

Semi-Annual Management Report of Fund Performance
As at June 30, 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 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-Slater Preferred Share Dividend 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 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

After a tough year in 2018 where the S&P/TSX Preferred Share index was down -7.9% for the year, 2019 had a modest start with the index up 1.11% by the end of Q1 2019. Q2 proved more challenging for Preferred Share investors with the index down 0.9% YTD while the Lysander-Slater Preferred Share Fund (Series F) was down 2.6% for the period ending June. There were several factors that led to a disappointing start to 2019 for CDN Preferred Shares. The trade tariff war between the U.S and China began to affect the two largest economies growth in the first half of 2019. This ultimately sent the CAD 5-year Bank of Canada bond yield down from 1.89% at the beginning of 2019 to 1.4% at the end of June. The most notable factor leading to lower bond yields, was the U.S Central Bank signaling the need to re-stimulate the U.S economy due to a slow down in growth and lower than expected inflation. We expect that even if the U.S were to cut interest rates once or twice, Canada does not necessarily need to follow suit since our economy appears stronger with unemployment at record lows, and inflation numbers within the target range of 2%. Another factor that led to the Q2, 2019 sell off was \$700 million in new issue Preferred Shares whereby investors had to make room in their portfolios to facilitate the new product. This tends to cause an overselling in the secondary market.

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Slater gradually decreased the Straight Perpetual exposure in the Fund from 24.1% at the start of the year to 10% at the end of Q2. The proceeds were used to increase the Fund's exposure in Fixed Reset Preferred Shares from 73.2% to 83%, and Floating rate Preferred Shares from 0.9% to 5% over the course of Q1 and Q2. This worked well until end of April as the Fund was up 1.46% while the index was up 1.32%. The 5 year bond yields however fell from 1.68% mid April to as low as 1.29% in June. This affected the discounted Fixed Reset Preferred Share subsector the most.

The Fund's asset under management decreased from approximately \$101 million at the beginning of the year to approximately \$85 million at the end of June. This was mainly due to net redemptions of \$12.6 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

At the beginning of the year Slater was committed to holding discounted Fixed Resets on the expectation of a market recovery in Preferred Shares. During the period, Slater slowly reduced Straight Perpetuals as they were recovering and buying Fixed Resets and Floating rate Preferred Shares as they continued to sell off. This strategy worked well for the first four months and the Fund outperformed the Index. In May, bond yields started to weaken as the U.S and China continued their trade war, and the impact began to show in these two countries' economic growth, subsequently lowering Canadian Bond yields due to Canada's strong economic ties to the U.S and China. Recent strong Canadian economic statistics such as inflation and unemployment rates are encouraging for the Canadian economy, and Slater believes a majority allocation to discounted Fixed Resets is attractive due to the relative value in the market and historically wide spreads.

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 \$472,334 (including HST) in management fees to the Manager for the period ended June 30, 2019. (June 30, 2018: \$496,451).

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 \$200,479 (including HST) to the Portfolio Manager for the period ended June 30, 2019 (June 30, 2018: \$209,774).

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*

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of period	\$ 8.53	\$ 10.00	\$ 9.32	\$ 8.95	\$ 10.00
Operations:					
Total revenue	0.24	0.45	0.47	0.47	0.43
Total expenses	(0.07)	(0.15)	(0.16)	(0.13)	(0.15)
Realized gains (losses)	(0.28)	0.11	0.54	(0.37)	(0.23)
Unrealized gains (losses)	(0.13)	(1.56)	0.19	0.82	(0.88)
Total increase (decrease) from operations²	\$ (0.24)	\$ (1.15)	\$ 1.04	\$ 0.79	\$ (0.83)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.18)	(0.27)	(0.29)	(0.30)	(0.19)
From capital gains	-	(0.12)	(0.10)	-	-
Total distributions^{2 3}	\$ (0.18)	\$ (0.39)	\$ (0.39)	\$ (0.30)	\$ (0.19)
Net assets, end of period^{2 3}	\$ 8.11	\$ 8.53	\$ 10.00	\$ 9.32	\$ 8.95

Ratios and supplemental data					
Net asset value ⁴	\$ 24,288,274	\$ 25,951,516	\$ 25,459,510	\$ 17,007,583	\$ 12,855,142
Units outstanding	2,993,963	3,041,701	2,545,622	1,824,172	1,436,244
Management expense ratio ⁵	% 1.55	% 1.53	% 1.55	% 1.56	% 1.61
Management expense ratio before waivers or absorption	1.55	1.53	1.55	1.56	1.61
Portfolio turnover rate ⁶	39.4	104.8	132.0	175.5	73.0
Trading expense ratio ⁷	0.2	0.4	0.5	0.6	0.5
Net asset value per unit, end of period	\$ 8.11	\$ 8.53	\$ 10.00	\$ 9.32	\$ 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 unaudited semi-annual and/or 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.

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Series F*

Period ended	30-Jun-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit¹					
Net assets, beginning of period	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97	\$ 10.00
Operations:					
Total revenue	0.24	0.45	0.47	0.47	0.43
Total expenses	(0.05)	(0.10)	(0.10)	(0.09)	(0.10)
Realized gains (losses)	(0.28)	0.11	0.54	(0.38)	(0.24)
Unrealized gains (losses)	(0.11)	(1.64)	0.19	0.87	(0.81)
Total increase (decrease) from operations²	\$ (0.20)	\$ (1.18)	\$ 1.10	\$ 0.87	\$ (0.72)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.20)	(0.33)	(0.34)	(0.33)	(0.24)
From capital gains	-	(0.10)	(0.10)	-	-
Total distributions^{2 3}	\$ (0.20)	\$ (0.43)	\$ (0.44)	\$ (0.33)	\$ (0.24)
Net assets, end of period^{2 3}	\$ 8.16	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97
Ratios and supplemental data					
Net asset value ⁴	\$ 60,854,003	\$ 74,783,460	\$ 62,559,365	\$ 41,523,722	\$ 30,243,779
Units outstanding	7,457,264	8,717,097	6,232,411	4,440,131	3,373,082
Management expense ratio ⁵	% 0.99	% 0.97	% 0.98	% 1.00	% 1.05
Management expense ratio before waivers or absorption	0.99	0.97	0.98	1.00	1.05
Portfolio turnover rate ⁶	39.4	104.8	132.0	175.5	73.0
Trading expense ratio ⁷	0.2	0.4	0.5	0.6	0.5
Net asset value per unit, end of period	\$ 8.16	\$ 8.58	\$ 10.04	\$ 9.35	\$ 8.97

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 unaudited semi-annual and/or 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.

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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

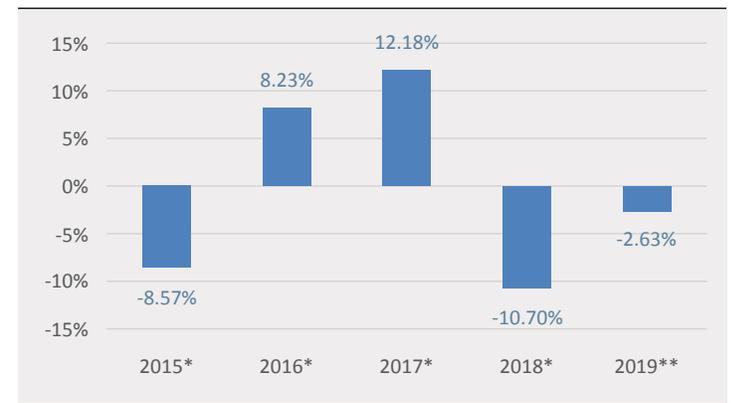


Past Performance

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, ** For the period January 1 to June 30

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Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
TC Energy Corp	%	7.9	Canadian Equities	%	0.6
Fairfax Financial		7.3	Cash and Cash Equivalents		0.5
Emera Inc.		7.1	Preferred Shares		98.9
Canadian Utilities Limited		6.0	Total	%	100.0
BCE Inc.		5.9	Sector		
Sun Life Financial Inc.		5.8	Cash and Cash Equivalents	%	0.5
Fortis Inc.		5.6	Consumer Staples		1.1
Enbridge Inc.		5.6	Energy		26.3
Pembina Pipeline Corp.		4.8	Financials		41.4
Royal Bank of Canada		4.5	Real Estate		2.8
Manulife Financial Corp.		4.2	Telecommunication Services		5.9
AltaGas Ltd.		3.8	Utilities		22.0
Bank of Montreal		3.8	Total	%	100.0
Kinder Morgan Canada		3.4			
Canadian Imperial Bank of Commerce		3.3			
Great-West LifeCo Inc.		3.2			
Brookfield Office Properties Inc.		2.8			
Power Financial Corp.		2.4			
Brookfield Asset Management Inc.		2.4			
Industrial Alliance		1.7			
National Bank		1.4			
Northland Power		1.4			
George Weston Limited		1.1			
Capital Power		0.9			
Husky Energy Inc.		0.9			
Total	%	97.2			



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