

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

Lysander-Triasima All Country Equity Fund



**TRIASIMA**



# Lysander-Triasima All Country Equity 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-Triasima All Country Equity 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](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://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 long-term capital growth by investing primarily in equity securities of companies anywhere in the world.

## Investment Strategies

The Fund’s portfolio manager is Triasima Portfolio Management Inc. (“Portfolio Manager” or “Triasima”). The Fund’s portfolio positions will be primarily in equity securities of companies globally, including American Depositary Receipts and Global Depositary Receipts. The Fund will not be leveraged. The Fund

may invest up to 100% 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

During the first half of 2018, Triasima employed its 3-Pillar methodology which analyse securities from three perspectives: quantitative, fundamental, and trend to determine their suitability and attractiveness for the Fund.

The Lysander-Triasima All Country Equity Fund’s series A and F performance is 0.8% and 1.4% respectively for the first half of 2018, versus 4.6% for benchmark MSCI ACWI Index. On an annualized basis since inception, two years and six months ago, the Index has returned 9.8%, while Series A and Series F posted returns of 9.1% and 9.7% respectively after fees.

Certain Fund holdings negatively impacted investment performance over the period and this was concentrated amongst American stocks. Although these securities appreciated they failed, however, to maintain pace with the aggressive rise of this market.

Within the MSCI ACWI, the Technology sector was the best performer over the period, up 12%. This sector is also the largest, making up 19% of the Index. Given this, the Technology sector was responsible for half of the index’s 4.5% advance. Since the Fund has a significant 6% underweight in this sector

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and its 18 technology holdings posted a mixed performance, this situation weighed on relative performance.

Two securities in the Consumer discretionary sector related to home building in the United States, Pulte Homes and Installed Building Products, declined 9% and 23% respectively. Homebuilders are facing the headwinds of higher input costs such as labor and materials, more specifically lumber, while mortgage rates in the United States are rising. Transportadura de Gas Del Sur, an Argentinian gas transportation company, declined 25% due to a rapidly deteriorating Argentinian economy as well as concerns that the liberalization of natural gas transportation market would be rolled back. Argentina is one of the hardest hit economies during the current emerging market downturn due to its widening current account deficit, a still large fiscal deficit, and high inflation.

Bright spots were the strong performance of MSCI and Old Dominion Freight Line. MSCI, up 38%, is an American provider of financial products such as indices and analytical software. This company is benefitting from the continued shift from active to passive management which is increasing demand for their index products. Old Dominion Freight Lines, up 19%, is an American trucking company helped by strong pricing for its services in a tight land transportation market at the current advanced stage of the economic cycle.

From a country and regions of the world perspective, the overweight in Latin America equities was detrimental.

The net assets of the Fund increased to \$2.1 million from \$1.9 million at the start of the year due to capital appreciation and net subscriptions of \$197 thousand.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes, or market conditions that affected performance beyond what would be reasonably expected.

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

## Recent Developments

As is often the case, macroeconomic and political headlines dominated the financial markets landscape during the second quarter. There was no shortage of drama with President Trump's antics, the G7 meeting, the American-North Korean summit, and the Italian elections won by anti-Eurozone parties.

The trade war between the United States and China intensified during the second quarter as Trump's administration prepared

to impose tariffs worth \$34 billion on Chinese imports and is considering an additional 10% tariff on another \$200 billion worth of imports. The Chinese government has responded in kind with the same amount of tariffs ranging from soybeans to sport utility vehicles.

More importantly, underlying economic fundamentals are strong with widespread growth and low unemployment levels. The expectation for the global real GDP is 3.8% in 2018, balanced between developed countries (2.4%) and emerging countries (4.9%).

As usual, the United States is a major driver of the world economy, with rising household income pushing consumption and general economic activity to new highs.

In Canada, the focus is on the high level of indebtedness of Canadians and the unpredictability of the economic relations with the United States.

A key issue at this time is the declining pace of growth of corporate earnings in the United States and abroad. Investors are also on the lookout for an inverted yield curve, considered a near necessity for a recession. But slow or no growth in corporate profits and the ongoing phasing out of quantitative accommodations by central bankers, two events currently at play, could produce a major market pullback without an inverted yield curve or a recession occurring.

Equity markets moved in lockstep in the first months of 2018, up strongly in January followed by a pullback during February and March over rising interest rates and inflation worries. Later in the period, Canadian and American markets rebounded well, but not so the MSCI EAFE which only inched up a little due to the lowering, from elevated levels, of growth expectations in Europe. In the end, the American S&P 500 Index returned a strong 7.4% for the first half, but the S&P/TSX Composite Index for Canada and the MSCI EAFE for the international markets only posted marginal advances of 1.9% and 2.1%.

The standout was the Energy sector, rising 11% on the heels of a 23% (USD) jump in oil price. The only sectors with a negative return over the quarter were Financial, Telecommunications and Consumer Staples; a diverse mix. Banks came under pressure. The flattening of the yield curve is depressing margins in the United States (banks borrow short term and lend long term) while in Europe lower growth and political concerns are a concern. The Telecommunications and Consumer staples sectors are defensive with high dividends and were hurt by the rise interest rates.

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Of special note is the strong growth of the Technology sector, up another 12% in the period. Technology companies have been growing earnings above that of the index for some time now and the sector has climbed each of the last eight quarters for a total gain of 73% over that 24-month period.

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 \$11,592 (including HST) in management fees to the Manager for the period ended June 30, 2018. (June 30, 2017: \$3,147).

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 \$4,335 (including HST) to the Portfolio Manager for the period June 30, 2018 (June 30, 2017: \$1,169).

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 |               |
|--|-------------|--------------|-------------|--------------|-------------|---------------|
| <b>Net assets per unit<sup>1</sup></b>                       |             |              |             |              |             |               |
| Net assets, beginning of period                              | \$          | 12.27        | \$          | 10.54        | \$          | 10.00         |
| Operations:  |             |              |             |              |             |               |
| Total revenue  |             | 0.12         |             | 0.17         |             | 0.15          |
| Total expenses   |             | (0.17)       |             | (0.32)       |             | (0.23)        |
| Realized gains (losses)                                      |             | 0.13         |             | 0.26         |             | (0.36)        |
| Unrealized gains (losses)                                    |             | 0.02         |             | 1.62         |             | 1.04          |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$</b>   | <b>0.10</b>  | <b>\$</b>   | <b>1.73</b>  | <b>\$</b>   | <b>0.60</b>   |
| Distributions:   |             |              |             |              |             |               |
| From income (excluding dividends)                            | \$          | -            | \$          | -            | \$          | -             |
| From dividends   |             | -            |             | -            |             | (0.06)        |
| From capital gains   |             | -            |             | -            |             | -             |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$</b>   | <b>-</b>     | <b>\$</b>   | <b>-</b>     | <b>\$</b>   | <b>(0.06)</b> |
| <b>Net assets, end of period<sup>2 3</sup></b>               | <b>\$</b>   | <b>12.37</b> | <b>\$</b>   | <b>12.27</b> | <b>\$</b>   | <b>10.54</b>  |
| <b>Ratios and supplemental data</b>                          |             |              |             |              |             |               |
| Net asset value <sup>4</sup>                                 | \$          | 6,220        | \$          | 6,170        | \$          | 5,300         |
| Units outstanding  |             | 503          |             | 503          |             | 503           |
| Management expense ratio <sup>5</sup>                        | %           | 2.54         | %           | 2.54         | %           | 2.21          |
| Management expense ratio before waivers or absorption        |             | 3.07         |             | 4.34         |             | 8.31          |
| Portfolio turnover rate <sup>6</sup>                         |             | 19.7         |             | 41.4         |             | 64.0          |
| Trading expense ratio <sup>7</sup>                           |             | 0.14         |             | 0.4          |             | 0.4           |
| Net asset value per unit, end of period                      | \$          | 12.37        | \$          | 12.27        | \$          | 10.54         |

#### Notes

\* The Fund became a reporting issuer on December 31, 2015 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 |               |
|--|-------------|--------------|-------------|---------------|-------------|---------------|
| <b>Net assets per unit<sup>1</sup></b>                       |             |              |             |               |             |               |
| Net assets, beginning of period                              | \$          | 12.43        | \$          | 10.56         | \$          | 10.00         |
| Operations:  |             |              |             |               |             |               |
| Total revenue  |             | 0.12         |             | 0.17          |             | 0.16          |
| Total expenses   |             | (0.11)       |             | (0.19)        |             | (0.13)        |
| Realized gains (losses)                                      |             | 0.15         |             | 0.02          |             | (0.37)        |
| Unrealized gains (losses)                                    |             | (0.01)       |             | 2.19          |             | 1.58          |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$</b>   | <b>0.15</b>  | <b>\$</b>   | <b>2.19</b>   | <b>\$</b>   | <b>1.24</b>   |
| Distributions:   |             |              |             |               |             |               |
| From income (excluding dividends)                            | \$          | -            | \$          | -             | \$          | -             |
| From dividends   |             | -            |             | (0.01)        |             | (0.01)        |
| From capital gains   |             | -            |             | -             |             | -             |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$</b>   | <b>-</b>     | <b>\$</b>   | <b>(0.01)</b> | <b>\$</b>   | <b>(0.01)</b> |
| <b>Net assets, end of period<sup>2 3</sup></b>               | <b>\$</b>   | <b>12.60</b> | <b>\$</b>   | <b>12.43</b>  | <b>\$</b>   | <b>10.56</b>  |
| <b>Ratios and supplemental data</b>                          |             |              |             |               |             |               |
| Net asset value <sup>4</sup>                                 | \$          | 2,117,237    | \$          | 1,896,482     | \$          | 491,765       |
| Units outstanding  |             | 168,070      |             | 152,603       |             | 46,575        |
| Management expense ratio <sup>5</sup>                        | %           | 1.43         | %           | 1.41          | %           | 1.20          |
| Management expense ratio before waivers or absorption        |             | 1.95         |             | 3.32          |             | 6.47          |
| Portfolio turnover rate <sup>6</sup>                         |             | 19.7         |             | 41.4          |             | 64.0          |
| Trading expense ratio <sup>7</sup>                           |             | 0.14         |             | 0.4           |             | 0.4           |
| Net asset value per unit, end of period                      | \$          | 12.60        | \$          | 12.43         | \$          | 10.56         |

### Notes

\* The Fund became a reporting issuer on December 31, 2015 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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## Management Fees

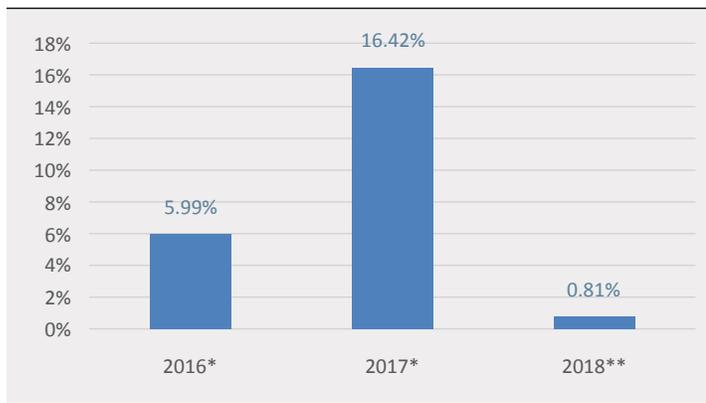
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 approximately 50% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

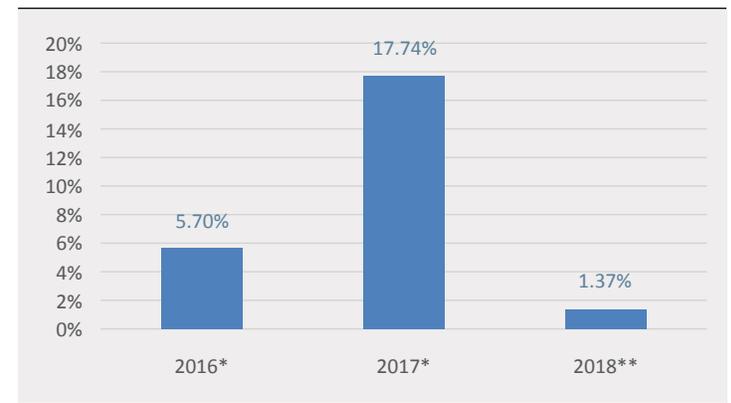


## Past Performance

The Fund became a reporting issuer on June 30, 2015. Accordingly, returns are shown for the relevant period 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     |
|--------------------------------|-------------|-------------------------------|--------------|
| <b>Top 25 Issuers</b>          |             | <b>Asset Mix</b>              |              |
| Old Dominion Freight Line      | 2.3         | Cash and Cash Equivalents     | 1.3          |
| MSCI Inc.                      | 2.3         | Foreign Equities              | 98.3         |
| Nvidia Corp.                   | 2.2         | Other Assets less Liabilities | 0.4          |
| Yanzhou Coal Mining            | 2.1         | <b>Total</b>                  | <b>100.0</b> |
| Amazon.com Inc.                | 2.1         | <b>Sector</b>                 |              |
| JP Morgan Chase & Co.          | 1.8         | Cash and Cash Equivalents     | 1.3          |
| Pulte Corporation              | 1.8         | Consumer Discretionary        | 13.0         |
| Sodastream International Ltd.  | 1.7         | Consumer Staples              | 2.7          |
| CF Industries Holdings Inc.    | 1.6         | Energy                        | 8.7          |
| Visa Inc.                      | 1.6         | Financials                    | 25.3         |
| Intuitive Surgical Inc.        | 1.6         | Health Care                   | 7.7          |
| Tal Education Group ADR        | 1.6         | Industrials                   | 10.6         |
| Sony ADR                       | 1.6         | Information Technology        | 18.5         |
| Reliance Industries Ltd        | 1.6         | Materials                     | 10.3         |
| Phillips 66                    | 1.6         | Other Assets less Liabilities | 0.4          |
| United Healthcare Corp.        | 1.5         | Real Estate                   | 1.5          |
| Adobe Systems Incorporated     | 1.5         | <b>Total</b>                  | <b>100.0</b> |
| Fiserv Inc.                    | 1.5         |                               |              |
| Royal Dutch Shell ADR          | 1.5         |                               |              |
| Cbre Group Inc.                | 1.5         |                               |              |
| Credicorp                      | 1.4         |                               |              |
| Tencent Hldg Ltd-Unsp ADR      | 1.4         |                               |              |
| Micron Technology Inc.         | 1.4         |                               |              |
| Texas Instruments Incorporated | 1.4         |                               |              |
| Aetna Inc.                     | 1.4         |                               |              |
| <b>Total</b>                   | <b>42.0</b> |                               |              |



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