

Annual Management Report of Fund Performance

As at December 31, 2019

Lysander-18 Asset Management Canadian Equity Fund



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A Note About Forward Looking Statements

This 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 annual Management Report of Fund Performance of Lysander-18 Asset Management Canadian Equity Fund (the “Fund”) contains financial highlights for the year ended December 31, 2019 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 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 provide long-term capital growth by investing primarily in equity securities of Canadian companies.

Investment Strategies

The Fund’s portfolio manager is 18 Asset Management Inc. (“Portfolio Manager” or “18AM”). The Fund uses a hybrid style strategy, with equal allocations to Offence (growth and momentum) and Defense (lower volatility, income, quality) styles. The Portfolio Manager employs a bottom-up systematic stock selection process to buy and sell securities within each style. The Fund will not be leveraged. The Fund may invest up to

30% of its assets in foreign securities. The Fund’s investments will not be constrained by sector considerations. More details are contained in the Fund’s simplified prospectus.

Risks

On December 23, 2019, the Manager increased the risk rating of the Fund from “low-to-medium” to “medium” in accordance with the investment risk classification methodology mandated by the Canadian Securities Administrators. Please refer to the Fund’s most recent simplified prospectus.

Results of Operations

Overall, the Fund’s net performance for the year was 21.0% for Series A and 22.4% for Series F. The Fund is a style diversified portfolio, with exposure to companies with Offence characteristics (growth and momentum) and Defence characteristics (income and value). With strong returns generated by the Canadian market in 2019, most investors would have enjoyed some measure of appreciation in their portfolios and both styles were able to generate robust performance in the year. The Offence style was the better performing style, primarily through exposure to the Information Technology and Industrials sectors. The Defence style, despite lagging its style counterpart, delivered healthy gains through exposure to energy pipelines and insurance companies. Top performers included Kirkland Lake Gold (+61.5%), TC Energy (+48.5%) and Constellation Software (+48.5%). Bottom contributors included Kinross Gold (-17.9%) and B2Gold (-16.4%).

The net assets of the Fund are approximately \$5.3 million as of December 31, 2019, up from approximately \$4.1 million at the

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beginning of the year. The increase is comprised of appreciation of the securities in the Fund, as well as net contributions of approximately \$590 thousand.

The positioning of the Fund by style, market capitalization and sector are consistent with the Fund's fundamental investment objectives and strategies. 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 reasonably be expected.

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

Recent Developments

18 AM's investment philosophy is founded on empirical research that supports investing in companies with attractive income statement and balance sheet fundamentals. Additionally, 18AM views style diversification as an effective risk management lever which can provide the Fund with prudent return generation. The Fund's strategy is to maintain a relatively equal allocation to two opposing styles – Offence (companies having attractive growth and momentum characteristics) and Defense (companies with desirable income and quality characteristics). In addition, the Fund had exposure across a majority of sectors throughout the year. There have been no changes to this investment philosophy.

The broad Canadian Equity market, as represented by the TSX Index, achieved gains in all four quarters of 2019, with the Q4 return coming in at 3.2%. Overall, the TSX posted a robust full year return of 22.9% making it best performing year for the TSX in the last 10 years. This was in sharp contrast to 2018 when the index lost almost 9%. Since the start of the year, the TSX fundamentals have moderated but remain attractive. Valuations have risen in line with the market's rebound, from 12.3 times current year earnings at the outset of the year to 15.1 times at the end of the year. 2020 earnings are expected to grow moderately at 7.2% versus 2019, generating \$3.53 per share in the coming year. The 18 AM team has been managing Canadian equities for more than 25 years. It has time-tested its disciplined, systematic process through interest rate cycles, growth and retraction phases, and through its share of stock market shocks. It believes a focus on company fundamentals, rather than speculating on macroeconomic and political events, provides investors the best opportunity for long-term success.

Effective Jan 1, 2020 the management fees of Series A and Series F of the Fund have been reduced from 2.00% and 1.00% to 1.80% and 0.80% respectively, exclusive of taxes.

The Fund's future performance will be affected by changes in the financial condition of the companies held as well as the general condition of the stock market overall; the degree to which these future changes will occur are highly uncertain.

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 \$48,346 (including HST) in management fees to the Manager for the year ended December 31, 2019 (December 31, 2018 - \$44,276).

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 \$26,178 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2018 - \$23,193).

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

Year ended	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of year	\$ 11.29	\$ 12.55	\$ 11.83	\$ 10.66	\$ 11.37
Operations:					
Total revenue	0.38	0.36	0.35	0.36	0.35
Total expenses	(0.33)	(0.32)	(0.31)	(0.28)	(0.29)
Realized gains (losses)	0.74	0.12	-	0.07	(0.06)
Unrealized gains (losses)	2.11	(1.36)	0.78	1.26	(0.82)
Total increase (decrease) from operations²	\$ 2.90	\$ (1.20)	\$ 0.82	\$ 1.41	\$ (0.82)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.01)	(0.03)	(0.06)	(0.04)	(0.02)
From capital gains	(0.51)	(0.04)	-	-	-
Total distributions^{2 3}	\$ (0.52)	\$ (0.07)	\$ (0.06)	\$ (0.04)	\$ (0.02)
Net assets, end of year^{2 3}	\$ 13.04	\$ 11.29	\$ 12.55	\$ 11.83	\$ 10.66
Ratios and supplemental data					
Net asset value ⁴	\$ 300,049	\$ 415,393	\$ 464,596	\$ 383,146	\$ 300,004
Units outstanding	23,003	36,796	37,007	32,378	28,155
Management expense ratio ⁵	% 2.55	% 2.56	% 2.55	% 2.53	% 2.53
Management expense ratio before waivers or absorption	2.83	2.87	2.75	3.11	3.92
Portfolio turnover rate ⁶	62.2	47.6	74.2	92.9	94.8
Trading expense ratio ⁷	0.1	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 13.04	\$ 11.29	\$ 12.55	\$ 11.83	\$ 10.66

Notes

- The information is derived from the Fund's 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) 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.
- 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

Year ended	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of year	\$ 11.48	\$ 12.77	\$ 12.02	\$ 10.86	\$ 11.59
Operations:					
Total revenue	0.41	0.36	0.36	0.37	0.36
Total expenses	(0.19)	(0.18)	(0.18)	(0.16)	(0.16)
Realized gains (losses)	0.61	0.12	-	0.05	(0.35)
Unrealized gains (losses)	1.61	(1.38)	0.75	1.09	(0.59)
Total increase (decrease) from operations²	\$ 2.44	\$ (1.08)	\$ 0.93	\$ 1.35	\$ (0.74)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.23)	(0.17)	(0.18)	(0.22)	(0.18)
From capital gains	(0.64)	(0.04)	-	-	-
Total distributions^{2 3}	\$ (0.87)	\$ (0.21)	\$ (0.18)	\$ (0.22)	\$ (0.18)
Net assets, end of year^{2 3}	\$ 13.22	\$ 11.48	\$ 12.77	\$ 12.02	\$ 10.86

Ratios and supplemental data					
Net asset value ⁴	\$ 3,815,598	\$ 2,711,951	\$ 3,002,912	\$ 2,698,702	\$ 1,960,285
Units outstanding	288,714	236,250	235,065	224,481	180,539
Management expense ratio ⁵	% 1.42	% 1.43	% 1.42	% 1.41	% 1.41
Management expense ratio before waivers or absorption	1.74	1.73	1.61	1.97	2.80
Portfolio turnover rate ⁶	62.2	47.6	74.2	92.9	94.8
Trading expense ratio ⁷	0.1	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 13.22	\$ 11.48	\$ 12.77	\$ 12.02	\$ 10.86

Notes

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Series O

Year ended	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of year	\$ 11.59	\$ 12.87	\$ 12.11	\$ 10.92	\$ 11.63
Operations:					
Total revenue	0.38	0.35	0.35	0.35	0.33
Total expenses	(0.04)	(0.04)	(0.04)	(0.04)	(0.03)
Realized gains (losses)	0.63	0.12	-	0.03	0.01
Unrealized gains (losses)	1.76	(1.41)	0.75	1.15	(0.78)
Total increase (decrease) from operations²	\$ 2.73	\$ (0.98)	\$ 1.06	\$ 1.49	\$ (0.47)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.36)	(0.3)	(0.3)	(0.31)	(0.24)
From capital gains	(0.64)	(0.02)	-	-	-
Total distributions^{2 3}	\$ (1.00)	\$ (0.32)	\$ (0.3)	\$ (0.31)	\$ (0.24)
Net assets, end of year^{2 3}	\$ 13.34	\$ 11.59	\$ 12.87	\$ 12.11	\$ 10.92
Ratios and supplemental data					
Net asset value ⁴	\$ 1,232,244	\$ 995,532	\$ 1,078,021	\$ 990,412	\$ 873,650
Units outstanding	92,392	85,922	83,751	81,781	79,977
Management expense ratio ⁵	% 0.29	% 0.30	% 0.29	% 0.28	% 0.27
Management expense ratio before waivers or absorption	0.61	0.60	0.48	0.86	1.70
Portfolio turnover rate ⁶	62.2	47.6	74.2	92.9	94.8
Trading expense ratio ⁷	0.1	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 13.34	\$ 11.59	\$ 12.87	\$ 12.11	\$ 10.92

Notes

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Management Fees

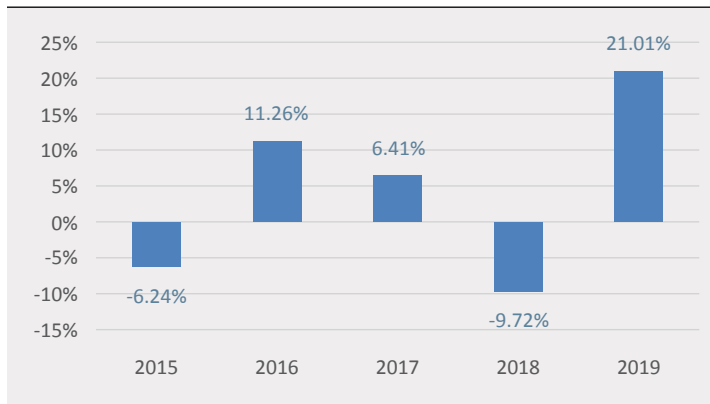
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a management fee, based on the net asset value of each Series, calculated daily and payable monthly. Effective January 1, 2020, the Fund will pay a management fee of 1.80% (formerly 2.00%) per annum for Series A units and 0.80% (formerly 1.00%) per annum for Series F units. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

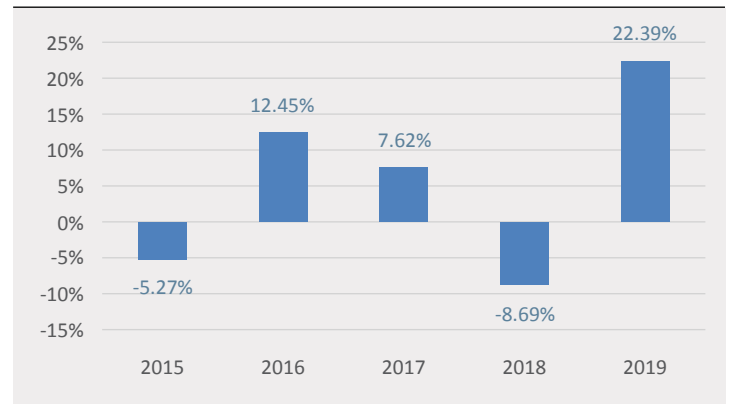
Service fees or trailing commissions of a maximum of 1.00% per annum were paid on Series A units to dealers. This comprises approximately 50.0% of the management fee of Series A units.

Year-by-Year Returns

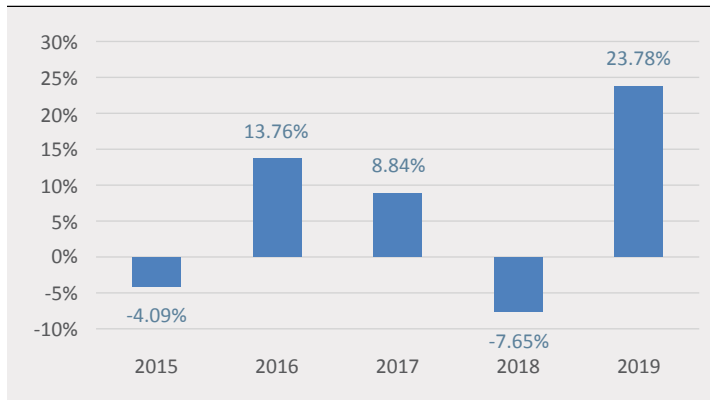
Series A



Series F



Series O



Past Performance

The Fund became a reporting issuer on December 30, 2014. 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.

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Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Composite Total Return Index. The returns of the S&P/TSX Composite Total Return Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2019		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	21.01	%	5.15	%	3.93	%	3.99
Series F ¹		22.39		6.34		5.08		5.13
Series O ¹		23.78		7.55		6.30		6.36
S&P/TSX Composite Total Return Index ⁴	%	22.88	%	6.89	%	6.28	%	6.26

Notes

- 1 Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.
- 2 Compound period returns are annualized.
- 3 Period starting from December 30, 2014. Since inception returns are annualized.
- 4 Source: TSX Inc. Copyright © TSX Inc. All rights reserved.

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Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
Fortis Inc.	%	3.6	Canadian Equities	%	99.3
TC Energy Corp.		3.6	Cash and Cash Equivalents		0.3
Sun Life Financial Inc.		3.6	Other Assets less Liabilities		0.4
Power Financial Corp.		3.5	Total	%	100.0
Parkland Fuel Corp.		3.5	Sector		
Quebecor Inc.		3.5	Cash and Cash Equivalents	%	0.3
Constellation Software Inc.		3.5	Communication Services		3.2
Canadian Pacific Railway Ltd.		3.5	Consumer Discretionary		10.2
Pan American Silver		3.5	Consumer Staples		2.9
National Bank		3.4	Energy		16.9
Alimentation Couche-Tard Inc.		3.4	Financials		33.1
Bank of Montreal		3.4	Industrials		9.9
Canadian Natural Resources		3.4	Information Technology		3.5
Emera Inc.		3.3	Materials		6.2
IA Financial Corporation		3.3	Other Assets less Liabilities		0.4
Canadian Apartment Property REIT		3.3	Real Estate		6.4
Thomson Reuters Corporation		3.3	Utilities		7.0
The Stars Group Inc.		3.3	Total	%	100.0
CAE Inc.		3.3			
Suncor Energy Inc.		3.3			
Royal Bank of Canada		3.2			
BCE Inc.		3.2			
Bank of Nova Scotia		3.2			
Air Canada		3.2			
Brookfield Renewable Energy Partners L.P.		3.2			
Total	%	84.5			



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