b>	<b>\$ 112,558,469</b>	

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

## 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, preparing all offering documents, unitholder recordkeeping and other administrative services.

The Lysander-Slater Preferred Share ActivETF (the "Fund") was established as a trust on July 28, 2015 in accordance with the Declaration of Trust dated July 28, 2015. The Fund commenced operations on August 10, 2015.

The Fund is an exchange-traded mutual fund under the laws of the Province of Ontario. The Fund is authorized to issue an unlimited number of redeemable, transferable Units, each of which represents an equal, undivided interest in the Fund.

The Fund's objective is to seek to generate income while preserving investor capital by investing primarily in preferred shares in Canadian entities that are listed on a Canadian stock exchange.

The portfolio manager of the Fund is Slater Asset Management Inc. ("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"). These interim financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The Fund has adopted the following standards, interpretations and amendments for the first time for the period beginning on January 1, 2018:

### IFRS 9 Financial Instruments ("IFRS 9")

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9, the Fund's financial assets and liabilities previously classified as at fair value through profit or loss ("FVTPL") and amortized cost under IAS 39 "Financial Instruments: Recognition and Measurement", continued to be classified at FVTPL and amortized cost.

The financial statements were authorized for issue by Lysander's board of directors on August 20, 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 IFRS 9, 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.

### Financial assets and financial liabilities at fair value through profit or loss:

#### Assets

The Fund classifies its investments in debt and equity securities and investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income ("FVOCI") has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

#### Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a future decline in its market value, or used as an arbitrage strategy.

# Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

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 on initial recognition they are a 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 and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

## **Financial assets and financial liabilities at amortized cost:**

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the trade receivables, this amendment has not had a material impact on the financial statements and these trade receivables are not considered impaired.

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 June 30, 2018 and December 31, 2017, 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 June 30, 2018 and December 31, 2017, 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

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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 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

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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. 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 each unit representing an equal and rateable share in the assets allocated to the Fund. 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 Fund on each valuation date.

## Net asset value per unit

The net asset value per unit of the Fund is computed by dividing the NAV by the total number of units 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 mutual fund 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

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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 had no net capital losses (December 31, 2016 - \$11,031) and no non-capital losses (December 31, 2016 - Nil)

## Distributions

The Fund makes distributions of net income quarterly or monthly, please refer to the Fund's 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:

### *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.

## Future changes in accounting standards

As of June 30, 2018, there are no future standards that could have a material impact on the Fund.

## 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.

## 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 June 30, 2018 and 2017, the number of units issued, redeemed and outstanding were as follows:

For the periods ended	30-Jun-18	30-Jun-17
Units outstanding at beginning of period	8,569,000	4,469,000
Redeemable units issued	2,500,000	2,100,000
Redeemable units redeemed	(300,000)	(50,000)
<b>Units outstanding at end of period</b>	<b>10,769,000</b>	<b>6,519,000</b>

## 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.

At June 30, 2018, 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 Nil (December 31, 2017 – Nil)

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 0.65%, exclusive of any applicable taxes.

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During the period ended June 30, 2018, the Manager paid the Portfolio Manager, \$167,038 (June 30, 2017 - \$93,923) for managing the Portfolio of the Fund. As at June 30, 2018 the

amount payable to the Portfolio Manager was \$86,263 (December 31, 2017 - \$69,236).

## 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 June 30, 2018 and December 31, 2017.

As at June 30, 2018	Level 1		Level 2		Level 3		Total
<b>Investments</b>							
Equities	\$	109,524,107	\$	-	\$	-	\$ 109,524,107
<b>Total</b>	<b>\$</b>	<b>109,524,107</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 109,524,107</b>

  

As at December 31, 2017	Level 1		Level 2		Level 3		Total
<b>Investments</b>							
Equities	\$	90,453,920	\$	-	\$	-	\$ 90,453,920
<b>Total</b>	<b>\$</b>	<b>90,453,920</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>	<b>\$ 90,453,920</b>

## 8. 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 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.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at June 30, 2018 and December 31, 2017, the Fund had directly invested in preferred shares with the following credit ratings:

As a % of net assets	30-Jun-18		31-Dec-17	
<b>Credit exposure</b>				
P1/P2	%	16.1	%	-
P2		49.1		60.0
P2/P3		12.5		17.5
P3		18.0		21.7
P4		-		-

### 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.

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The following table presents the Fund's liabilities according to their maturity date as at June 30, 2018 and December 31, 2017:

As at 30-Jun-2018	Less Than One Month		1-3 Months		3 Months – 1 Year	
<b>Liquidity risk</b>						
Due to investment dealers	\$	549,594	\$	-	\$	-
Accrued management fees		58,588		-		-
Other accrued expenses		-		104,651		-
Distributions payable to holders of redeemable units		396,603		-		-
<b>As at 31-Dec-2017</b>						
<b>Liquidity exposure</b>						
Accrued management fees	\$	49,097	\$	-	\$	-
Other accrued expenses		-		56,284		-
Distributions payable to holders of redeemable units		2,458,583		-		-

## 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.

If interest rates had increased or decreased by 1% at June 30, 2018, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$8,914,631 (December 31, 2017 - \$5,292,851).

### 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:

	30-Jun-18		31-Dec-17		
<b>Currency exposure</b>					
US Dollars		%	2.5	%	6.5

As at June 30, 2018, 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 0.02% (December 31, 2017 - 0.07%).

### 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 June 30, 2018 approximately 97.3% (December 31, 2017 - 99.5%) of the Fund's net assets were invested in these asset types. If prices of these investments had increased or decreased by 5% as at June 30, 2018 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$5,476,205 (December 31, 2017 - \$4,522,696). In practice, actual results will differ from this sensitivity analysis and the difference could be material.





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