

## Annual Management Report of Fund Performance

As at December 31, 2021

# Lysander-Canso 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-Canso Equity Fund (the “Fund”) contains financial highlights for the year ended December 31, 2021 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, 2021. 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](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://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 companies anywhere in the world.

## Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”), a company under common control as the Manager. The Fund invests primarily in equity securities of small, medium and large companies. The Fund may also hold cash and fixed income securities. The Fund will not be constrained by geographic or sector considerations and could be

substantially exposed to equity securities of issuers not in developed markets.

Canso tends to take a “bottom up” approach to portfolio construction, focusing on security selection. The Portfolio Manager selects securities based on its independent, proprietary research and valuation of individual companies.

The Fund may invest in debt securities convertible into common stock, fixed income securities of governments, government agencies, supranational agencies, companies, trusts, limited partnerships and other funds including ETFs. The Fund will not be leveraged. The Fund may invest up to 100% of its net assets in foreign securities.

The Fund may hold all or a portion of its assets in cash or cash equivalents or invest in short term bonds or money market instruments in response to adverse market, economic and/or political conditions or for liquidity, defensive or other purposes. As a result, the Fund may not always be fully invested in accordance with its investment objectives. 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 year, Canso employed its bottom-up process to buy and sell securities for the Fund. The Fund’s positioning and performance is consistent with the Fund’s fundamental investment objective and strategies.

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The Fund returns for the year were 48.39% for Series A and 50.08% for Series F.

The net assets of the Fund increased to \$14.0 million at December 31, 2021 from \$9.4 million at the beginning of the year. There were net redemptions of \$33.6 thousand during the year.

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 have been described below.

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

## Recent Developments

Investors entered the new year concerned with medical, economic and political challenges. In the U.S., the Democrats won control of the Senate, paving the way for the new administration to pass a larger stimulus package. Fiscal policy relief did not immediately allay investor concerns over increased COVID-19 cases and the impact of renewed lockdown measures. However, views changed rapidly as the vaccine rollout gathered pace and the prospect for an economic reopening crystallized. Economists quickly altered forecasts predicting a stronger recovery and higher inflation. Reassurance from the Federal Reserve that short rates would remain near zero, coupled with government support for the economy proved good news for equity markets but less so for bond markets as yields moved sharply higher for much of the year.

As inflation pushed to its highest level since the 1980s, government bond yields rose. Central bankers began to increasingly signal that higher interest rates were on the way some time in 2022. The view that higher inflation was only transient increasingly fell by the wayside as cost pressures and higher wage demands were also drivers of the higher inflation numbers.

In Canada, the housing market continued to be strong. Continued low mortgage rates was the main driver. Higher commodity prices also brightened the prospects for exports and business investment. Low interest rates also propelled risky assets upward and equity markets posted double digit returns for the year.

Signs of rampant speculation were increasingly apparent as the year wore on, whether it was in crypto-currencies, growth in very speculative venture capital deals, or the low and shrinking compensation lenders earned from high yield bonds.

The emergence of the Omicron variant late in the year contributed to a market sell-off, especially in technology names with high valuations and for bonds to regain some of the value lost from earlier in the year. However, the bond rally was short lived and Canso expects selloffs to continue as rising yields will deflate asset values for some time. This will come as a shock to younger investors who have never experienced negative returns from bonds. In Canso's view, the outlook for financial asset returns is not optimistic, with the greatest risk in highly valued or highly levered investments.

During the year the Fund bought BT Group PLC, Air Canada, and Transcontinental as new positions, and increased positions in Hertz and Spirit AeroSystems. Securities sold included the full lines of Wabtec, SLM, NatWest Group, Commerzbank, Lloyds Banking Group, SES, and UniCredit. Bombardier and Ovirtiv were partially sold down after huge recoveries from their pandemic lows. Overall the Fund increased in cash position as valuations in the market continue to be stretched.

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 simplified prospectus.

The Fund paid \$109,042 (including HST) in management fees to the Manager for the year ended December 31, 2021 (December 31, 2020 - \$68,138).

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 \$53,639 (including HST) to the Portfolio

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Manager for the year ended December 31, 2021 (December 31, 2020 - \$32,631).

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-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 12.03	\$ 11.20	\$ 8.96	\$ 12.68	\$ 11.38
Operations:					
Total revenue	0.24	0.18	0.27	0.30	0.15
Total expenses	(0.36)	(0.22)	(0.27)	(0.34)	(0.31)
Realized gains (losses)	2.24	0.24	0.08	1.78	0.17
Unrealized gains (losses)	3.44	(0.75)	2.24	(4.12)	1.44
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 5.56</b>	<b>\$ (0.55)</b>	<b>\$ 2.32</b>	<b>\$ (2.38)</b>	<b>\$ 1.45</b>
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	-	-	-
From capital gains	(2.65)	0.06	(0.07)	(1.29)	(0.15)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (2.65)</b>	<b>\$ 0.06</b>	<b>\$ (0.07)</b>	<b>\$ (1.29)</b>	<b>\$ (0.15)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 15.60</b>	<b>\$ 12.03</b>	<b>\$ 11.20</b>	<b>\$ 8.96</b>	<b>\$ 12.68</b>

<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 227,422	\$ 141,145	\$ 369,198	\$ 293,361	\$ 377,088
Units outstanding	14,578	11,731	32,964	32,750	29,741
Management expense ratio <sup>5</sup>	% 2.13	% 2.13	% 2.55	% 2.56	% 2.55
Management expense ratio before waivers or absorption	2.32	2.40	2.84	3.16	3.00
Portfolio turnover rate <sup>6</sup>	5.09	12.32	18.21	28.23	10.41
Trading expense ratio <sup>7</sup>	0.03	0.07	0.13	0.23	0.07
Net asset value per unit, end of year	\$ 15.60	\$ 12.03	\$ 11.20	\$ 8.96	\$ 12.68

### 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. Effective January 1, 2020, the Fund paid 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.
- 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-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 12.64	\$ 11.7	\$ 9.33	\$ 13.17	\$ 11.69
Operations:					
Total revenue	0.25	0.20	0.27	0.32	0.15
Total expenses	(0.20)	(0.12)	(0.17)	(0.21)	(0.18)
Realized gains (losses)	2.41	0.15	0.08	1.83	0.17
Unrealized gains (losses)	3.87	1.48	2.22	(4.25)	1.55
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 6.33</b>	<b>\$ 1.71</b>	<b>\$ 2.40</b>	<b>\$ (2.31)</b>	<b>\$ 1.69</b>
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.06)	(0.08)	(0.11)	(0.10)	-
From capital gains	(2.41)	(0.16)	(0.08)	(1.89)	(0.17)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (2.47)</b>	<b>\$ (0.24)</b>	<b>\$ (0.19)</b>	<b>\$ (1.99)</b>	<b>\$ (0.17)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 16.51</b>	<b>\$ 12.64</b>	<b>\$ 11.70</b>	<b>\$ 9.33</b>	<b>\$ 13.17</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 13,790,627	\$ 9,261,160	\$ 6,766,543	\$ 3,616,841	\$ 3,162,448
Units outstanding	835,147	732,963	578,238	387,546	240,177
Management expense ratio <sup>5</sup>	% 1.00	% 1.00	% 1.42	% 1.43	% 1.42
Management expense ratio before waivers or absorption	1.18	1.29	1.71	2.01	1.89
Portfolio turnover rate <sup>6</sup>	5.09	12.32	18.21	28.23	10.41
Trading expense ratio <sup>7</sup>	0.03	0.07	0.13	0.23	0.07
Net asset value per unit, end of year	\$ 16.51	\$ 12.64	\$ 11.70	\$ 9.33	\$ 13.17

## 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.
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## Management Fees

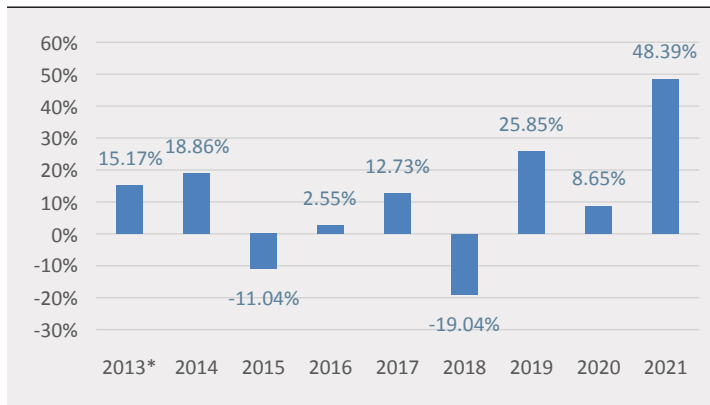
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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. The Fund pays a management fee of 1.80% per annum for Series A units and 0.80% per annum for Series F units.

Service fees or trailing commissions of a maximum of 1.00% per annum were paid on Series A units to dealers. This comprises approximately 55.6% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

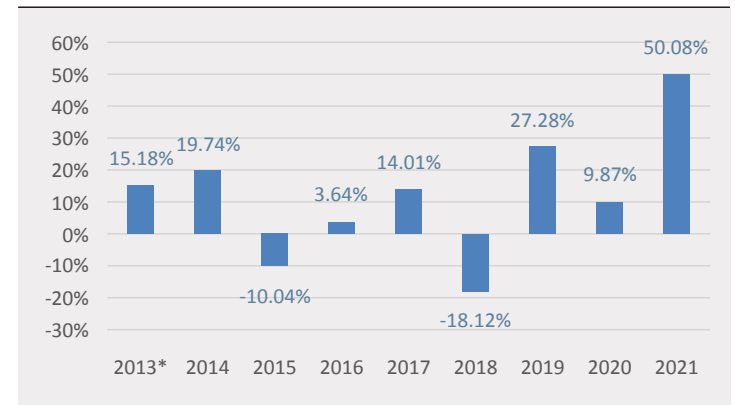


## Past Performance

The Fund commenced operations on September 18, 2013. Accordingly, returns are shown for the relevant period/years 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 September 18 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 MSCI All Country World (CAD) Index (the "Index"). The Index captures large and mid cap representation across 24 developed markets countries.

For years ended December 31, 2021		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		Since Inception <sup>3</sup>
<b>Annual Compound Return</b>								
Series A <sup>1</sup>	%	48.39	%	26.60	%	13.11	%	10.65
Series F <sup>1</sup>		50.08		28.03		14.40		11.80
MSCI All Country World (CAD) Index <sup>4</sup>	%	17.61	%	17.40	%	12.99	%	13.40

### 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 from September 18, 2013 to December 31, 2021. Since inception returns are annualized.

4 The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information is provided on an as is basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating the MSCI information (collectively, the MSCI Parties.) makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and the MSCI Parties hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, noninfringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.



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## Summary of Investment Portfolio

	% of NAV	
<b>Top 25 Issuers</b>		
Hertz Global Holdings Inc.	%	14.6
Cenovus Energy Inc.		7.5
Apple Inc.		6.8
Ovintiv Inc.		6.2
Cash and Cash Equivalents		5.1
Spirit Aerosystems Inc.		4.9
BT Group PLC		4.3
Linamar Corp.		4.0
Air Canada		3.9
Bombardier Inc.		3.9
Transcontinental Inc.		3.9
SNC Lavalin		3.8
Generac Holdings Inc.		3.6
Yellow Pages Limited		3.2
Bird Construction Inc.		3.1
Manulife Financial Corporation		3.1
Enbridge Inc.		3.0
Kraft Heinz Co.		2.7
Cae Inc.		2.7
Givaudan SA		2.4
Nintendo Co., Ltd.		2.0
Empire Co Ltd.		1.7
Intel Corporation		1.3
Canfor Pulp Products Inc.		1.0
Aegis Brands Inc.		0.8
<b>Total</b>	<b>%</b>	<b>99.5</b>

	% of NAV	
<b>Asset Mix</b>		
Canadian Equities	%	52.1
Cash and Cash Equivalents		5.1
Foreign Equities		42.4
Preferred Shares		0.3
Other Assets less Liabilities		0.1
<b>Total</b>	<b>%</b>	<b>100.0</b>
<b>Sector</b>		
Cash and Cash Equivalents	%	5.1
Communication Services		3.2
Consumer Discretionary		11.0
Consumer Staples		4.5
Energy		16.8
Financials		3.3
Industrials		45.6
Information Technology		8.0
Materials		2.4
Other Assets less Liabilities		0.1
<b>Total</b>	<b>%</b>	<b>100.0</b>



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