

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

Lysander-Slater Preferred Share Dividend Fund



SLATER
ASSET MANAGEMENT



Lysander-Slater Preferred Share Dividend 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-Slater Preferred Share Dividend 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 seek to generate income while preserving investor capital by investing primarily in preferred securities of Canadian issuers that are listed on a Canadian stock exchange.

Investment Strategies

The Fund’s portfolio manager is Slater Asset Management Inc. (“Portfolio Manager” or “Slater”). The Fund’s portfolio positions will primarily be invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. The Fund may invest up to 30% of its

assets in foreign securities. More details are contained in the Fund’s simplified prospectus.

Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus or its amendments.

Results of Operations

After a strong year in 2017 for Canadian Preferred Shares, the Preferred Share market slowed in the first half of 2018 with the S&P/TSX Canadian Preferred Share index up 0.70%, while the Lysander-Slater Preferred Share Dividend Fund Series A posting a total return of 0.42% and Series F of 0.70% .

Two main issues that put pressure on the Preferred Share market in the first half of 2018 was the poor performance of interest sensitive equity issuers who also issue Preferred shares. Issuers such as BCE, EMA, TRP, ENB, CU to name a few had anywhere from 100 to 400 basis points of higher yield in the common stock than in Preferred Shares, which subsequently put pressure on those Preferred Share issuances. The second reason was a bond rally driven by trade war tariffs imposed by the United States. The retaliatory tariffs imposed by other countries has put a stall on global economic expansion.

The Fund has increased its assets under management from approximately \$88 million at the beginning of the year to approximately \$113 million at mid-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

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affected performance beyond what would be reasonably expected

The Fund did not borrow money during the year except for immaterial short term cash overdrafts.

Recent Developments

At the beginning of the year Slater's thesis was that interest rates would eventually continue higher and that the 5-Year BoC Bond Yield would be around 2.25%. However, the recent trade tariff standoff between Canada and the U.S has certainly placed doubts on how quickly rates may go up. The Bank of Canada recently raised interest rates for the second time in 2018, despite the trade tariffs, as strong economic data supported the rate hikes. If the trade war tension eases, we could see the Canadian 5-year bond yield continue higher in the short to medium term and would subsequently benefit the Fixed Reset subsector of Preferred Shares. It has been a slow start to the year for new issue Preferred Shares with \$2.9 billion coming to market compared to \$4.35 billion in the first half of 2017. Canadian Bank equity ratios have been strong on reported earnings so the need to raise capital has decreased among banks. We expect the second half of 2018 to be like the first in terms of new issuance of two to three billion.

Slater gradually increased the Fund's holdings in Straight Perpetual Preferred Shares and continued to add to discounted fixed resets that offered attractive projected reset yields. The Fund was weighted 79% Fixed Resets and 18% in Straight Perpetuals at the end of 2017, and 64% Fixed Resets and 31% Straight Perpetuals at the end of June. This positioning played well the past few months as bonds rallied amidst global trade war tensions. We do expect that interest rates will gradually go higher, and such we expect to decrease the Fund's Straight Perpetual exposure in the coming period, and continue to add to discounted Fixed Resets that look attractive.

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

There were 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 Fund paid \$496,451 (including HST) in management fees to the Manager for the period ended June 30, 2018. (June 30, 2017: \$330,492).

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 are included in the management fee.

The Manager paid \$209,774 (including HST) to the Portfolio Manager for the period ended June 30, 2018 (June 30, 2017: \$139,033).

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
Net assets per unit¹				
Net assets, beginning of period	\$ 10.00	\$ 9.32	\$ 8.95	\$ 10.00
Operations:				
Total revenue	0.22	0.47	0.47	0.43
Total expenses	(0.08)	(0.16)	(0.13)	(0.15)
Realized gains (losses)	0.15	0.54	(0.37)	(0.23)
Unrealized gains (losses)	(0.25)	0.19	0.82	(0.88)
Total increase (decrease) from operations²	\$ 0.04	\$ 1.04	\$ 0.79	\$ (0.83)
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.20)	(0.29)	(0.30)	(0.19)
From capital gains	-	(0.10)	-	-
Total distributions^{2 3}	\$ (0.20)	\$ (0.39)	\$ (0.30)	\$ (0.19)
Net assets, end of period^{2 3}	\$ 9.85	\$ 10.00	\$ 9.32	\$ 8.95

Ratios and supplemental data				
Net asset value ⁴	\$ 29,027,537	\$ 25,459,510	\$ 17,007,583	\$ 12,855,142
Units outstanding	2,947,614	2,545,622	1,824,172	1,436,244
Management expense ratio ⁵	% 1.53	% 1.55	% 1.56	% 1.61
Management expense ratio before waivers or absorption	1.53	1.55	1.56	1.61
Portfolio turnover rate ⁶	51.0	132.0	175.5	73.0
Trading expense ratio ⁷	0.2	0.5	0.6	0.5
Net asset value per unit, end of period	\$ 9.85	\$ 10.00	\$ 9.32	\$ 8.95

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

1 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.

2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

5 The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.

6 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.

7 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Series F*

Period ended	30-Jun-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹				
Net assets, beginning of period	\$ 10.04	\$ 9.35	\$ 8.97	\$ 10.00
Operations:				
Total revenue	0.22	0.47	0.47	0.43
Total expenses	(0.05)	(0.10)	(0.09)	(0.10)
Realized gains (losses)	0.15	0.54	(0.38)	(0.24)
Unrealized gains (losses)	(0.25)	0.19	0.87	(0.81)
Total increase (decrease) from operations²	\$ 0.07	\$ 1.10	\$ 0.87	\$ (0.72)
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.22)	(0.34)	(0.33)	(0.24)
From capital gains	-	(0.10)	-	-
Total distributions^{2 3}	\$ (0.22)	\$ (0.44)	\$ (0.33)	\$ (0.24)
Net assets, end of period^{2 3}	\$ 9.89	\$ 10.04	\$ 9.35	\$ 8.97
Ratios and supplemental data				
Net asset value ⁴	\$ 83,844,170	\$ 62,559,365	\$ 41,523,722	\$ 30,243,779
Units outstanding	8,474,623	6,232,411	4,440,131	3,373,082
Management expense ratio ⁵	% 0.97	% 0.98	% 1.00	% 1.05
Management expense ratio before waivers or absorption	0.97	0.98	1.00	1.05
Portfolio turnover rate ⁶	51.0	132.0	175.5	73.0
Trading expense ratio ⁷	0.2	0.5	0.6	0.5
Net asset value per unit, end of period	\$ 9.89	\$ 10.04	\$ 9.35	\$ 8.97

Notes

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3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

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6 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.

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Management Fees

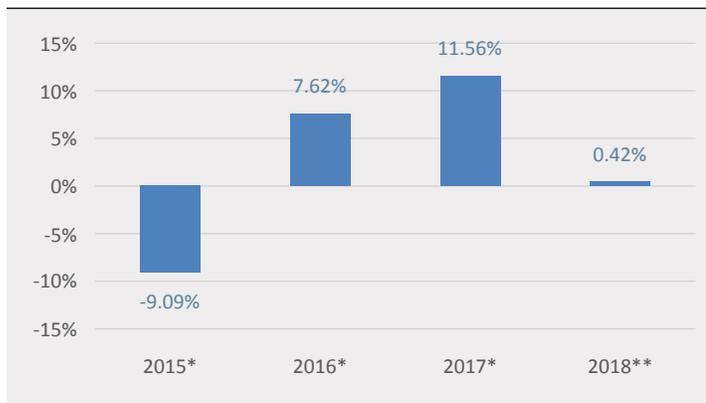
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.25% per annum for Series A units and 0.75 % per annum for Series F units.

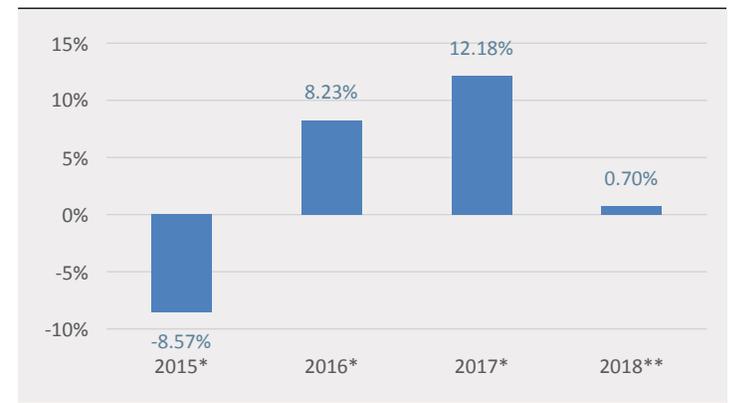
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Year-by-Year Returns

Series A



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		
Sun Life Financial Inc.	%	9.2	Canadian Equities	%	1.6
Canadian Utilities Limited		8.6	Cash and Cash Equivalents		2.3
Emera Inc.		8.2	Other Assets less Liabilities		0.2
Power Financial Corp.		7.1	Preferred Shares		95.9
Royal Bank of Canada		6.2	Total	%	100.0
Fortis Inc.		5.7	Sector		
Great-West LifeCo Inc.		5.6	Cash and Cash Equivalents	%	2.3
Fairfax Financial		5.6	Consumer Staples		2.3
Manulife Financial Corp.		5.4	Energy		13.5
Bank of Montreal		4.2	Financials		52.4
Enbridge Inc.		3.7	Other Assets less Liabilities		0.2
TransCanada Corporation		3.4	Real Estate		1.9
AltaGas Ltd.		3.2	Telecommunication Services		2.7
Industrial Alliance		2.8	Utilities		24.7
BCE Inc.		2.7	Total	%	100.0
Cash and Cash Equivalents		2.3			
George Weston Limited		2.3			
Brookfield Office Properties Inc.		1.9			
Toronto Dominion Bank		1.8			
Kinder Morgan Canada		1.7			
Canadian Imperial Bank of Commerce		1.6			
Pembina Pipeline Corp.		1.5			
National Bank		1.5			
Brookfield Asset Management Inc.		1.0			
Northland Power		0.7			
Total	%	97.9			



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