

Semi-Annual Management Report of Fund Performance
As at June 30, 2018

Lysander-Canso Balanced Fund



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A Note About Forward Looking Statements

This semi-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 semi-annual Management Report of Fund Performance of Lysander-Canso Balanced Fund (the “Fund”) contains financial highlights for the period ended June 30, 2018 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 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 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 above average, long-term total returns consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and equities.

Investment Strategies

The Fund’s portfolio manager, is Canso Investment Counsel (“Portfolio Manager” or “Canso”). The Fund’s fixed income holdings are not restricted by credit ratings. The Fund’s Portfolio Manager is Canso Investment Counsel (“Portfolio Manager” or “Canso”), engages in opportunistic buying and selling of securities using a contrarian approach. Canso believes that it is

able to access market segments and exploit inefficiencies in the corporate bond market that are not available or apparent to most investors, due to its proprietary credit analysis and trading expertise. Canso also applies its credit analysis expertise to the selection of equity securities for the Fund.

Canso tends to take a “bottom up” approach to portfolio construction, focusing on security selection. The exposure to credit risk in the Fund will depend on the phase of the credit cycle and the bottom up valuation of individual securities. In the selection of equity securities for the Fund, Canso focuses on identifying companies trading below what Canso judges to be their intrinsic value. Some of the Fund’s portfolio positions will, under normal circumstances, be invested in securities of foreign issuers. It also may invest in debt securities convertible into common stock, and convertible and non-convertible preferred stock, and fixed income securities of governments, government agencies, supranational agencies and companies.

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. The Fund may invest up to 100% of its net 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.

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Results of Operations

The Fund had positive returns for the period of 4.25% for Series A and 4.72% for Series F.

This positioning and performance is entirely consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund decreased to over \$40.7 million at June 30, 2018 from \$41.2 million at the end of the prior period. This was partially due to net redemptions of \$2.3 million during the period.

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

The upward trajectory in yields reversed course in June as Canada, Mexico and the EU implemented their retaliatory tariffs for the US steel and aluminum tariffs imposed by the Trump administration. This, combined with the possibility of tariffs on imported vehicles into the US, the threat of retaliation for the retaliatory tariffs, and July's start of US tariffs on Chinese goods with Beijing retaliating, began to look like a global trade war. The Bank of Canada raised rates in January and then stayed on hold for the remainder of the period while the Federal Reserve continued to push their administered rates higher. The Canadian central bank is expected to follow the US rate hikes, but more cautiously given Canadian economic uncertainty.

In this environment, Government of Canada bonds outperformed and longer duration Provincials lagged. Credit yield spreads widened but the higher yield of corporate bonds allowed them to come close to matching the return of the Canada index. Within the corporate bond segment, BBB rated bonds were the strongest performers.

Equity market performance was narrowly based with the tech-heavy NASDAQ providing the strongest return. The Canadian and broad US equity markets were slightly positive as were European and Asian markets although a weaker Canadian dollar provided the biggest boost to foreign equity results.

Canso continues to believe the U.S. economy is demonstrating strong job growth. Protectionist trade policies are creating strength in the US dollar. This is the opposite of what the Trump administration is looking for. Canso remains concerned about consumer debt levels and stretched house prices in Canada,

especially in Toronto and Vancouver. Measures introduced to restrict mortgage lending are timely but may erode the valuation of the single largest asset in Canadian households. Canadian households are vulnerable to a sharp rise in interest rates and an increase in unemployment.

Canso believes many equity valuations are at high levels. As a result, Canso has been selling shares in the names they believe to be the most overvalued. Some of the larger equity sales have been in Bombardier, Apple, Wal-Mart, and SLM. This has led to a reduction in the equity weight of the Fund to 64% at the end of the period from 71% at the beginning of the year. In spite of the reduction in the equity weight, Clearwater Seafoods was added as a new equity position in the period.

Canso has been deliberately increasing the credit quality of the bond positions in the Fund, believing that the additional yield offered on lower quality credits has declined to the point where it is unattractive in most cases. A new Canadian dollar floating rate debt issue of Lloyds Bank plc was added near the end of the period. This UK bank has restructured so that the traditional banking business has been separated ("ring-fenced") from its riskier investment banking operations and it offered an attractive yield relative to what is available from Canadian banks. This debt will also not be subject to the "bail-in" provisions soon to be introduced on new Canadian senior bank debt.

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 \$251,826 (including HST) in management fees to the Manager for the period ended June 30, 2018 (June 30, 2017 - \$314,228).

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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 \$84,762 (including HST) to the Portfolio Manager for the period ended June 30, 2018 (June 30, 2017-\$100,418)

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

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Financial Highlights

Series A

Period ended	30-Jun-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014	31-Dec-2013
Net assets per unit¹						
Net assets, beginning of period	\$ 16.47	\$ 14.57	\$ 14.53	\$ 16.43	\$ 14.20	\$ 10.99
Operations:						
Total revenue	0.18	0.30	0.28	0.30	0.33	0.41
Total expenses	(0.17)	(0.29)	(0.25)	(0.29)	(0.30)	(0.25)
Realized gains (losses)	0.98	0.12	0.34	1.00	0.11	-
Unrealized gains (losses)	(0.29)	1.63	(0.26)	(2.28)	2.08	4.34
Total increase (decrease) from operations²	\$ 0.70	\$ 1.76	\$ 0.11	\$ (1.27)	\$ 2.22	\$ 4.50
Distributions:						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	(0.01)	(0.04)	(0.02)	(0.07)	(0.06)
From capital gains	-	(0.01)	(0.40)	(0.72)	-	-
Total distributions^{2 3}	\$ -	\$ (0.02)	\$ (0.44)	\$ (0.74)	\$ (0.07)	\$ (0.06)
Net assets, end of period^{2 3}	\$ 17.17	\$ 16.47	\$ 14.57	\$ 14.53	\$ 16.43	\$ 14.20

Ratios and supplemental data						
Net asset value ⁴	\$ 18,985,213	\$ 20,649,347	\$ 31,893,689	\$ 51,271,770	\$ 47,909,449	\$ 813,042
Units outstanding	1,105,482	1,253,517	2,189,164	3,529,044	2,915,553	572,554
Management expense ratio ⁵	% 1.94	% 1.83	% 1.77	% 1.82	% 1.88	% 1.96
Management expense ratio before waivers or absorption	1.94	1.83	1.77	1.82	1.88	2.65
Portfolio turnover rate ⁶	21.4	19.3	22	29	12	8
Trading expense ratio ⁷	0.13	0.12	0.1	0.2	0.2	0.3
Net asset value per unit, end of period	\$ 17.17	\$ 16.47	\$ 14.57	\$ 14.53	\$ 16.43	\$ 14.20

Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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) 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.
- 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

Period ended	30-Jun-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014	31-Dec-2013
Net assets per unit¹						
Net assets, beginning of period	\$ 18.49	\$ 16.34	\$ 16.31	\$ 18.37	\$ 15.80	\$ 12.20
Operations:						
Total revenue	0.21	0.33	0.31	0.33	0.36	0.26
Total expenses	(0.10)	(0.18)	(0.16)	(0.18)	(0.19)	(0.15)
Realized gains (losses)	1.04	(0.07)	0.42	1.07	0.11	-
Unrealized gains (losses)	(0.29)	2.11	(0.13)	(2.49)	2.31	4.09
Total increase (decrease) from operations²	\$ 0.86	\$ 2.19	\$ 0.44	\$ (1.27)	\$ 2.59	\$ 4.20
Distributions:						
From income (excluding dividends)	\$ (0.02)	\$ -	\$ -	\$ -	\$ -	\$ (0.01)
From dividends	(0.07)	(0.13)	(0.18)	(0.03)	(0.12)	(0.13)
From capital gains	-	(0.01)	(0.56)	(1.02)	-	-
Total distributions^{2 3}	\$ (0.09)	\$ (0.14)	\$ (0.74)	\$ (1.05)	\$ (0.12)	\$ (0.14)
Net assets, end of period^{2 3}	\$ 19.27	\$ 18.49	\$ 16.34	\$ 16.31	\$ 18.37	\$ 15.80
Ratios and supplemental data						
Net asset value ⁴	\$ 21,748,307	\$ 20,576,955	\$ 23,436,852	\$ 29,199,344	\$ 22,293,217	\$ 9,137,123
Units outstanding	1,128,492	1,112,771	1,434,467	1,789,993	1,213,418	578,238
Management expense ratio ⁵	% 1.04	% 1.01	% 0.97	% 0.97	% 1.04	% 1.09
Management expense ratio before waivers or absorption	1.04	1.01	0.97	0.97	1.04	2.1
Portfolio turnover rate ⁶	21.4	19.3	22	29	12	8
Trading expense ratio ⁷	0.13	0.12	0.1	0.2	0.2	0.3
Net asset value per unit, end of period	\$ 19.27	\$ 18.49	\$ 16.34	\$ 16.31	\$ 18.37	\$ 15.80

Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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) 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.
- 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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Management Fees

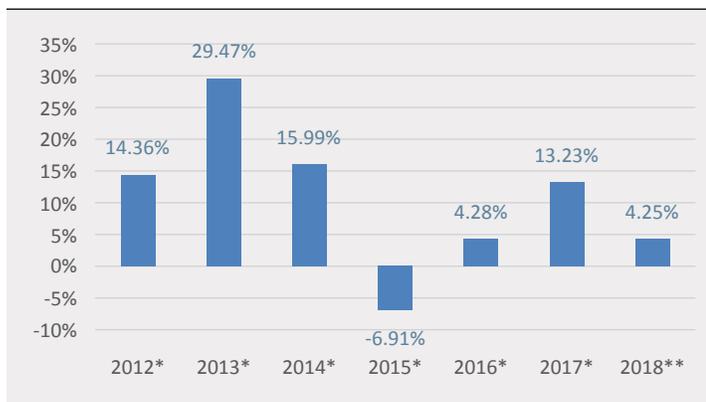
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 50% of the management fee of Series A units, exclusive of applicable taxes.

Year-by-Year Returns

Series A

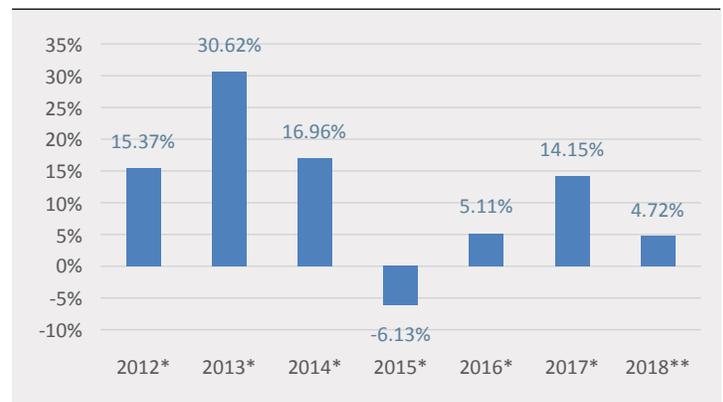


Past Performance

The Fund became a reporting issuer on December 23, 2011. The commencement of operations as a reporting issuer for Series A was December 28, 2011 and for Series F was December 23, 2011. 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 January 1 to June 30

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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Yellow Pages Limited (Equity)	%	8.0	Canadian Equities	%	38.5
Toronto Dominion Bank (Debt)		5.4	Canadian Fixed Income		26.2
Purch Group Inc. (Equity)		4.6	Cash and cash equivalents		1.0
Maxar Technologies Ltd. (Equity)		4.6	Foreign Equities		25.6
Second Cup Ltd. (Equity)		4.0	Foreign Fixed Income		9.7
Royal Bank of Canada (Debt)		3.8	Other assets less liabilities		(1.0)
Bank of Montreal (Debt)		3.7	Total	%	100.0
Bombardier Inc. (Equity)		3.4	Sector		
Apple Inc. (Equity)		3.2	Cash and Cash Equivalents	%	1.0
Nintendo Co Ltd (Equity)		3.1	Communication		23.3
Xplornet Communications Inc. (Equity)		3.1	Consumer Discretionary		5.4
Royal Bank of Scotland (Equity)		2.7	Consumer Staples		8.8
Empire Co Ltd (Equity)		2.7	Energy		7.7
Nutrien Ltd. (Equity)		2.7	Federal		1.5
Wal-Mart Stores Inc. (Equity)		2.7	Financials		34.5
Canfor Pulp Products Inc. (Equity)		2.6	Health Care		0.3
SLM Corp (Equity)		2.6	Industrials		9.7
Unicredit SPA (Equity)		2.4	Information Technology		3.1
Apple Inc. (Debt)		2.4	Infrastructure		2.0
Commerzbank AG (Equity)		2.3	Materials		3.2
Clearwater Seafoods Inc (Equity)		2.2	Other Assets less Liabilities		(1.0)
Manulife Financial Corp. (Equity)		2.0	Provincial		0.2
Enbridge Energy Partners LP (Equity)		1.9	Real Estate		0.3
Clearstream Energy Services Inc. (Equity)		1.6	Total	%	100.0
Shaw Communications Inc. (Debt)		1.3			
Total	%	79.0			



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