

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

Lysander-Triasima Balanced Income Fund



TRIASIMA



Lysander-Triasima Balanced Income Fund

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

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 Balanced Income Fund (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 Street, 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’s objective is to generate returns consisting of income and capital gains by investing primarily in a portfolio of fixed income securities and equities 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 are primarily invested in money market instruments and bonds, as well as income trust, preferred shares and Canadian, American and international equities 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.

Results of Operations

During the first half of 2019, Triasima employed its Three-pillar methodology which analyzes securities from three perspectives, quantitative, fundamental, and trend, to determine their suitability and attractiveness for the Fund.

The performance of the Fund was behind the benchmark for the first six months of 2019. Series A performance was 8.1% and Series F, 8.6%, versus the benchmark’s 10.6%.

The underperformance of the first semester is primarily due to the cash drag effect during a period of fast rising bond and equity markets. The Fund’s assets doubled in size and the cash balance averaged over 12% during the past six months. A secondary negative contribution was the Canadian equity underweight. This asset class makes up 35% of the Index and was the best performing with 16%.

Individual equity names with lagging returns include Cineplex which fell 6%, as the movie theatre industry faces declining attendance levels. Enbridge fell 2% as its Line 3 replacement pipeline was once again delayed due to regulatory hurdles. In the United States, Brinker International, a restaurant operator, fell 13% as margins contracted because of higher labor costs in a

Lysander-Triasima Balanced Income Fund

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

full employment environment. CF Industries, a fertilizer producer, fell 6% as poor planting conditions reduced demand for their products. Brinker and CF Industries had been sold off by the end of the first semester.

The net assets of the Fund increased from \$1.6 million at December 31, 2018, to \$3.1 million at June 30, 2019 mainly due to net subscriptions of \$1.3 million.

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

Economic growth began to slow down in North America in the last quarter of 2018 and the growth pace continued to decrease over the opening months of 2019 in Canada, the United States, and abroad.

In the United States, fading fiscal stimulus and lacklustre economic dynamism abroad took their toll on the economy. First quarter GDP looked strong with a 3.1% annualized increase, but it was of poor quality, driven by inventory build and government spending. Canada tracked along on the path of declining growth. Negative factors in both countries are soft residential construction and underwhelming business investment at this late stage of the economic cycle. Household consumption is also modest in Canada.

Canada could well bounce back soon, however. Oil production has increased following the end of the government of Alberta's mandated cuts, and business confidence has surged to its highest reading in ten months according to the Canadian Federation of Independent Business's barometer. Also of help is the booming North American labor market.

The economic slowdown is more pronounced in Europe with Germany only growing 0.4% during the first quarter, while Italy slips in and out of recession. Germany's export-driven economy is hurt by the deceleration in global trade. The slowdown is confirmed by forward-looking indicators such as the Purchasing Managers Index which now sits in contraction territory.

Trade frictions at play between the United States and China for nearly two years now have aggravated the situation. They are taking a toll on the Chinese economy which is growing more slowly and saw its industrial profits decline 2.3% year-over-year

in May. The Chinese government has jumped on the easing bandwagon in the form of increased spending of infrastructure through special bonds.

The year end 2018 and early 2019 global slowdown has forced the hand of major central banks towards more dovish stances. As such, the Federal Reserve confirmed it would adjust planned interest rate hikes to compensate for slower growth. The Bank of Canada reacted the same way, moving away in its rhetoric from its tightening bias. The overnight rate held steady at 1.75% during the semester. Meanwhile, inflation has accelerated somewhat and is now running at 2.4%, above the Bank of Canada's 2% target.

Continuing with the pattern in place since October 2018, the slowdown as well as dormant inflation have pulled interest rates down further over the first semester. Yields fell dramatically all along the Canadian, American, and European yield curves. To wit, benchmark 10-year federal bond yields dropped from 1.95% to 1.45% in Canada, and from 2.7% to 2.0% in the United States. Moreover, North American yield curves are inverted for the first few years, pointing to further policy rate drops by the Fed and the BoC.

The yield-to-maturity of the FTSE Canada Universe Bond Index thus declined a large 59 basis points over the first semester to reach 2.13% mid-year 2019. With most interest rates falling, bond performance is understandably strong. As such, the FTSE Canada Universe Bond Index posted a respectable, and unexpected, 6.5% return over the first half of 2019.

Global bourses had a strong first semester, with the S&P/TSX Composite Index, the S&P 500, and the MSCI EAFE rising 13% on average (16%, 13%, and 9% respectively). Most sectors posted performance clustered around this 13% average. The growth-oriented Technology sector was an exception, continuing to outperform with a large 28% advance on average for these three indices. Lagging sectors were Telecommunications and Energy, both up "only" 9%.

One focus was adding to the more defensive and higher yielding Utilities and Real Estate sectors since interest rates continued to tumble worldwide. Certain utilities names also now have a growth aspect to them, notably tied to renewable energy.

Equity sales were disproportionately of American names, often because of lower dividend yields relative to other choices. This asset class fell from 21% to 14% of the Fund over the semester. Proceeds were redirected towards foreign equities which went from 13% to 19%. The Fund's cash and cash equivalents had grown to a relatively large 15% by year-end 2018, due to concerns of the time, and was brought down to 7% by mid-year.

Lysander-Triasima Balanced Income Fund

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

Bonds duration has been hovering around 6.75 years during the semester, a relatively high level designed to profit from a declining rate structure. It nonetheless is lower than the FTSE Canada Universe index's duration of 8.0 years, which stands at an all-time record. The bond asset class remained underweight throughout the semester in view of the risk-on environment towards equities. Its structure has been stable: federal and provincial bonds are underweight, while municipal and corporate bonds are overweight.

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.

At the Fund level, relative to the benchmark, bonds are substantially underweighted (over 5%), while foreign equities are substantially overweighted.

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 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 \$10,227 (including HST) in management fees to the Manager for the period ended June 30, 2019 (June 30, 2018 - \$6,949).

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 \$5,104 (including HST) to the Portfolio Manager for the period ended June 30, 2019 (June 30, 2018 - \$4,617).

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

Lysander-Triasima Balanced Income Fund

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

Financial Highlights

Series A*

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
Net assets per unit¹				
Net assets, beginning of period	\$ 9.68	\$ 10.88	\$ 10.16	\$ 10.00
Operations:				
Total revenue	0.21	0.36	0.38	0.31
Total expenses	(0.11)	(0.22)	(0.22)	(0.18)
Realized gains (losses)	(0.03)	(0.34)	0.21	(0.25)
Unrealized gains (losses)	0.72	(0.84)	0.47	0.51
Total increase (decrease) from operations²	\$ 0.79	\$ (1.04)	\$ 0.84	\$ 0.39
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ (0.04)
From dividends	(0.06)	(0.17)	(0.12)	(0.19)
From capital gains	-	-	-	-
Total distributions^{2 3}	\$ (0.06)	\$ (0.17)	\$ (0.12)	\$ (0.23)
Net assets, end of period^{2 3}	\$ 10.41	\$ 9.68	\$ 10.88	\$ 10.16
Ratios and supplemental data				
Net asset value ⁴	\$ 5,493	\$ 5,080	\$ 5,623	\$ 5,194
Units outstanding	528	525	517	511
Management expense ratio ⁵	% 1.97	% 1.96	% 1.94	% 1.68
Management expense ratio before waivers or absorption	2.48	3.14	3.95	7.62
Portfolio turnover rate ⁶	16.4	61.1	35.6	52.1
Trading expense ratio ⁷	0.1	0.2	0.3	0.3
Net asset value per unit, end of period	\$ 10.41	\$ 9.68	\$ 10.88	\$ 10.16

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) 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 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.

Lysander-Triasima Balanced Income Fund

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

Series F*

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
Net assets per unit¹				
Net assets, beginning of period	\$ 9.70	\$ 10.88	\$ 10.16	\$ 10.00
Operations:				
Total revenue	0.21	0.36	0.38	0.33
Total expenses	(0.07)	(0.14)	(0.13)	(0.11)
Realized gains (losses)	(0.01)	(0.34)	0.06	(0.28)
Unrealized gains (losses)	0.54	(0.85)	0.90	0.71
Total increase (decrease) from operations²	\$ 0.67	\$ (0.97)	\$ 1.21	\$ 0.65
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.12)	(0.22)	(0.23)	(0.21)
From capital gains	-	-	-	-
Total distributions^{2 3}	\$ (0.12)	\$ (0.22)	\$ (0.23)	\$ (0.21)
Net assets, end of period^{2 3}	\$ 10.43	\$ 9.70	\$ 10.88	\$ 10.16
Ratios and supplemental data				
Net asset value ⁴	\$ 3,062,047	\$ 1,555,179	\$ 1,640,922	\$ 432,256
Units outstanding	293,508	160,298	150,826	42,558
Management expense ratio ⁵	% 1.15	% 1.14	% 1.12	% 0.93
Management expense ratio before waivers or absorption	1.55	2.33	3.26	6.11
Portfolio turnover rate ⁶	16.4	61.1	35.6	52.1
Trading expense ratio ⁷	0.1	0.2	0.3	0.3
Net asset value per unit, end of period	\$ 10.43	\$ 9.70	\$ 10.88	\$ 10.16

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) 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 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.

Lysander-Triasima Balanced Income Fund

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

Management Fees

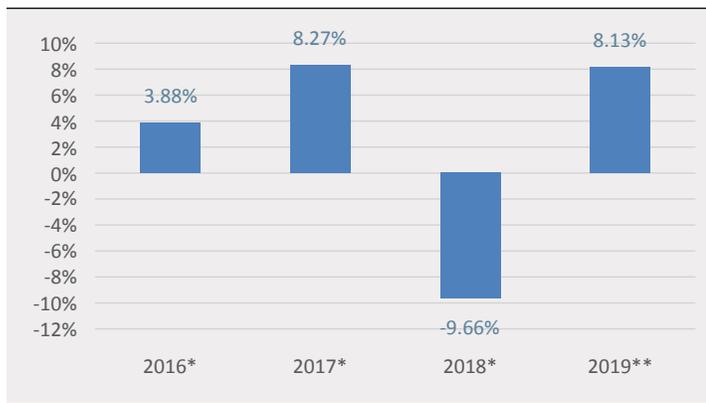
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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

Year-by-Year Returns

Series A

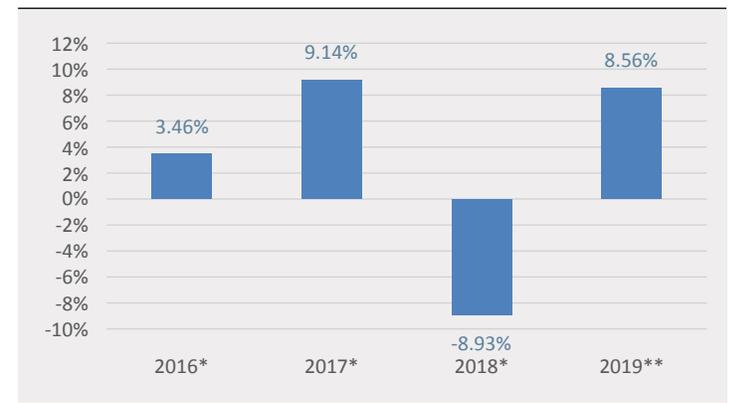


Past Performance

The Fund became a reporting issuer on December 31, 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

Lysander-Triasima Balanced Income Fund

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

Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Cash and Cash Equivalents	%	9.1	Canadian Equities	%	33.0
Government of Canada (Debt)		2.9	Canadian Fixed Income		19.0
WSP Global (Equity)		2.4	Cash and Cash Equivalents		9.1
Thomson Reuters Corporation (Equity)		2.3	International Equities		18.6
S&P (Equity)		2.2	Other Assets less Liabilities		(1.6)
Intercontinental Hotels Group ADR (Equity)		2.1	Preferred Shares		5.3
Motorola Solutions Inc. (Equity)		2.1	US Equities		16.6
Swiss Life Holdings (Equity)		2.1	Total	%	100.0
A&W Revenue Royalties Income Fund (Equity)		2.1	Sector		
Mcdonald's Corporation (Equity)		2.0	Cash and Cash Equivalents	%	9.1
Canadian National Railway Company (Debt)		2.0	Consumer Discretionary		2.1
Hong Kong & China Gas Co. Ltd. ADR (Equity)		2.0	Consumer Staples		7.0
City of Toronto (Debt)		2.0	Energy		13.4
Microsoft Inc. (Equity)		2.0	Federal		2.9
Province of Ontario (Debt)		2.0	Financials		15.9
Algonquin Power & Utilities Corp. (Equity)		2.0	Industrials		9.6
Royal Dutch Shell ADR (Equity)		1.9	Information Technology		4.1
Intact Financial Corp. (Equity)		1.9	Materials		4.3
Morneau Shepell Inc. (Equity)		1.9	Other Assets less Liabilities		(1.6)
NextEra Energy Inc. (Equity)		1.9	Provincial		7.0
Republic Services Inc. (Equity)		1.9	Real Estate		12.0
Killam Apartment Real Estate Investment Trust (Equity)		1.9	Telecommunication Services		5.3
Canadian Apartment Property REIT (Equity)		1.9	Utilities		8.9
Rwe Aktiengesellschaft FT (Equity)		1.9	Total	%	100.0
Americold Realty Trust (Equity)		1.9			
Total	%	58.4			



3080 Yonge Street, Suite 3037
Toronto, ON M4N 3N1
www.lysanderfunds.com

© Lysander Funds is a registered trademark of Lysander Funds Limited