

Financial Statements

December 31, 2019

Lysander-Crusader Equity Income Fund



Independent Auditor's Report

To the Unitholders of Lysander-Crusader Equity Income Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information which comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 24, 2020

Lysander-Crusader Equity Income Fund

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Lysander-Crusader Equity Income Fund

Statements of Financial Position

As at	31-Dec-19	31-Dec-18
Assets		
Financial assets at fair value through profit or loss*	\$ 7,359,916	\$ 10,582,199
Cash and cash equivalents	94,293	1,332,696
Dividends receivable	23,307	50,457
Subscriptions receivable	15,265	–
Prepaid distributions	88	9,678
Total assets	\$ 7,492,869	\$ 11,975,030
Liabilities		
Accrued expenses	\$ 12,277	\$ 17,538
Total liabilities	\$ 12,277	\$ 17,538
Net assets attributable to holders of redeemable units	\$ 7,480,592	\$ 11,957,492
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 538,337	\$ 840,928
Series F	3,888,088	7,911,696
Series O	3,054,167	3,204,868
Total net assets	\$ 7,480,592	\$ 11,957,492
Number of redeemable units outstanding		
Series A	55,745	78,804
Series F	400,580	748,457
Series O	297,947	280,193
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 9.66	\$ 10.67
Series F	9.71	10.57
Series O	10.25	11.44
* Financial assets at fair value through profit or loss at cost	\$ 7,479,524	\$ 12,186,770

Statements of Comprehensive Income

For the years ended	31-Dec-19	31-Dec-18
Income		
Interest for distribution purposes	\$ 4,168	\$ 8,322
Dividend income	461,232	632,308
Other income	4,626	5,258
Realized and unrealized gain (loss) on investments		
Net realized (loss) on investments sold	(2,489,461)	(42,737)
Net realized (loss) on foreign currency	(1,967)	(1,909)
Change in (depreciation) appreciation unrealized on foreign currency	(200)	54
Change in appreciation (depreciation) unrealized on investments	1,502,867	(2,540,954)
Total operating income	\$ (518,735)	\$ (1,939,658)
Expenses		
Management fees	\$ 86,359	\$ 127,547
Transaction costs	17,904	41,993
Filing fees	17,000	18,795
Fund administration fees	7,344	10,491
Audit fees	3,922	2,601
Unitholder reporting expense	1,901	3,072
Bank charges	4,221	202
Custodial fees	1,136	615
Regulatory fees expense	556	345
Legal fees	201	(1,328)
Independent review committee fees	147	186
Blended HST expense	(6,231)	(984)
Total operating expenses	\$ 134,460	\$ 203,535
Withholding tax	\$ 68	\$ 32
Total net operating expenses	\$ 134,528	\$ 203,567
Change in net assets attributable to holders of redeemable units from operations	\$ (653,263)	\$ (2,143,225)
Change in net assets attributable to holders of redeemable units from operations, per series		
Series A	\$ (52,199)	\$ (154,951)
Series F	(450,363)	(1,467,583)
Series O	(150,701)	(520,691)
Change in total net assets	\$ (653,263)	\$ (2,143,225)
Change in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ (0.79)	\$ (2.31)
Series F	(0.72)	(1.92)
Series O	(0.53)	(1.92)

Lysander-Crusader Equity Income Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Series

For the years ended	31-Dec-19	31-Dec-18
Net assets attributable to holders of redeemable units, beginning of year	\$ 11,957,492	\$ 13,737,088
Change in net assets attributable to holders of redeemable units from operations	(653,263)	(2,143,225)
Distributions to unitholders of redeemable units		
From net investment income	\$ (371,219)	\$ (479,260)
From management fee rebate income	(4,626)	(5,258)
	\$ (375,845)	\$ (484,518)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 32,387	\$ 678,396
Series F	771,302	2,477,406
Total proceeds	\$ 803,689	\$ 3,155,802
Cost of units redeemed		
Series A	\$ (280,733)	\$ (228,637)
Series F	(4,276,962)	(2,413,626)
Total cost	\$ (4,557,695)	\$ (2,642,263)
Reinvested distributions		
Series A	\$ 15,794	\$ 18,739
Series F	101,783	153,766
Series O	188,637	162,103
Total reinvested	\$ 306,214	\$ 334,608
Change in net assets attributable to holders of redeemable units for the year	\$ (4,476,900)	\$ (1,779,596)
Net assets attributable to holders of redeemable units, end of year	\$ 7,480,592	\$ 11,957,492

Series A

For the years ended	31-Dec-19	31-Dec-18
Net assets attributable to holders of redeemable units, beginning of year	\$ 840,928	\$ 551,950
Change in net assets attributable to holders of redeemable units from operations	(52,199)	(154,951)
Distributions to unitholders of redeemable units		
From net investment income	\$ (17,446)	\$ (24,131)
From management fee rebate income	(394)	(438)
Total distributions	\$ (17,840)	\$ (24,569)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 32,387	\$ 678,396
Cost of units redeemed	(280,733)	(228,637)
Reinvested distributions	15,794	18,739
Total redeemable	\$ (232,552)	\$ 468,498
Change in net assets attributable to holders of redeemable units for the year	\$ (302,591)	\$ 288,978
Net assets attributable to holders of redeemable units, end of year	\$ 538,337	\$ 840,928

Series F

For the years ended	31-Dec-19	31-Dec-18
Net assets attributable to holders of redeemable units, beginning of year	\$ 7,911,696	\$ 9,459,579
Change in net assets attributable to holders of redeemable units from operations	(450,363)	(1,467,583)
Distributions to unitholders of redeemable units		
From net investment income	\$ (165,136)	\$ (293,026)
From management fee rebate income	(4,232)	(4,820)
Total distributions	\$ (169,368)	\$ (297,846)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 771,302	\$ 2,477,406
Cost of units redeemed	(4,276,962)	(2,413,626)
Reinvested distributions	101,783	153,766
Total redeemable	\$ (3,403,877)	\$ 217,546
Change in net assets attributable to holders of redeemable units for the year	\$ (4,023,608)	\$ (1,547,883)
Net assets attributable to holders of redeemable units, end of year	\$ 3,888,088	\$ 7,911,696

Lysander-Crusader Equity Income Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

Series O

For the years ended	31-Dec-19	31-Dec-18
Net assets attributable to holders of redeemable units, beginning of year	\$ 3,204,868	\$ 3,725,559
Change in net assets attributable to holders of redeemable units from operations	(150,701)	(520,691)
Distributions to unitholders of redeemable units		
From net investment income	\$ (188,637)	\$ (162,103)
Total distributions	\$ (188,637)	\$ (162,103)
Redeemable unit transactions		
Reinvested distributions	\$ 188,637	\$ 162,103
Total redeemable	\$ 188,637	\$ 162,103
Change in net assets attributable to holders of redeemable units for the year	\$ (150,701)	\$ (520,691)
Net assets attributable to holders of redeemable units, end of year	\$ 3,054,167	\$ 3,204,868

Lysander-Crusader Equity Income Fund

Statements of Cash Flows

For the years ended	31-Dec-19	31-Dec-18
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ (653,263)	\$ (2,143,225)
Adjustments for:		
Foreign exchange (gain) loss on cash and cash equivalents	(18)	36
Net realized loss on sales of investments	2,489,461	42,737
Change in unrealized (appreciation) depreciation on investments	(1,484,963)	2,582,947
Change in unrealized depreciation (appreciation) on foreign currency	200	(54)
Purchases of investments	(4,471,689)	(7,999,301)
Proceeds from sale and maturity of investments	6,689,474	8,361,339
Dividends receivable	27,150	975
Prepaid distributions	9,590	123,765
Accrued expenses	(5,261)	(3,118)
Subscriptions receivable	(15,265)	-
Accrued interest	-	6
Reimbursements receivable	-	2,099
Net cash from (used in) operating activities	\$ 2,585,416	\$ 968,206
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (69,631)	\$ (149,910)
Proceeds from issuances of redeemable units	803,689	3,155,802
Amounts paid on redemption of redeemable units	(4,557,695)	(2,642,263)
Net cash from (used in) financing activities	\$ (3,823,637)	\$ 363,629
Foreign exchange (loss) gain on cash and cash equivalents	\$ (182)	\$ 18
(Decrease) Increase in cash and cash equivalents during the year	(1,238,221)	1,331,835
Balance of cash and cash equivalents, beginning of year	1,332,696	843
Cash and cash equivalents at the end of year	\$ 94,293	\$ 1,332,696
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 4,168	\$ 8,328
Dividends received	488,382	633,283
Withholding tax	68	32
Interest paid	4,221	202

Schedule of Investment Portfolio as at December 31, 2019

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Equities (98.4%)			
8,300	Ag Growth International	\$ 456,242	\$ 385,452
18,300	ALARIS ROYALTY CORP	384,421	401,319
4,470	Bank of Montreal	443,863	449,861
4,990	Bank of Nova Scotia	333,063	366,016
5,840	BCE Inc.	297,982	351,334
10,460	Brookfield Property Partner LP	285,696	248,216
11,200	Canadian Natural Resources	498,736	470,400
42,900	Enerplus Corp.	519,099	396,625
5,590	IA Financial Corporation	291,505	398,735
15,090	Manulife Financial Corp.	320,761	397,772
8,000	Pembina Pipeline Corp.	358,999	385,040
36,000	Polaris Infrastructure Inc.	341,003	441,000
3,530	Royal Bank of Canada	309,326	362,707
13,000	Shaw Communications, B	320,254	342,550
9,700	Suncor Energy Inc.	438,265	412,832
30,700	Superior Plus Corp.	383,431	385,592
4,920	Toronto Dominion Bank	297,216	358,324
19,000	Vermilion Energy Inc.	619,431	403,370
72,500	Whitecap Resources Inc.	579,886	402,375
Total		\$ 7,479,179	\$ 7,359,520
Canadian Fixed Income (0.0%)			
300	Constellation Software Inc. Obligation 8.5% Coupon 3/31/2040	\$ 345	\$ 396
Total		\$ 345	\$ 396
Total investment portfolio (98.4%)		\$ 7,479,524	\$ 7,359,916
	Cash and cash equivalents (1.3%)	\$	\$ 94,293
	Other assets less liabilities (0.3%)		26,383
Net assets		\$	\$ 7,480,592

Lysander-Crusader Equity Income Fund

Notes to the financial statements for December 31, 2019 and 2018

1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee of the Fund and is responsible for providing or arranging 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.

Lysander-Crusader Equity Income Fund (the "Fund") is an open-end unit trust established under the laws of the Province of Ontario pursuant to a master declaration of trust dated July 31, 2012.

The Fund commenced offering Series A, Series F and Series O units under prospectus exemption on July 31, 2012. On December 30, 2014, the Fund became a reporting issuer and its name changed to Lysander-Crusader Equity Income Fund.

The investment objective of the Fund is to earn income and to achieve long term capital growth through a diversified portfolio (the "Portfolio") composed primarily of equity securities; however, other equity-like income producing securities, debt and money market securities may be used to achieve its objectives.

The portfolio manager of the Fund is Crusader Asset Management Inc. ("Portfolio Manager").

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by Lysander's board of directors on March 19, 2020.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all

highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 introduced the expected credit loss model ("ECL") as the new impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short term receivables at an

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amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material or considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2019 and December 31, 2018, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the years ended December 31, 2019 and December 31, 2018, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the year in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at FVTPL. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly

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occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted

value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-

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dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, the Fund is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series outstanding at the time. The Fund's accounting policies for measuring the fair value of its

investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a unit trust within the meaning of the Income Tax Act (Canada). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2019 the Fund had \$1,268,037 net capital losses (December 31, 2018 - \$22,323) and no non-capital losses (December 31, 2018 - Nil).

Distributions

The Fund makes distributions of net income quarterly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Lysander-Crusader Equity Income Fund

Notes to the financial statements for December 31, 2019 and 2018

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then the Fund uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, the Fund has determined that the functional currency of the Fund is CAD unless noted otherwise.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

Future changes in accounting standards

As of December 31, 2019, there are no future standards that could have a material or significant impact on the Fund.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 1.00% per annum on the Series A, exclusive of any applicable taxes.

5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any

other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

During the years ended December 31, 2019 and 2018, the number of units issued, redeemed and outstanding were as follows:

Series A

For the years ended	31-Dec-19	31-Dec-18
Units outstanding at beginning of year	78,804	42,350
Redeemable units issued	3,260	52,628
Redeemable units redeemed	(27,910)	(17,722)
Redeemable units issued on reinvestments	1,591	1,548
Units outstanding at end of year	55,745	78,804

Series F

For the years ended	31-Dec-19	31-Dec-18
Units outstanding at beginning of year	748,457	737,215
Redeemable units issued	76,412	192,282
Redeemable units redeemed	(434,378)	(193,868)
Redeemable units issued on reinvestments	10,089	12,828
Units outstanding at end of year	400,580	748,457

Series O

For the years ended	31-Dec-19	31-Dec-18
Units outstanding at beginning of year	280,193	267,634
Redeemable units issued	-	-
Redeemable units redeemed	-	-
Redeemable units issued on reinvestments	17,754	12,559
Units outstanding at end of year	297,947	280,193

6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for certain investment management services and provides certain administrative services required by the Fund. As compensation

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for its services the Manager is entitled to receive a management fee.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At December 31, 2019, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 18.5% (December 31, 2018 - 10.7%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 2.00% on Series A units and up to 1.00% on Series F units, exclusive of any applicable taxes, based on the net asset value of each respective series. Series O has no management fees because investors will pay a negotiated management fee directly to the Manager.

During the year ended December 31, 2019, the Manager paid the Portfolio Manager, \$44,130 (December 31, 2018 - \$63,253) for managing the portfolio of the Fund. As at December 31, 2019 the amount payable to the Portfolio Manager was \$8,814 (December 31, 2018 - \$15,170).

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at December 31, 2019 and 2018.

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Investments				
Equities	\$ 7,359,520	\$ -	\$ -	\$ 7,359,520
Fixed income	-	396	-	396
Options	-	-	-	-
Total	\$ 7,359,520	\$ 396	\$ -	\$ 7,359,916
As at December 31, 2018				
Investments				
Equities	\$ 10,509,725	\$ -	\$ -	\$ 10,509,725
Fixed income	-	374	-	374
Options	72,100	-	-	72,100
Total	\$ 10,581,825	\$ 374	\$ -	\$ 10,582,199

8. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

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The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at December 31, 2019 and 2018, the Fund had no significant investments in debt instruments with credit ratings.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at December 31, 2019 and 2018:

As at 31-Dec-2019	Less Than One Month	1-3 Months	3 Months - 1 Year
Liquidity exposure			
Accrued expenses	\$ -	\$ 12,277	\$ -
As at 31-Dec-2018	Less Than One Month	1-3 Months	3 Months - 1 Year
Liquidity exposure			
Accrued expenses	\$ -	\$ 17,538	\$ -

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. If applicable, to manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

As at December 31, 2019 and 2018, the Fund had no significant investments in debt instruments that were exposed to interest rate risk.

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (before hedging, if any) to currency risk as at:

	31-Dec-19	31-Dec-18
Currency exposure		
US Dollars	% 5.4	% 3.2

As at December 31, 2019, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.05% (December 31, 2018 - 0.03%).

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. If applicable, this risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

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As at December 31, 2019, approximately 98% (December 31, 2018 – 88%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at December 31, 2019 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$367,976 (December 31, 2018 - \$525,486).

Subsequent to year end, the spread of the COVID-19 virus has impacted equity markets significantly and the continued volatility and ultimate impact on markets cannot be predicted. At March 19, 2020 the NAV of the Fund has declined by 46.9% since December 31, 2019.



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