

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

Lysander-18 Asset Management Canadian Equity Fund



# Lysander-18 Asset Management Canadian 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-18 Asset Management Canadian Equity Fund (the “Fund”) contains financial highlights for the year ended December 31, 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](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 Canadian companies.

## Investment Strategies

The Fund’s portfolio manager is 18 Asset Management Inc. (“Portfolio Manager” or “18AM”). The Fund uses a hybrid style strategy, with equal allocations to Offence (growth and momentum) and Defense (lower volatility, income, quality) styles. The Portfolio Manager employs a bottom-up systematic stock selection process to buy and sell securities within each style. The Fund will not be leveraged. The Fund may invest up to

30% of its assets in foreign securities. The Fund’s investments will not be constrained by sector considerations. More details are contained in the Fund’s simplified prospectus.

## Risks

On December 21, 2018, the Manager decreased the risk rating of the Fund from “medium” to “low-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

Overall, the Fund’s net performance for the year was -9.7% for Series A and -8.7% for Series F. Style leadership in 2018 was dominated by the Offence style (growth and momentum) during the first half of the year, however, a sharp reversal in the fourth quarter erased earlier gains, and this style posted a decline in the year of -8.9%. The Defence style (income and quality) ended the year down 5.9%, ahead of its style counterpart and the overall market. Top performers included: Shopify (+48.5%), held within Offence, and Canadian Apartment REIT (+22.5%), held within Defence. Energy companies dominated the bottom performers, including Encana (-52.7%) and Husky Energy (-18.7%).

The net assets of the Fund are approximately \$4.1 million as of December 31, 2018, down from approximately \$4.5 million at the beginning of the year. The year over year decline is primarily due to the Fund’s negative performance.

The positioning of the Fund by style, market capitalization and sector are consistent with the Fund’s fundamental investment

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objectives and strategies. 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 reasonably be expected.

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

## Recent Developments

18 AM's investment philosophy is founded on empirical research that supports investing in companies with attractive income statement and balance sheet fundamentals. Additionally, 18AM views style diversification as an effective risk management lever which can provide the Fund with prudent return generation. The Fund's strategy is to maintain a relatively equal allocation to two opposing styles – Offence (companies having attractive growth and momentum characteristics) and Defense (companies with desirable income and quality characteristics). In addition, the Fund had exposure across a majority of sectors throughout the year. There have been no changes to this investment philosophy.

The Canadian market, as represented by the S&P/TSX Composite Index, declined 8.9% in the year. For most of the year, the Canadian market lagged as both the US and global equities maintained an upward pace. However, the final quarter of the year saw widespread declines across equity markets globally, more than erasing previous gains and ending the year with significant year over year declines across most major equity markets. Despite heightened uncertainty, precipitated by an unstable political climate impacting global trade and interest rate policy, as well as ongoing concerns over consumer debt and housing, the attractiveness of the fundamental profile of the Canadian market has remained firm. A variety of metrics provide evidence of the continuing strength of TSX earnings, including positive momentum of quarterly reported earnings and positive earnings surprise in the most recent quarter. Year over year earnings growth is estimated to reach 12%. Recent market weakness has only served to improve the valuation profile of the overall market. Currently, the current Price/Earnings ratio of the TSX is attractively priced at 12.3 times, versus 15.3 times at the start of the year. The 18 AM team has been managing Canadian equities for more than 25 years. It has time-tested its disciplined, systematic process through interest rate cycles, growth and retraction phases, and through its share of stock market shocks. It believes a focus on company fundamentals, rather than speculating on macroeconomic and political events, provides investors the best opportunity for long-term success.

The Fund's future performance will be affected by changes in the financial condition of the companies held as well as the

general condition of the stock market overall; the degree to which these future changes will occur are highly uncertain.

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 \$44,276 (including HST) in management fees to the Manager for the year ended December 31, 2018 (December 31, 2017: \$41,521).

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 \$23,193 (including HST) to the Portfolio Manager for the year ended December 31, 2018 (December 31, 2017: \$23,388).

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-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of year	\$ 12.55	\$ 11.83	\$ 10.66	\$ 11.37
Operations:				
Total revenue	0.36	0.35	0.36	0.35
Total expenses	(0.32)	(0.31)	(0.28)	(0.29)
Realized gains (losses)	0.12	-	0.07	(0.06)
Unrealized gains (losses)	(1.36)	0.78	1.26	(0.82)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (1.2)</b>	<b>\$ 0.82</b>	<b>\$ 1.41</b>	<b>\$ (0.82)</b>
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.03)	(0.06)	(0.04)	(0.02)
From capital gains	(0.04)	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.07)</b>	<b>\$ (0.06)</b>	<b>\$ (0.04)</b>	<b>\$ (0.02)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.29</b>	<b>\$ 12.55</b>	<b>\$ 11.83</b>	<b>\$ 10.66</b>

<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 415,393	\$ 464,596	\$ 383,146	\$ 300,004
Units outstanding	36,796	37,007	32,378	28,155
Management expense ratio <sup>5</sup>	% 2.56	% 2.55	% 2.53	% 2.53
Management expense ratio before waivers or absorption	2.87	2.75	3.11	3.92
Portfolio turnover rate <sup>6</sup>	47.6	74.2	92.9	94.8
Trading expense ratio <sup>7</sup>	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 11.29	\$ 12.55	\$ 11.83	\$ 10.66

### 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.

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## Series F\*

Year ended	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of year	\$ 12.77	\$ 12.02	\$ 10.86	\$ 11.59
Operations:				
Total revenue	0.36	0.36	0.37	0.36
Total expenses	(0.18)	(0.18)	(0.16)	(0.16)
Realized gains (losses)	0.12	-	0.05	(0.35)
Unrealized gains (losses)	(1.38)	0.75	1.09	(0.59)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (1.08)</b>	<b>\$ 0.93</b>	<b>\$ 1.35</b>	<b>\$ (0.74)</b>
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.17)	(0.18)	(0.22)	(0.18)
From capital gains	(0.04)	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.21)</b>	<b>\$ (0.18)</b>	<b>\$ (0.22)</b>	<b>\$ (0.18)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.48</b>	<b>\$ 12.77</b>	<b>\$ 12.02</b>	<b>\$ 10.86</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 2,711,951	\$ 3,002,912	\$ 2,698,702	\$ 1,960,285
Units outstanding	236,250	235,065	224,481	180,539
Management expense ratio <sup>5</sup>	% 1.43	% 1.42	% 1.41	% 1.41
Management expense ratio before waivers or absorption	1.73	1.61	1.97	2.80
Portfolio turnover rate <sup>6</sup>	47.6	74.2	92.9	94.8
Trading expense ratio <sup>7</sup>	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 11.48	\$ 12.77	\$ 12.02	\$ 10.86

## Notes

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## Series O\*

Year ended	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of year	\$ 12.87	\$ 12.11	\$ 10.92	\$ 11.63
Operations:				
Total revenue	0.35	0.35	0.35	0.33
Total expenses	(0.04)	(0.04)	(0.04)	(0.03)
Realized gains (losses)	0.12	-	0.03	0.01
Unrealized gains (losses)	(1.41)	0.75	1.15	(0.78)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.98)</b>	<b>\$ 1.06</b>	<b>\$ 1.49</b>	<b>\$ (0.47)</b>
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.3)	(0.3)	(0.31)	(0.24)
From capital gains	(0.02)	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.32)</b>	<b>\$ (0.3)</b>	<b>\$ (0.31)</b>	<b>\$ (0.24)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.59</b>	<b>\$ 12.87</b>	<b>\$ 12.11</b>	<b>\$ 10.92</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 995,532	\$ 1,078,021	\$ 990,412	\$ 873,650
Units outstanding	85,922	83,751	81,781	79,977
Management expense ratio <sup>5</sup>	% 0.30	% 0.29	% 0.28	% 0.27
Management expense ratio before waivers or absorption	0.60	0.48	0.86	1.70
Portfolio turnover rate <sup>6</sup>	47.6	74.2	92.9	94.8
Trading expense ratio <sup>7</sup>	0.1	0.2	0.1	0.2
Net asset value per unit, end of year	\$ 11.59	\$ 12.87	\$ 12.11	\$ 10.92

## Notes

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## Management Fees

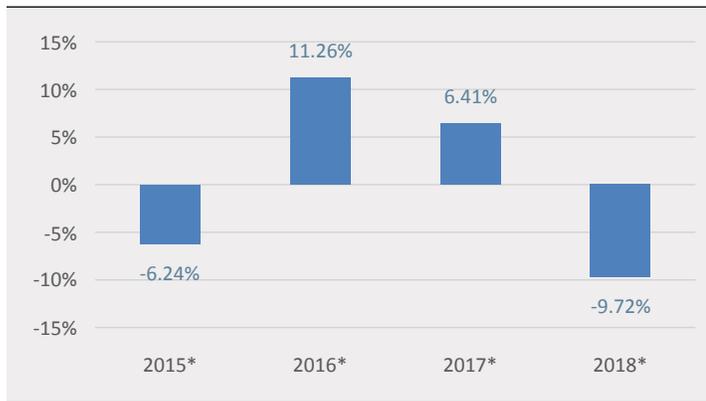
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

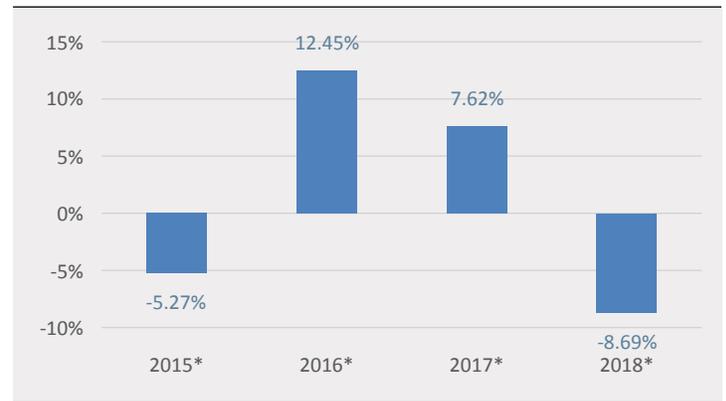
Service fees or trailing commissions of a maximum of 1.00% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

## Year-by-Year Returns

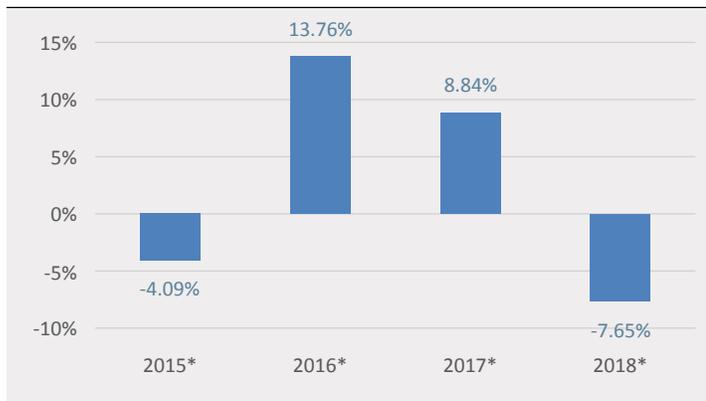
### Series A



### Series F



### Series O



## Past Performance

The Fund became a reporting issuer on December 30, 2014. Accordingly, returns are shown for the relevant year 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.

\* For the period January 1 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 Composite Total Return Index. The returns of the S&P/TSX Composite Total Return 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 <sup>2</sup>		Since Inception <sup>3</sup>
<b>Annual Compound Return</b>						
Series A <sup>1</sup>	%	(9.72)	%	2.25	%	0.12
Series F <sup>1</sup>		(8.69)		3.38		1.21
Series O <sup>1</sup>		(7.65)		4.57		2.40
S&P/TSX Composite Total Return Index <sup>4</sup>	%	(8.89)	%	6.37	%	2.48

### Notes

<sup>1</sup> Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.

<sup>2</sup> Compound period returns are annualized.

<sup>3</sup> Period starting from December 30, 2014. Since inception returns are annualized.

<sup>4</sup> Source: TSX Inc. Copyright © TSX Inc. All rights reserved.

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## Summary of Investment Portfolio

		% of NAV
<b>Top 25 Issuers</b>		
Metro Inc.	%	4.0
Quebecor Inc.		3.9
Kirkland Lake Gold Inc.		3.9
Waste Connections Inc.		3.7
Fortis Inc.		3.7
Constellation Software Inc.		3.6
Royal Bank of Canada		3.6
Parkland Fuel Corp.		3.4
Canadian Apartment Property REIT		3.4
Imperial Oil Ltd.		3.4
Bank of Nova Scotia		3.4
Bank of Montreal		3.4
Sun Life Financial Inc.		3.3
Nutrien Ltd.		3.3
Alimentation Couche-Tard Inc		3.3
Toronto Dominion Bank		3.3
Toromont Industries Ltd.		3.3
Restaurant Brands International Inc.		3.3
Canadian Imperial Bank of Commerce		3.3
BCE Inc.		3.2
Riocan Real Estate Investment Trust		3.2
Canadian Pacific Railway Ltd.		3.2
TransCanada Pipelines		3.1
Suncor Energy Inc.		3.1
National Bank		3.0
<b>Total</b>	<b>%</b>	<b>85.3</b>

		% of NAV
<b>Asset Mix</b>		
Canadian Equities	%	98.7
Cash and Cash Equivalents		0.7
Other Assets less Liabilities		0.6
<b>Total</b>	<b>%</b>	<b>100.0</b>
<b>Sector</b>		
Cash and Cash Equivalents	%	0.7
Consumer Discretionary		10.5
Consumer Staples		4.0
Energy		15.3
Financials		26.1
Healthcare		2.8
Industrials		13.1
Information Technology		6.2
Materials		7.2
Other Assets less Liabilities		0.6
Real Estate		6.6
Telecommunication Services		3.2
Utilities		3.7
<b>Total</b>	<b>%</b>	<b>100.0</b>



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