

Semi-Annual Management Report of Fund Performance
As at June 30, 2019

Lysander-Slater Preferred Share ActivETF



SLATER
ASSET MANAGEMENT



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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 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 ActivETF (the “Fund”) contains financial highlights for the period ended June 30, 2019 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, 2019. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 3037, Toronto, Ontario, M4N 3N1, by visiting our website at www.lysanderfunds.com or at SEDAR at www.sedar.com.

Unitholders may also contact Lysander Funds Limited using one of these methods to obtain a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment objective

The Fund seeks to generate income while preserving investor capital by investing primarily in preferred shares in Canadian entities 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. More details are contained in the Fund’s 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 tough year in 2018 where the S&P/TSX Preferred Share index was down -7.9% for the year, 2019 had a modest start with the index up 1.11% by the end of Q1 2019. Q2 proved more challenging for Preferred Share investors with the index down 0.9% YTD while the Lysander-Slater Preferred Share ActivETF was down 2.6% for the period ending June. There were several factors that led to a disappointing start to 2019 for CDN Preferred Shares. The trade tariff war between the U.S and China began to affect the two largest economies growth in the first half of 2019. This ultimately sent the CAD 5-year Bank of Canada bond yield down from 1.89% at the beginning of 2019 to 1.4% at the end of June. The most notable factor leading to lower bond yields, was the U.S Central Bank signaling the need to re-stimulate the U.S economy due to a slow down in growth and lower than expected inflation. We expect that even if the U.S were to cut interest rates once or twice, Canada does not necessarily need to follow suit since our economy appears stronger with unemployment at record lows, and inflation numbers within the target range of 2%. Another factor that led to the Q2, 2019 sell off was \$700 million in new issue Preferred Shares whereby investors had to make room in their portfolios to facilitate the new product. This tends to cause an overselling in the secondary market.

Slater gradually decreased the Straight Perpetual exposure in the Fund from 24.1% at the start of the year to 10% at the end of Q2. The proceeds were used to increase the Fund's exposure in Fixed Reset Preferred Shares from 73.2% to 83%, and Floating

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rate Preferred Shares from 0.9% to 5% over the course of Q1 and Q2. This worked well until end of April as the Fund was up 1.46% while the index was up 1.32%. The 5 year bond yields however fell from 1.68% mid April to as low as 1.29% in June. This affected the discounted Fixed Reset Preferred Share subsector the most.

The Fund's net assets under management increased from approximately \$97.6 million at the beginning of the period to approximately \$97.5 million at June 30, 2019.

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

At the beginning of the year Slater was committed to holding discounted Fixed Resets on the expectation of a market recovery in Preferred Shares. During the period, Slater slowly reduced Straight Perpetuals as they were recovering and buying Fixed Resets and Floating rate Preferred Shares as they continued to sell off. This strategy worked well for the first four months and the Fund outperformed the Index. In May, bond yields started to weaken as the U.S and China continued their trade war, and the impact began to show in these two countries' economic growth, subsequently lowering Canadian Bond yields due to Canada's strong economic ties to the U.S and China. Recent strong Canadian economic statistics such as inflation and unemployment rates are encouraging for the Canadian economy, and Slater believes a majority allocation to discounted Fixed Resets is attractive due to the relative value in the market and historically wide spreads.

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 prospectus.

The Fund paid \$328,258 (excluding HST) in management fees to the Manager for the period ended June 30, 2019 (June 30, 2018 - \$334,074).

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 \$185,466 (including HST) to the Portfolio Manager for the period ended June 30, 2019 (June 30, 2018 - \$188,572).

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

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of period	\$ 9.08	\$ 10.61	\$ 10.11	\$ 9.59	\$ 10.00*
Operations:					
Total revenue	0.25	0.47	0.50	0.52	0.19
Total expenses	(0.05)	(0.14)	(0.16)	(0.15)	(0.05)
Realized gains (losses)	(0.26)	0.06	0.55	0.07	(0.14)
Unrealized gains (losses)	0.17	(1.62)	0.28	0.83	(0.15)
Total increase (decrease) from operations²	\$ (0.24)	\$ (1.23)	\$ 1.17	\$ 1.27	\$ (0.15)
Distributions:					
From dividends	\$ (0.21)	\$ (0.32)	\$ (0.27)	\$ (0.36)	\$ (0.10)
From capital gains	-	(0.06)	(0.44)	-	-
Return of Capital	-	(0.07)	(0.01)	(0.01)	(0.01)
Total distributions^{2 3}	\$ (0.21)	\$ 0.45	\$ (0.72)	\$ (0.37)	\$ (0.11)
Net assets, end of period^{2 3}	\$ 8.62	\$ 9.06	\$ 10.61	\$ 10.11	\$ 9.59

Ratios and supplemental data					
Net asset value ⁴	\$ 97,601,990	\$ 97,590,059	\$ 90,895,230	\$ 45,183,756	\$ 17,735,216
Units outstanding	11,319,000	10,769,000	8,569,000	4,469,000	1,850,000
Management expense ratio ⁵	% 0.85	% 1.03	% 1.03	% 1.03	% 1.03
Management expense ratio before waivers or absorption	0.85	1.03	1.07	1.44	1.15
Portfolio turnover rate ⁶	50	120	139	200	32
Trading expense ratio ⁷	0.32	0.37	0.47	0.6	0.3
Net asset value per unit, end of period	8.62	9.06	10.61	10.11	9.59
Closing market price per unit ⁴	\$ 8.47	\$ 9.08	\$ 10.64	\$ 10.14	\$ 9.50

Notes

* The Fund commenced operations on August 10, 2015.

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) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash.

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 the fund, calculated daily and payable monthly. The Fund pays a management fee of 0.65% per annum.

Year-by-Year Returns



Past Performance

The Fund's commencement date of being distributed under a prospectus was August 10, 2015. Accordingly, returns are shown for the relevant periods as indicated below.

The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown assumes that cash distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

* For the period August 10 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	
TC Energy Corporation	7.8	Cash and Cash Equivalents	1.0
Fairfax Financial Holdings Ltd	6.6	Canadian Equities	0.5
Emera Inc.	6.5	Preferred Shares	99.3
Sun Life Financial Inc.	6.1	Other Assets less Liabilities	(0.8)
Canadian Utilities Ltd	6.0	Total	100.0
Fortis Inc.	5.8	Sector	
Enbridge Inc.	5.7	Cash and Cash Equivalents	1.0
BCE Inc	5.5	Consumer Staples	1.4
Manulife Financial Corporation	5.1	Energy	26.2
Royal Bank of Canada	4.9	Financials	44.7
Pembina Pipeline Corporation	4.4	Industrials	1.1
Bank of Montreal	3.7	Other Assets less Liabilities	(0.8)
AltaGas Ltd	3.7	Telecommunications Services	5.5
Canadian Imperial Bank of Commerce	3.4	Utilities	20.9
Kinder Morgan Canada Ltd	3.2	Total	100.0
Brookfield Asset Management Inc.	2.9		
Power Financial Corporation	2.7		
Great-West Lifeco Inc.	2.5		
Industrial Alliance Insurance and Financial Services Inc	2.3		
Brookfield Office Properties Inc.	2.0		
National Bank of Canada	1.7		
George Weston Ltd	1.4		
Northland Power Inc.	1.2		
Cash and Cash Equivalents	1.0		
TransAlta Corporation	0.7		
Total	96.8		



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