

Annual Management Report of Fund Performance

As at December 31, 2021

Lysander-Slater Preferred Share ActivETF



SLATER

ASSET MANAGEMENT



Lysander-Slater Preferred Share ActivETF

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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 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-Slater Preferred Share ActivETF (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 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 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

On July 29, 2021, 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

Preferred Shares had its best performing year, with the S&P/TSX Preferred Share Index up 19.35% and the Lysander-Slater Preferred Share ActivETF (“the ETF”) up 28.65% respectively.

The net assets of the Fund increased to approximately \$100.8 million at December 31, 2021 from approximately \$64.8 million at the beginning of the year. This was primarily due to net subscriptions of \$19.5 million, cash distributions of \$3.5 million and net operating gains of \$20.0 million during the year.

The recovery from Covid-19 in North America continued in the second half of 2021, with unemployment rates improving to pre-pandemic levels. Wages increased due to a shortage in labour supply that helped spur economic activity. Global supply chain issues continued to hamper supply of many goods and services, and historically low interest rates helped spur inflation to its highest level since the 1980’s. The Canadian 5-year bond yield (benchmark for fixed rate reset Preferred Shares) rose to as high as 1.6% in November but trended lower to finish the year at 1.25% due to the fear of a new variant (Omicron) and its effect on economic growth. The theme of supply shrinkage continued for Preferred Shares that helped support performance, with institutions calling in more costly Preferred Shares and re-issuing a lower cost of capital Limited Recourse Capital Notes (“LRCN”). An additional \$6.24 billion worth of Preferred Shares were

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redeemed in the second half for a total of over \$10 billion, and the market saw an additional \$1.4 billion of new issue Preferred Shares. The net difference of approximately \$4.84 billion caused many funds and investors to invest in existing Preferred Shares with the proceeds. The LRCN market continued to grow with an additional \$5.95 billion coming to market in the second half, the LRCN market has now grown to over \$18 billion in size.

The Fund continued to position the portfolio for a move in higher interest rates by being overweight in discounted fixed rate reset Preferred Shares. Specifically, the Fund reduced its weighting in 300-400bp spread resets to an approximate weighting of 10% from 20% at the end of June, as many of these resets approached par value. The Fund also slightly reduced its weighting in 225-300bp spread resets from 43% to 39%, and increased <225 spread resets to 15.4% from 11% at the end of June.

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 herein.

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

Recent Developments

Slater's thesis of expected market redemptions played out from the beginning of the year as Slater estimated that approximately \$8 billion in Preferred Share product would be redeemed in 2021 and over \$10 billion in product was actually called. Slater also continues to expect higher rather than lower interest rates going forward, and expects the Bank of Canada to begin raising interest rates in the first half of 2022. Slater anticipates that an estimated \$7 billion of Preferred Share product to be called in 2022 and that little new issuance of Preferred Shares to occur. Therefore, the Fund is positioned for higher interest rates.

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 \$565,326 (excluding HST) in management fees to the Manager for the year ended December 31, 2021 (December 31, 2020 - \$415,312).

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 \$319,409 (including HST) to the Portfolio Manager for the year ended December 31, 2021 (December 31, 2020 - \$234,651).

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

Year ended	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets per unit¹					
Net assets, beginning of year	\$ 8.35	\$ 8.83	\$ 9.06	\$ 10.61	\$ 10.11
Operations:					
Total revenue	0.44	0.44	0.48	0.47	0.50
Total expenses	(0.14)	(0.12)	(0.10)	(0.14)	(0.16)
Realized gains (losses)	1.27	(1.33)	(1.05)	0.06	0.55
Unrealized gains (losses)	0.69	0.71	0.77	(1.62)	0.28
Total increase (decrease) from operations²	\$ 2.26	\$ (0.30)	\$ 0.10	\$ (1.23)	\$ 1.17
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.30)	(0.36)	(0.37)	(0.32)	(0.27)
From capital gains	-	-	-	(0.06)	(0.44)
Return of Capital	(0.10)	(0.04)	(0.04)	(0.07)	(0.01)
Total distributions^{2 3}	\$ (0.40)	\$ (0.40)	\$ (0.41)	\$ (0.45)	\$ (0.72)
Net assets, end of year^{2 3}	\$ 10.32	\$ 8.35	\$ 8.83	\$ 9.06	\$ 10.61

Ratios and supplemental data					
Net asset value ⁴	\$ 100,836,205	\$ 64,876,122	\$ 84,454,128	\$ 97,590,059	\$ 90,895,230
Units outstanding	9,769,000	7,769,000	9,569,000	10,769,000	8,569,000
Management expense ratio ⁵	% 0.99	% 1.03	% 0.81	% 1.03	% 1.03
Management expense ratio before waivers or absorption	0.99	1.03	0.81	1.03	1.07
Portfolio turnover rate ⁶	140	164	107	120	139
Trading expense ratio ⁷	0.42	0.60	0.35	0.37	0.47
Net asset value per unit, end of year	10.32	8.35	8.83	9.06	10.61
Closing market price per unit ⁴	\$ 10.29	\$ 8.33	\$ 8.80	\$ 9.08	\$ 10.64

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.
- 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.

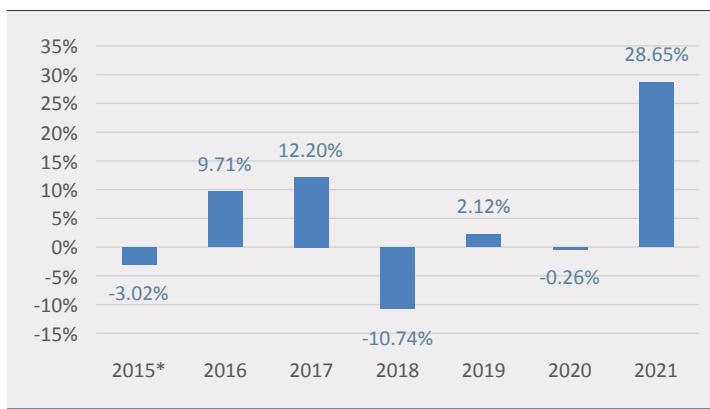
In consideration for such services, the Manager receives a management fee, based on the net asset value of the fund, calculated daily and payable monthly. The Fund pays a management fee of 0.65% per annum.

Past Performance

The Fund's commenced operations on August 10, 2015. Accordingly, returns are shown for the relevant years/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.

Year-by-Year Returns



* For the period August 10 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 Total Return Index.

For years ended December 31, 2021		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Lysander-Slater Preferred Share ActivETF	%	28.65	%	9.42	%	5.59	%	5.36
S&P/TSX Preferred Share Total Return Index ⁴	%	19.35	%	9.45	%	6.52	%	5.66

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 August 10, 2015 to December 31, 2021. Since inception returns are annualized.
- 4 Source: TSX © Copyright 2020 TSX Inc. All rights reserved.

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Enbridge Inc	9.7	Canadian Equities	1.1
Fairfax Financial Holdings Ltd	6.9	Cash and Cash Equivalents	2.2
Canadian Utilities Limited	5.5	Fixed Income	2.1
Fortis Inc	5.1	Preferred Shares	94.7
Great West Lifeco Inc	5.1	Other Assets less Liabilities	(0.1)
TC Energy Corporation	5.0	Total	100.0
BCE Inc	4.8	Sector	
Power Financial Corporation	4.5	Cash and Cash Equivalents	2.2
Emera Inc	4.3	Communication Services	4.8
Brookfield Asset Management Inc	4.1	Consumer Staples	3.0
Sun Life Financial Inc	3.6	Energy	22.9
Manulife Financial Corporation	3.4	Financials	43.7
Pembina Pipeline Corporation	3.3	Industrials	0.7
George Weston Limited	3.0	Information Technology	2.3
Altagas Ltd	3.0	Other Assets less Liabilities	(0.1)
Bank of Montreal	2.8	Utilities	20.5
Artis REIT	2.5	Total	100.0
Thomson Reuters Corporation	2.3		
Toronto Dominion Bank	2.2		
Cash and Cash Equivalents	2.2		
Capital Power Corporation	2.1		
Cenovus Energy Inc.	2.1		
Royal Bank of Canada (Debt)	2.0		
Northland Power Inc	1.7		
Brookfield Office Properties Inc	1.4		
Total	92.6		



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