

**Semi-Annual Management Report of Fund Performance**  
As at June 30, 2019

Lysander-Canso Equity Fund



# Lysander-Canso Equity Fund

Semi-Annual Management Report of Fund Performance as at June 30, 2019

## A Note About Forward Looking Statements

This semi-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 semi-annual Management Report of Fund Performance of Lysander-Canso Equity Fund (the “Fund”) contains financial highlights for the period ended June 30, 2019 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 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 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 period 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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There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual or infrequent events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected.

The Fund had returns in the period of 11.65% for Series A and 12.28% for Series F.

The net assets of the Fund increased to approximately \$6.2 million at June 30, 2019 from approximately \$3.9 million at the beginning of the period. This was primarily due to net subscriptions of \$1.8 million during the period.

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

After aggressively raising interest rates in 2018, the U.S. Federal Reserve announced that they no longer planned to raise rates this year and may actually cut rates in the third quarter. This was a major pivot from their previous stance of incremental rate hikes over the last three years and seems to be at least partially driven by pressure from the Trump administration.

Corporate bonds outperformed U.S. Treasuries as investors reached for higher yields amidst benign inflation. The Fed is encouraged by the growth in household spending and strong labour market. However, in keeping with its dual mandate (maximum employment and stable prices), it is worried about soft business investment and inflation near its threshold of 2 percent.

The Bank of Canada has also kept administered rates on hold in 2019 but seem less inclined to actually cut rates than their counterparts in the U.S. This has started to cause administered interest rates to converge in both countries and provided a recent lift to the Canadian dollar. Meanwhile, the major economies in Europe and Japan are still experimenting with negative interest rates to restart flagging growth. We see this as unsustainable.

In this environment both the bond and stock markets did well. This is a puzzle as lower yields in the bond market are normally a signal of a slowing economy. A slowing economy would normally be expected to be negative for corporate profits and, therefore,

stock prices. However, equity markets focused on lower interest rates rather than an economic slowdown and continued to rise to new heights.

Canso has concerns about overall market valuations in both equities and bonds and believes that caution is warranted, even though current trends may continue for some time.

The Fund spent the six month period primarily as a buyer, increasing weights in CAE Inc., Canfor Pulp Products, Empire Co, Manulife Financial, SNC Lavalin, Maxar Technologies, and Givaudan. The Fund also took new positions in Tata Motors, Cenovus Energy, Encana, Linamar, and David's Tea. The Fund's only major sale in the period was their full position in Corus Entertainment.

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 \$31,541 (including HST) in management fees to the Manager for the period ended June 30, 2019 (June 30, 2018 - \$22,483).

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 \$14,882 (including HST) to the Portfolio Manager for the period ended June 30, 2019 (June 30, 2018 - \$10,186).

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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.

# Lysander-Canso Equity Fund

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## Financial Highlights

### Series A

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 8.96	\$ 12.68	\$ 11.38	\$ 11.19	\$ 13.44	\$ 11.42
Operations:						
Total revenue	0.17	0.30	0.15	0.16	0.13	0.18
Total expenses	(0.14)	(0.34)	(0.31)	(0.27)	(0.33)	(0.32)
Realized gains (losses)	0.11	1.78	0.17	0.11	0.91	0.29
Unrealized gains (losses)	0.90	(4.12)	1.44	0.14	(2.19)	2.11
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.04</b>	<b>\$ (2.38)</b>	<b>\$ 1.45</b>	<b>\$ 0.14</b>	<b>\$ (1.48)</b>	<b>\$ 2.26</b>
Distributions:						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	-	-	-	-
From capital gains	-	(1.29)	(0.15)	(0.08)	(0.84)	(0.24)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ -</b>	<b>\$ (1.29)</b>	<b>\$ (0.15)</b>	<b>\$ (0.08)</b>	<b>\$ (0.84)</b>	<b>\$ (0.24)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 10.00</b>	<b>\$ 8.96</b>	<b>\$ 12.68</b>	<b>\$ 11.38</b>	<b>\$ 11.19</b>	<b>\$ 13.44</b>

<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 327,552	\$ 293,361	\$ 377,088	\$ 334,795	\$ 416,095	\$ 521,714
Units outstanding	32,750	32,750	29,741	29,414	37,168	38,832
Management expense ratio <sup>5</sup>	% 2.56	% 2.56	% 2.55	% 2.52	% 2.55	% 2.41
Management expense ratio before waivers or absorption	2.75	3.16	3.00	3.20	3.45	4.97
Portfolio turnover rate <sup>6</sup>	1.68	28.23	10.41	27	23	15
Trading expense ratio <sup>7</sup>	0.08	0.23	0.07	0.1	0.2	0.4
Net asset value per unit, end of period	\$ 10.00	\$ 8.96	\$ 12.68	\$ 11.38	\$ 11.19	\$ 13.44

### Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015	31-Dec-2014
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 9.33	\$ 13.17	\$ 11.69	\$ 11.37	\$ 13.50	\$ 11.45
Operations:						
Total revenue	0.18	0.32	0.15	0.16	0.14	0.18
Total expenses	(0.09)	(0.21)	(0.18)	(0.15)	(0.19)	(0.18)
Realized gains (losses)	0.12	1.83	0.17	0.10	0.79	0.35
Unrealized gains (losses)	0.76	(4.25)	1.55	0.42	(2.20)	1.74
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.97</b>	<b>\$ (2.31)</b>	<b>\$ 1.69</b>	<b>\$ 0.53</b>	<b>\$ (1.46)</b>	<b>\$ 2.09</b>
Distributions:						
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	(0.10)	-	-	-	-
From capital gains	-	(1.89)	(0.17)	(0.10)	(0.70)	(0.32)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ -</b>	<b>\$ (1.99)</b>	<b>\$ (0.17)</b>	<b>\$ (0.10)</b>	<b>\$ (0.70)</b>	<b>\$ (0.32)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 10.48</b>	<b>\$ 9.33</b>	<b>\$ 13.17</b>	<b>\$ 11.69</b>	<b>\$ 11.37</b>	<b>\$ 13.50</b>
<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 5,943,051	\$ 3,616,841	\$ 3,162,448	\$ 2,513,398	\$ 2,252,074	\$ 1,511,484
Units outstanding	567,143	387,546	240,177	215,045	197,994	111,965
Management expense ratio <sup>5</sup>	% 1.43	% 1.43	% 1.42	% 1.41	% 1.43	% 1.30
Management expense ratio before waivers or absorption	1.60	2.01	1.89	2.07	2.29	3.08
Portfolio turnover rate <sup>6</sup>	1.68	28.23	10.41	27	23	15
Trading expense ratio <sup>7</sup>	0.08	0.23	0.07	0.1	0.2	0.4
Net asset value per unit, end of period	\$ 10.48	\$ 9.33	\$ 13.17	\$ 11.69	\$ 11.37	\$ 13.50

## Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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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- 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.
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## Management Fees

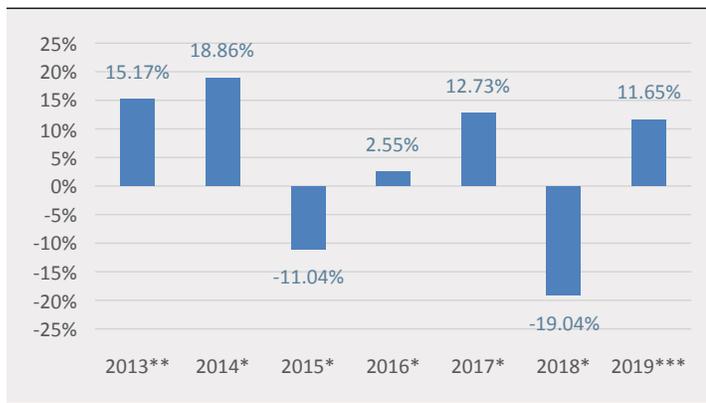
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 2.00% per annum for Series A units and 1.00% per annum for Series F units.

Service fees or trailing commissions of a maximum of 1.00% per annum are paid on Series A units to dealers. This comprises 50% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

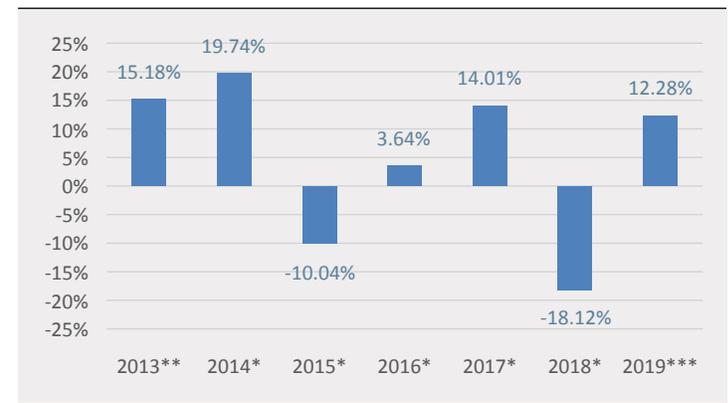


## Past Performance

The commencement date of being distributed under a prospectus for Series A and F was September 18, 2013. Accordingly, returns are shown for the relevant periods 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, \*\* For the period September 18 to December 31, \*\*\* For the period January 1 to June 30

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## Summary of Investment Portfolio

		% of NAV			% of NAV
<b>Top 25 Issuers</b>			<b>Asset Mix</b>		
SNC Lavalin	%	8.3	Canadian Equities	%	59.8
General Electric Company		8.2	Cash and Cash Equivalents		2.0
CAE Inc.		6.5	Foreign Equities		38.2
Maxar Technologies Ltd.		6.2	<b>Total</b>	<b>%</b>	<b>100.0</b>
Manulife Financial Corp.		5.6	<b>Sector</b>		
Apple Inc.		5.6	Cash and Cash Equivalents	%	2.0
Enbridge Inc.		5.6	Consumer Discretionary		6.1
Empire Co Ltd.		4.2	Consumer Staples		4.9
Nintendo Co Ltd		4.0	Energy		11.9
Yellow Pages Limited		3.7	Financials		18.5
Bombardier Inc.		3.4	Health Care		3.1
Lloyds Banking Group PLC		3.4	Industrials		34.9
Bayer AG		3.1	Information Technology		10.1
Encana Corporation		3.0	Materials		4.7
Royal Bank of Scotland		3.0	Telecommunication Services		3.8
Givaudan SA		2.9	<b>Total</b>	<b>%</b>	<b>100.0</b>
Cenovus Energy Inc.		2.9			
Linamar Corporation		2.7			
SLM Corp		2.4			
Commerzbank AG		2.0			
Cash and cash equivalents		2.0			
Canfor Pulp Products Inc.		1.8			
Nutrien Ltd.		1.8			
Unicredit SPA		1.7			
Tata Motors Ltd.		1.6			
<b>Total</b>	<b>%</b>	<b>95.6</b>			



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