

Annual Management Report of Fund Performance
As at December 31, 2019

Lysander Balanced Income 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 Balanced Income Fund (formerly Lysander-Triasima Balanced Income Fund) (the “Fund”) contains financial highlights for the year ended December 31, 2019 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, 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 generate returns consisting of income and capital gains by investing primarily in a portfolio of fixed income securities and equities of companies anywhere in the world.

Investment Strategies

The Fund’s portfolio positions are primarily invested in money market instruments and bonds, as well as income trust, preferred shares and Canadian, American and international equities including American Depositary Receipts and Global Depositary Receipts. The Fund will not be leveraged. The Fund

may invest up to 100% 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.

Results of Operations

The performance of the Fund lagged the benchmark for the year. Series A performance was 11.9% and Series F is 12.8%, versus the benchmark’s 15.5%.

The Fund’s underperformance in 2019 was primarily caused by the cash reserve, which averaged 9.4%. The cash reserve was somewhat impacted by large contributions relative to the net assets of the Fund.

The second source of underperformance was security selection within the American equity asset class. The primary reason here is that the income factor, which is heavily represented in the portfolio of the Fund, underperformed last year. The mandate of the Fund requires that all stocks owned by it pay a significant dividend. Such securities, usually of a defensive nature with a beta lower than one, could not match up the 24% jump by the S&P 500 in 2019.

We can highlight four holdings that weighed on performance. Brinker International (United States– casual dining) declined 13% as competition remains fierce in the restaurant space. CF Industries (United States – Fertilizers) declined 6% on weak nitrogen prices and a delayed spring planting season. Chorus (New Zealand – telecommunications) declined 15% as intense

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competition and uncertainty regarding the regulatory environment weighed on the stock. TAG Immobilien (Germany Real Estate) declined 9% as the German government weighed the option of freezing rents in the Berlin region due to a lack of housing.

Helping the Fund's performance was its underweight in the bond asset class. This decision was a function of the low prevailing interest rates relative to the equity earnings yield.

The net assets of the Fund increased from \$1.6 million at December 31, 2018, to \$3.2 million at December 31, 2019 mainly due to net subscriptions of \$1.4 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.

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

Recent Developments

2019 was marked by a global growth slowdown that had begun in 2018 in Europe and China and subsequently spread to the United States. This slowdown was accompanied by a manufacturing recession.

One cause behind this slowdown has been the trade war between the United States and China that created trade disruptions and raised general uncertainty. Another reason was the lagged effect of the move away by the Federal Reserve and the European Central Bank from easy monetary policies in 2018.

Fortunately, in Canada and the United States, very robust labour markets compensated for the manufacturing sector weakness. Unemployment hit multi-decade lows in 2019, a situation very advantageous to households. It supported robust internal demand that pulled along the North American economy.

This global growth slowdown and manufacturing recession abated over the last months of 2019. Global Manufacturing Indices bottomed out and the American-Chinese trade war cooled off. Moreover, central bankers turned accommodative, as illustrated by the Federal Reserve cutting its Fed fund rate 25 basis points in October.

This slowdown was accompanied by falling interest rates in Canada and the United States, until early in September when a regime change took place. At that time, the combination of

positive economic and political news flow and newly accommodative monetary policies reversed the interest rates trend, leading to higher interest rates and a steepening of the Canadian and American yield curves. Bond markets began anticipating a healthier economic environment than before.

Equity markets demonstrated continued strength over the growth slowdown of the first eight months and the rebound of the last four. The market rise was supported by a falling discount rate in the first part and by better profit growth expectations in the second part.

One objective of the Fund's turnover during the year was to maintain a large representation in the Industrial sector where many companies offer a superior combination of value and growth parameters while paying a substantial dividend. More generally, purchases and sales were the result of high or improving scores of Triasima's Three-Pillar methodology, in the first instance, or low or deteriorating scores in the second. In addition, the Canadian and International asset classes were increased as they became progressively cheaper than their American counterpart.

Bond duration averaged 6.9 years in 2019; an elevated level, but nonetheless lower than the FTSE Canada Universe Bond Index's duration. The Fund's bond duration was increased from 6.5 years to an average of 7.1 years over the last third of 2019.

Effective December 23, 2019, Lysander Balanced Income Fund changed its portfolio manager from Triasima Portfolio Management Inc. ("Triasima") to Canso Investment Counsel Ltd. ("Portfolio Manager" or "Canso"). Triasima was appointed a sub advisor to Canso, and became primarily responsible for managing the Fund's equity investments. Canso is responsible for the overall asset allocation and managing the Fund's fixed income investments. There have been no 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 Manager receives a management fee for these services. The fee is

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calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid \$23,620 (including HST) in management fees to the Manager for the year ended December 31, 2019 (December 31, 2018 - \$14,045).

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 \$11,791 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2018 - \$8,956).

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-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
Net assets per unit¹				
Net assets, beginning of year	\$ 9.68	\$ 10.88	\$ 10.16	\$ 10.00
Operations:				
Total revenue	0.37	0.36	0.38	0.31
Total expenses	(0.22)	(0.22)	(0.22)	(0.18)
Realized gains (losses)	(0.22)	(0.34)	0.21	(0.25)
Unrealized gains (losses)	1.22	(0.84)	0.47	0.51
Total increase (decrease) from operations²	\$ 1.15	\$ (1.04)	\$ 0.84	\$ 0.39
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ (0.04)
From dividends	(0.12)	(0.17)	(0.12)	(0.19)
From capital gains	-	-	-	-
Total distributions^{2 3}	\$ (0.12)	\$ (0.17)	\$ (0.12)	\$ (0.23)
Net assets, end of year^{2 3}	\$ 10.71	\$ 9.68	\$ 10.88	\$ 10.16
Ratios and supplemental data				
Net asset value ⁴	\$ 5,686	\$ 5,080	\$ 5,623	\$ 5,194
Units outstanding	531	525	517	511
Management expense ratio ⁵	% 1.94	% 1.96	% 1.94	% 1.68
Management expense ratio before waivers or absorption	2.77	3.14	3.95	7.62
Portfolio turnover rate ⁶	34.1	61.1	35.6	52.1
Trading expense ratio ⁷	0.2	0.2	0.3	0.3
Net asset value per unit, end of year	\$ 10.71	\$ 9.68	\$ 10.88	\$ 10.16

Notes

* The Fund became a reporting issuer on December 31, 2015 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-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
Net assets per unit¹				
Net assets, beginning of year	\$ 9.70	\$ 10.88	\$ 10.16	\$ 10.00
Operations:				
Total revenue	0.37	0.36	0.38	0.33
Total expenses	(0.13)	(0.14)	(0.13)	(0.11)
Realized gains (losses)	(0.22)	(0.34)	0.06	(0.28)
Unrealized gains (losses)	1.03	(0.85)	0.90	0.71
Total increase (decrease) from operations²	\$ 1.05	\$ (0.97)	\$ 1.21	\$ 0.65
Distributions:				
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -
From dividends	(0.23)	(0.22)	(0.23)	(0.21)
From capital gains	-	-	-	-
Total distributions^{2 3}	\$ (0.23)	\$ (0.22)	\$ (0.23)	\$ (0.21)
Net assets, end of year^{2 3}	\$ 10.73	\$ 9.70	\$ 10.88	\$ 10.16
Ratios and supplemental data				
Net asset value ⁴	\$ 3,182,399	\$ 1,555,179	\$ 1,640,922	\$ 432,256
Units outstanding	296,473	160,298	150,826	42,558
Management expense ratio ⁵	% 1.12	% 1.14	% 1.12	% 0.93
Management expense ratio before waivers or absorption	1.93	2.33	3.26	6.11
Portfolio turnover rate ⁶	34.1	61.1	35.6	52.1
Trading expense ratio ⁷	0.2	0.2	0.3	0.3
Net asset value per unit, end of year	\$ 10.73	\$ 9.70	\$ 10.88	\$ 10.16

Notes

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2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

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

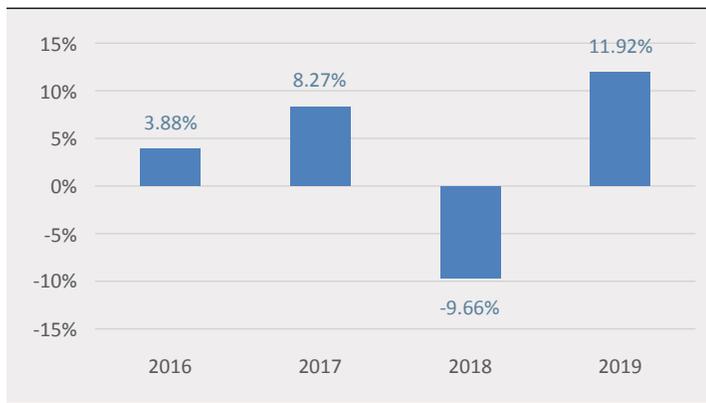
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.50% per annum for Series A units and 0.75% per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.75% 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

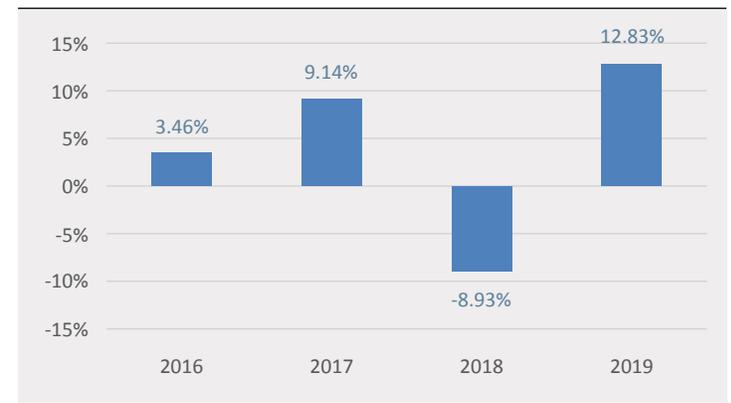


Past Performance

The Fund became a reporting issuer on December 31, 2015. 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



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Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with 5% FTSE Canada 91 Days Tbills; 30% FTSE Canada Universe Bond Index; 5% S&P/TSX Preferred Share Index; 35% S&P/TSX Composite Total Return Index; 15% S&P 500 Total Return Index; 10% MSCI EAFE Composite (CAD) (the "Index"). The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2019		1 Year		3 Year ²		Since Inception ³	
Annual Compound Return							
Series A ¹	%	11.92	%	3.06	%	3.26	
Series F ¹		12.83		3.89		3.79	
Index ⁴	%	15.54	%	6.67	%	7.30	

Notes

- 1 Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.
- 2 Compound period returns are annualized.
- 3 Period starting from December 31, 2015. Since inception returns are annualized.
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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Cash and Cash Equivalents	%	4.7	Canadian Equities	%	34.1
WSP Global (Equity)		2.8	Canadian Fixed Income		20.0
Government of Canada (Debt)		2.7	Cash and Cash Equivalents		4.7
Thomson Reuters Corporation (Equity)		2.5	International Equities		18.9
Microsoft (Equity)		2.2	Other Assets less Liabilities		0.9
Rwe Aktiengesellscha FT (Equity)		2.2	Preferred Shares		4.4
Air Liquide Sa (Equity)		2.2	US Equities		17.0
Algonquin Power & Utilities Corp. (Equity)		2.2	Total	%	100.0
Transurban Group (Equity)		2.2	Sector		
NextEra Energy Inc. (Equity)		2.2	Cash and Cash Equivalents	%	4.7
Intact Financial Corp. (Equity)		2.2	Communication Services		5.4
ISHARES (Equity)		2.1	Consumer Discretionary		1.8
Morneau Shepell Inc. (Equity)		2.1	Consumer Staples		4.0
Air Canada (Debt)		2.1	Energy		8.7
Province of PEI (Debt)		2.1	Federal		2.7
Manulife Financial Corp. (Equity)		2.1	Financials		18.3
National Express Group PLC (Equity)		2.0	Industrials		16.2
Swiss Life Holdings (Equity)		2.0	Information Technology		4.2
National Bank (Equity)		2.0	Materials		5.2
Procter & Gamble Co. (Equity)		2.0	Other Assets less Liabilities		0.9
TELE2 AB (Equity)		2.0	Provincial		6.9
Canadian Apartment Property REIT (Equity)		2.0	Real Estate		11.2
Motorola Solutions Inc. (Equity)		2.0	Utilities		9.8
Enbridge Inc. (Equity)		1.9	Total	%	100.0
Canadian National Railway Company (Debt)		1.9			
Total	%	56.4			



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