Annual Management Report of Fund Performance
As at December 31, 2018

Lysander-Canso U.S. Credit Fund

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 U.S. Credit Fund (the "Fund") contains financial highlights for the year ended December, 2018 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, 2018. 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, 100 York Boulevard, Suite 501, Richmond Hill, Ontario, L4B 1J8, 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 investment Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment objective

The Fund's objective is to achieve long term capital growth of returns consisting of income and some capital gains primarily through investments in U.S. debt and money market securities either denominated in U.S. dollars or hedged to U.S. dollars using forward currency contracts.

Investment Strategies

The Fund's portfolio manager is Canso Investment Counsel Ltd. ("Portfolio Manager" or "Canso").The Fund's portfolio positions will primarily be invested in fixed income securities, including those of foreign issues. The Fund will not be leveraged. More details are contained in the Fund's simplified prospectus.

During the period Canso employed its bottom-up process to buy and sell securities for the Fund.

Unless otherwise noted, all dollar amounts and returns in this document are expressed in USD.

Risks

The risks of this Fund remain as discussed in the Fund's most recent simplified prospectus.

Results of Operations

The Fund had returns for the year of -1.76% for Series A and -1.21% for Series F.

This positioning and performance is consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund decreased to over $28.1 million at December 31, 2018 from $28.3 million at the beginning of the year. There were net redemptions of $441 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.

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

Recent Developments

Equity markets struggled with higher interest rates in the first quarter as the US Federal Reserve raised rates citing the continued strength in the labour market. The Bank of Canada followed suit with its own hike in January. Bond market returns were negative as a result early in the quarter, but yields settled back somewhat in March. Corporate bonds modestly underperformed Canada bonds as spreads widened.

The upward trajectory in yields reversed course in June as Canada, the EU and Mexico retaliated against the US steel and aluminum tariffs imposed by the Trump administration. Markets feared a global trade war with US tariffs on Chinese goods (and vice versa) set to begin in July. The Bank of Canada remained on hold in the quarter while the Federal Reserve continued to push US administered rates higher. In this environment, long Government bonds outperformed and credit spreads widened slightly but the higher yield of corporates allowed them to match the return of the Canada index.

Interest rates continued to creep higher in the third quarter even though the drama with the NAFTA negotiations moderated their increase. The Canadian Government seemed immensely relieved to have a tentative deal on the new NAFTA, called USMCA. This agreement was reached right at the US imposed deadline. Meanwhile, the US Federal Reserve raised rates and remained open about their desire to push rates back to “normal” levels. In Canso's view this makes sense, given that the US economy is booming from tax cuts, Government spending, and the fact that interest rates are still low versus inflation. Third quarter bond returns were mostly negative. Corporate bonds fared better as credit spreads tightened and they have an overall shorter duration than the broader market index.

A nasty confluence of events pushed equity markets sharply lower in the fourth quarter. The US Federal Reserve continued to raise administered interest rates, which is broadly negative for asset prices. There are also signs of an economic slowdown, based on surveys of manufacturing company executives. Trade tensions between the US and China contributed to this. Finally, equity markets seemed to come to the realization that many stocks, especially in the technology sector, were expensive. Falling equity markets caused investors to shift into Government bonds in the quarter. This drove their yields down and led to Government of Canada bonds being the strongest performers in the Canadian bond market.

The very strong performance of Canada bonds in the fourth quarter reversed their year-to-date trend and caused them to be the best performers for the year. Wider credit spreads in the quarter caused corporate bonds to underperform the broader bond market for the year. Lower quality bonds were the worst performers, with many high yield issues falling in price and even investment grade BBB rated bonds seeing somewhat higher yields.

For two years, US High yield credit spreads were hovering almost 200 bps below their longer-term average while investment grade credit spreads were approximately 50 bps below their average. In Canso's view, investors were not been adequately compensated for moving down the credit risk spectrum. But risk made a comeback in the last three months of 2018 when US High yield spreads widened by approximately 200 bps and investment grade spreads widened by approximately 50 bps. Issuers with any form of bad news suffered at the hands of a skeptical market. The Fund took advantage of various opportunities throughout 2018 that resulted in a significant portfolio credit shift. Where in 2017 the Fund held a 65.5% weight in securities rated A and above, by the end of 2018 the weight in these securities was 29%.

The Fund participated in seven new issues in 2018. These included issuers such as Bank of Montreal ("BMO"), SNC Lavalin, Teva Pharmaceuticals, Verizon Communications, CIT Group, AT&T and Cigna Corporation. Following the investment theme of the prior year, Canso participated in issues of BMO and SNC early in the year to increase the Fund's portfolio quality and floating rate exposure. But by the end of the year, both of these securities were sold out of the Fund's portfolio completely against better opportunities.

One such opportunity came in the form of Teva Pharmaceuticals - the world’s largest generic and specialty drug-maker. After a leveraged acquisition of Actavis, the company was downgraded to sub-investment grade in early 2018, forcing many sellers into the market. Teva ultimately came to the market with new bonds at a significant concession.

Canso continues to believe there is significant price risk in longer maturity bonds from the prospect of rising interest rates. Verizon and AT&T came to the market with floating rate issues at attractive spreads, meeting both Canso's credit risk standards and Canso's bias for floating rate interest rate exposure.

CIT Group issued bonds in the third quarter, providing the Fund an opportunity to add exposure to a credit Canso viewed as highly attractive. And finally the Fund purchased a new issue of Cigna Corporation on the back of its blockbuster merger with Express Scripts. The merger would combine the United States’ sixth largest publicly traded managed care company with the country’s largest pharmacy benefits manager. With a significant amount of debt issued to finance the acquisition, the company was put on credit negative watch, applying pressure to spreads and providing investors including the Fund with an opportunity to purchase floating rate bonds at an attractive price.

The other significant purchase outside of new issues in the Fund's portfolio was a Lloyds Bank PLC USD$ 3-year floating rate bond. Lloyds is the largest retail bank in the United Kingdom.

Against the new purchases, the Fund sold high quality, liquid positions, including issues of Apple, BofA, JPMorgan Chase, BMO, Enbridge, SNC, and TD Bank. The Fund also sold issues of Navient on opportunity as Canso believes the bonds are reaching full value.

By the end of 2018, the Fund's portfolio credit composition had made a significant shift, with the portfolio weight in bonds rated BBB & below increasing from 31% to 67%. In addition, the Fund increased its exposure to floating rate bonds from 52% to 69%.

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 USD $265,663 (including HST) in management fees to the Manager for the year ended December 31, 2018 (December 31, 2017 - USD $218,347).

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 is included in the management fee.

The Manager paid CAD $163,500 (including HST) to the Portfolio Manager for the year ended December 31, 2018 (December 31, 2017 - CAD $116,256).

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.

Financial Highlights

Series A*

Year ended		31-Dec-2018 (USD)		31-Dec-2017 (USD)		31-Dec-2016 (USD)		31-Dec-2015 (USD)
Net assets per unit[1]								
Net assets, beginning of year	$	9.78	$	9.59	$	8.95	$	10.00
Operations:								
Total revenue		0.32		0.36		0.49		0.43
Total expenses		(0.15)		(0.16)		(0.15)		(0.16)
Realized gains (losses)		0.06		0.09		(0.42)		0.20
Unrealized gains (losses)		(0.42)		0.08		0.91		(0.98)
Total increase (decrease) from operations[2]	**$**	**(0.19)**	**$**	**0.36**	**$**	**0.83**	**$**	**(0.51)**
Distributions:								
From income (excluding dividends)	$	(0.22)	$	(0.18)	$	(0.21)	$	(0.31)
From dividends		-		-		-		-
From capital gains		-		-		-		(0.12)
Total distributions[2 3]	**$**	**(0.22)**	**$**	**(0.18)**	**$**	**(0.21)**	**$**	**(0.43)**
Net assets, end of year[2 3]	**$**	**9.40**	**$**	**9.78**	**$**	**9.59**	**$**	**8.95**
Ratios and supplemental data								
Net asset value[4]	$	2,526,963	$	2,821,663	$	2,487,986	$	3,102,035
Units outstanding		268,691		288,432		259,447		346,465
Management expense ratio[5]	%	1.51	%	1.66	%	1.70	%	1.71
Management expense ratio before waivers or absorption		1.51		1.66		1.72		1.75
Portfolio turnover rate[6]		63.67		53		69		46
Trading expense ratio[7]		-		-		-		-
Net asset value per unit, end of year	$	9.40	$	9.78	$	9.59	$	8.95

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

1 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.

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.

Series F*

Year ended		31-Dec-2018 (USD)		31-Dec-2017 (USD)		31-Dec-2016 (USD)		31-Dec-2015 (USD)
Net assets per unit[1]								
Net assets, beginning of year	$	9.66	$	9.47	$	8.99	$	10.00
Operations:								
Total revenue		0.32		0.35		0.49		0.43
Total expenses		(0.09)		(0.11)		(0.11)		(0.11)
Realized gains (losses)		0.06		0.09		(0.37)		0.19
Unrealized gains (losses)		(0.41)		0.06		0.81		(0.95)
Total increase (decrease) from operations[2]	**$**	**(0.12)**	**$**	**0.39**	**$**	**0.82**	**$**	**(0.44)**
Distributions:								
From income (excluding dividends)	$	(0.22)	$	(0.24)	$	(0.42)	$	(0.29)
From dividends		-		-		-		-
From capital gains		-		-		-		(0.12)
Total distributions[2 3]	**$**	**(0.22)**	**$**	**(0.24)**	**$**	**(0.42)**	**$**	**(0.41)**
Net assets, end of year[2 3]	**$**	**9.33**	**$**	**9.66**	**$**	**9.47**	**$**	**8.99**

Ratios and supplemental data								
Net asset value[4]	$	25,642,093	$	25,484,068	$	13,420,052	$	8,901,735
Units outstanding		2,749,678		2,637,839		1,416,951		989,684
Management expense ratio[5]	%	0.97	%	1.09	%	1.13	%	1.15
Management expense ratio before waivers or absorption		0.97		1.09		1.15		1.17
Portfolio turnover rate[6]		63.67		53		69		46
Trading expense ratio[7]		-		-		-		-
Net asset value per unit, end of year	$	9.33	$	9.66	$	9.47	$	8.99

Notes

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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.

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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.

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.

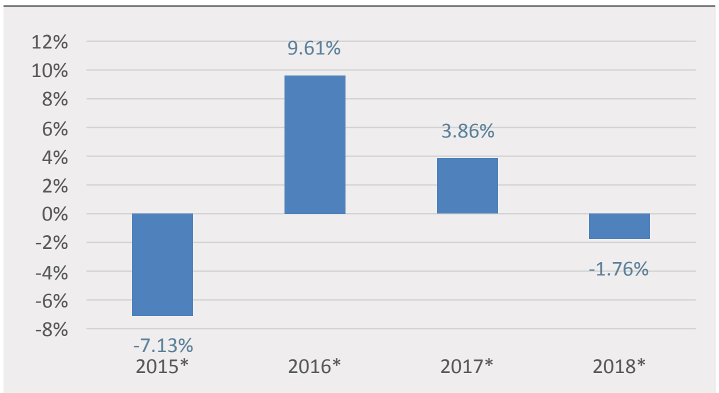
Past Performance

The commencement date of being distributed under a prospectus for Series A and Series F was December 30, 2014. Accordingly, returns are shown for the relevant years as indicated below.

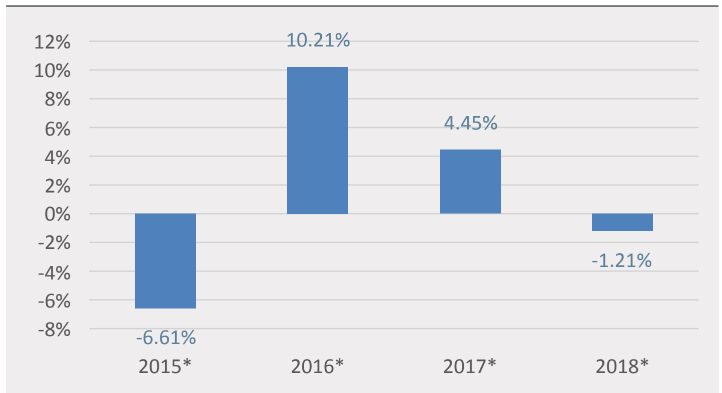
The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

Year-by-Year Returns

Series A



Series F



* For the period January 1 to December 31

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the ICE BofAML US Corporate Master-Total Return 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, 2018		1 Year		3 Year[2]		Since Inception[3]
Annual Compound Return						
Series A[1]	%	(1.76)	%	3.80	%	0.95
Series F[1]		(1.21)		4.38		1.51
ICE BofAML US Corporate Master-Total Return Index[3]	%	(2.25)	%	3.32	%	2.34

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 Period from December 30, 2014 to December 31, 2018. Since inception returns are annualized.

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Summary of Investment Portfolio

Top 25 Issuers		% of NAV
GE Capital Canada	%	9.7
Royal Bank of Canada		9.0
Goldman Sachs		8.7
Lloyds Banking Group PLC		8.7
Halfmoon Parent Inc.		8.3
AT&T Inc.		7.4
Morgan Stanely		5.9
Unicredit SPA		5.5
CIT Group Inc.		5.3
JP Morgan Chase & Co.		3.3
Teva Pharmaceuticals		3.1
Verizon Communications Inc.		3.1
Met Life Global Funding		2.4
Cash and Cash equivalents		2.3
Videotron Ltee		2.2
Sobeys Inc.		2.1
TransCanada Pipelines		2.0
Royal Bank of Scotland		1.7
Yellow Pages Digital & Media Solutions Ltd		1.5
Bombardier Inc.		1.5
Clearstream Energy Services Inc. (Equity)		1.5
Xplornet Communications Inc. (Equity)		1.0
Black Press Group Ltd		0.6
Element Fleet Management		0.6
Postmedia Network Inc.		0.6
Total	**%**	**98.0**

Asset Mix		% of NAV
Cash and Cash Equivalents	%	2.3
U.S. Fixed Income		56.1
Canadian Fixed Income		19.6
Canadian Equities		2.5
Foreign Fixed Income		19.0
Other Assets less Liabilities		0.5
Total	**%**	**100.0**

Sector		
Cash and Cash Equivalents	%	2.3
Communication		16.6
Consumer Staples		2.1
Energy		4.3
Financials		69.6
Health Care		3.1
Industrials		1.5
Other Assets less Liabilities		0.5
Total	**%**	**100.0**

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