

Annual Management Report of Fund Performance

As at December 31, 2019

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 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 (“MRFP”) of Lysander-Slater Preferred Share Dividend 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 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 are primarily 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

The disappointing start to the first half of the year for Canadian Preferred Shares continued into Q3 2019, and proved further challenging with the 5-year Canadian bond yield falling to as low as 1.12% in August. Q3 2019 saw global growth continuing to slow, mainly due to the U.S and China trade war as both economies began to show the affects of the tariffs. The U.S Federal Reserve made their second interest rate cut for the year in July to 2.25% a 25bp cut citing low inflation numbers and rising global risks. As a result, bond yields in Canada were affected, falling from 1.4% at the end of June, to as low as 1.15% in August, and finishing at 1.4% for Q3. Q4 2019 proved to be a much better quarter for Preferred Shares as fear over lower interest rates began to dissipate due to a few reasons. Canadian unemployment numbers reached new lows, and inflation continued to stay in the banks target rate of 2.0%. We mentioned in the Semi Annual MRFP that Canada did not need to cut their overnight rate if the U.S were to cut once or twice which has been borne out thus far. The U.S in 2019 cut their overnight rate three times while Canada held their rate steady and both rates finished the year at 1.75%. The Preferred Share market bounced back quarter in Q4 with the The Canadian S&P Preferred Share Index (“Index”) up 3.89% and the Series F units of the Fund up 5.79% over the 3 months. Much of the outperformance in the quarter was due to a recovery in low

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spread fixed resets and floating rate Preferred Shares. U.S. and China agreed to a “Phase 1” trade deal that helped support bond yields higher, and also strong economic figures (low unemployment, strong retail sales) of Canada and the U.S reduce fear of lower interest rates.

Slater slightly decreased the Straight Perpetual exposure in the Fund from 9.8% to begin the second half of the year to 8% at the end of the year. The proceeds were used to increase exposure in floating rate Preferred Shares from 2.7% to 8% by year end.

The Fund's asset under management decreased from approximately \$100.7 million at the beginning of the year to approximately \$79.3 million at the end of the year. This was mainly due to net redemptions of \$18.6 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 or described.

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

Recent Developments

The majority of the Fund's portfolio continues to be invested in discounted fixed resets due to historically wide spreads and attractive yields. During Q4 the Fund diversified its holdings for improved liquidity requirement. Despite the strong finish to the year with the index finishing up 3.48% and the Series F units of the Fund finishing at 2.0%, Slater believes the market is still at attractive levels.

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 \$865,345 (including HST) in management fees to the Manager for the year ended December 31, 2019. (December 31, 2018: \$1,063,344).

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 \$364,184 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2018: \$452,673).

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	\$ 8.53	\$ 10.00	\$ 9.32	\$ 8.95	\$ 10.00
Operations:					
Total revenue	0.47	0.45	0.47	0.47	0.43
Total expenses	(0.13)	(0.15)	(0.16)	(0.13)	(0.15)
Realized gains (losses)	(1.09)	0.11	0.54	(0.37)	(0.23)
Unrealized gains (losses)	0.85	(1.56)	0.19	0.82	(0.88)
Total increase (decrease) from operations²	\$ 0.10	\$ (1.15)	\$ 1.04	\$ 0.79	\$ (0.83)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.32)	(0.27)	(0.29)	(0.30)	(0.19)
From capital gains	-	(0.12)	(0.10)	-	-
Total distributions^{2 3}	\$ (0.32)	\$ (0.39)	\$ (0.39)	\$ (0.30)	\$ (0.19)
Net assets, end of year^{2 3}	\$ 8.33	\$ 8.53	\$ 10.00	\$ 9.32	\$ 8.95

Ratios and supplemental data					
Net asset value ⁴	\$ 25,827,659	\$ 25,951,516	\$ 25,459,510	\$ 17,007,583	\$ 12,855,142
Units outstanding	3,101,718	3,041,701	2,545,622	1,824,172	1,436,244
Management expense ratio ⁵	% 1.54	% 1.53	% 1.55	% 1.56	% 1.61
Management expense ratio before waivers or absorption	1.54	1.53	1.55	1.56	1.61
Portfolio turnover rate ⁶	84.8	104.8	132.0	175.5	73.0
Trading expense ratio ⁷	0.4	0.4	0.5	0.6	0.5
Net asset value per unit, end of year	\$ 8.33	\$ 8.53	\$ 10.00	\$ 9.32	\$ 8.95

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	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97	\$ 10.00
Operations:					
Total revenue	0.47	0.45	0.47	0.47	0.43
Total expenses	(0.08)	(0.10)	(0.10)	(0.09)	(0.10)
Realized gains (losses)	(1.08)	0.11	0.54	(0.38)	(0.24)
Unrealized gains (losses)	0.76	(1.64)	0.19	0.87	(0.81)
Total increase (decrease) from operations²	\$ 0.07	\$ (1.18)	\$ 1.10	\$ 0.87	\$ (0.72)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.36)	(0.33)	(0.34)	(0.33)	(0.24)
From capital gains	-	(0.10)	(0.10)	-	-
Total distributions^{2 3}	\$ (0.36)	\$ (0.43)	\$ (0.44)	\$ (0.33)	\$ (0.24)
Net assets, end of year^{2 3}	\$ 8.38	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97

Ratios and supplemental data					
Net asset value ⁴	\$ 53,479,670	\$ 74,783,460	\$ 62,559,365	\$ 41,523,722	\$ 30,243,779
Units outstanding	6,379,154	8,717,097	6,232,411	4,440,131	3,373,082
Management expense ratio ⁵	% 0.98	% 0.97	% 0.98	% 1.00	% 1.05
Management expense ratio before waivers or absorption	0.98	0.97	0.98	1.00	1.05
Portfolio turnover rate ⁶	84.8	104.8	132.0	175.5	73.0
Trading expense ratio ⁷	0.4	0.4	0.5	0.6	0.5
Net asset value per unit, end of year	\$ 8.38	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97

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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Management Fees

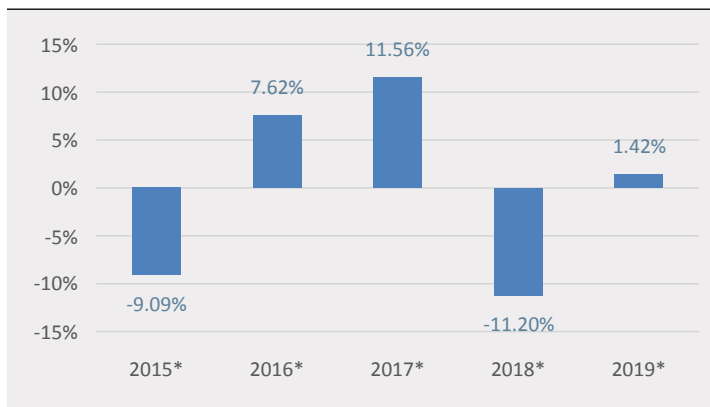
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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

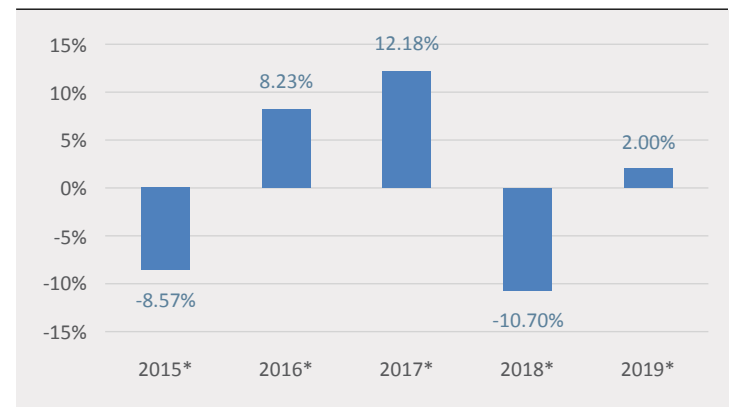


Past Performance

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.

Series F



* For the period January 1 to December 31

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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 Preferred Share Index (the "Index"). The returns of the 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	%	1.42	%	0.16	%	(0.34)	%	(0.34)
Series F ¹		2.00		0.72		0.22		0.22
S&P/TSX Preferred Share Total Return Index ⁴	%	3.48	%	2.68	%	(0.30)	%	(0.23)

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 © Copyright 2019 TSX Inc. All rights reserved.

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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Pembina Pipeline Corp.	%	8.0	Canadian Equities	%	0.1
Enbridge Inc.		7.5	Cash and Cash Equivalents		4.3
Manulife Financial Corp.		6.9	Other Assets less Liabilities		(0.4)
TC Energy Corp		5.9	Preferred Shares		96.0
Fairfax Financial		5.3	Total	%	100.0
Brookfield Office Properties Inc.		4.7	Sector		
Cash and Cash Equivalents		4.3	Cash and Cash Equivalents	%	4.3
Canadian Imperial Bank of Commerce		4.0	Consumer Staples		2.2
Fortis Inc.		3.9	Energy		27.2
BCE Inc.		3.8	Financials		43.1
Brookfield Asset Management Inc.		3.5	Other Assets less Liabilities		(0.4)
Power Financial Corp.		3.5	Real Estate		5.9
Great-West LifeCo Inc.		3.4	Telecommunication Services		3.9
AltaGas Ltd.		3.3	Utilities		13.8
Royal Bank of Canada		3.1	Total	%	100.0
Emera Inc.		3.0			
Sun Life Financial Inc.		2.7			
Toronto Dominion Bank		2.4			
George Weston Limited		2.2			
Bank of Montreal		2.2			
Husky Energy Inc.		1.9			
Industrial Alliance		1.8			
National Bank		1.5			
TransAlta Corp.		1.5			
Canadian Utilities Limited		1.4			
Total	%	91.7			



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