

Annual Management Report of Fund Performance

As at December 31, 2019

Lysander-Fulcra Corporate Securities 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-Fulcra Corporate Securities 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 provide income and capital growth by investing in fixed income, floating rate, convertible, preferred equity, and common equity securities of corporations anywhere in the world.

Investment Strategies

The Fund’s portfolio manager is Fulcra Asset Management Inc. (“Portfolio Manager” or “Fulcra”). The Fund seeks to provide income and capital growth by primarily investing in fixed income, floating rate, convertible, preferred equity, and common equity securities of corporations primarily

headquartered in North America, with a focus on fixed income securities.

Fulcra is focused on generating absolute returns that do not replicate any particular index or competing funds in the same category.

The Fund may invest up to 15% of its net assets in countries outside North America.

Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus or its amendments.

Results of Operations

The Fund's Series A units returned 6.04% year-to-date, and the Series F units returned 6.60% year-to-date.

The Fund lagged the broad market indexes over the year due to its lack of sensitivity to favourable interest rate movement and relatively high cash and cash proxies weightings. At the end of the year, the Fund had 52.6% invested in corporate bonds, 9.3% in convertible bonds, 13.4% in government bonds, 3.6% in common stocks, 2.2% in preferred stocks, 1.6% in loans, and 13.7% in cash.

The US dollar denominated ICE BofAML US High Yield Index returned 14.41% in 2019, with a duration of 4.58 years at December 31, 2019. The ICE BofAML Canada Corporate Index returned 8.01% in 2019 with a duration of 6.80 years at December 31, 2019. The FTSE Canada Universe Bond Index

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returned 6.70% in 2019 and ended the year with a duration of 7.99 years.

The net assets of the Fund increased from \$38.3 million to \$67.0 million since the beginning of the year. The Fund has mainly grown through net subscriptions of \$29.4 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

The overall market continues to move higher on the back of an accommodative Federal Reserve and the expectation that the Phase One of U.S.-China trade deal will be signed soon. Long-term yield dropped significantly in 2019 and this benefited fixed income securities with relatively longer duration such as long-dated government bonds and investment grade bonds. As the credit spread continues to compress, we are still cautious and continue to search for uncorrelated, event-driven opportunities and high-quality investments.

Purchases made in the year were mostly bonds, including high-yield bonds, yield-to call investments, government bonds and high-quality investment grade bonds to serve as a cash proxy. Throughout the year, the Fund participated in numerous unconditional yield-to-call situations with minimal risk.

At the end of the year, the Fund held 13.7% in cash. Overall duration was 1.4 years at the end of the year, which is a defensive position from an interest rate perspective. The yield-to-maturity of the portfolio was 7.4%.

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 Manager receives a management fee for these services. The fee is calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid \$593,769 (including HST) in management fees to the Manager for the year ended December 31, 2019 (December 31, 2018 - \$371,454)

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services is included in the management fee.

The Manager paid \$268,499 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2018 - \$161,901).

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-19		31-Dec-18		31-Dec-17	
Net assets per unit¹						
Net assets, beginning of year	\$	10.09	\$	10.52	\$	10.00
Operations:						
Total revenue		0.61		0.57		0.48
Total expenses		(0.16)		(0.18)		(0.19)
Realized gains (losses)		0.30		(0.04)		0.12
Unrealized gains (losses)		(0.14)		(0.48)		0.44
Total increase (decrease) from operations²	\$	0.61	\$	(0.13)	\$	0.85
Distributions:						
From income (excluding dividends)	\$	(0.35)	\$	(0.37)	\$	(0.22)
From dividends		(0.04)		(0.04)		(0.03)
From capital gains		(0.21)		-		(0.10)
Total distributions^{2 3}	\$	(0.60)	\$	(0.41)	\$	(0.35)
Net assets, end of year^{2 3}	\$	10.11	\$	10.09	\$	10.52
Ratios and supplemental data						
Net asset value ⁴	\$	11,070,169	\$	10,023,553	\$	5,757,093
Units outstanding		1,095,110		993,883		546,996
Management expense ratio ⁵	%	1.58	%	1.64	%	1.82
Management expense ratio before waivers or absorption		1.58		1.64		1.86
Portfolio turnover rate ⁶		219.3		161.5		85.9
Trading expense ratio ⁷		0.1		0.04		0.1
Net asset value per unit, end of year	\$	10.11	\$	10.09	\$	10.52

Notes

* The Fund became a reporting issuer on December 30, 2016 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-19		31-Dec-18		31-Dec-17	
Net assets per unit¹						
Net assets, beginning of year	\$	10.11	\$	10.52	\$	10.00
Operations:						
Total revenue		0.61		0.57		0.49
Total expenses		(0.11)		(0.12)		(0.13)
Realized gains (losses)		0.32		(0.03)		0.14
Unrealized gains (losses)		(0.22)		(0.47)		0.44
Total increase (decrease) from operations²	\$	0.60	\$	(0.05)	\$	0.94
Distributions:						
From income (excluding dividends)	\$	(0.48)	\$	(0.39)	\$	(0.31)
From dividends		(0.04)		(0.04)		(0.03)
From capital gains		(0.25)		-		(0.12)
Total distributions^{2 3}	\$	(0.77)	\$	(0.42)	\$	(0.46)
Net assets, end of year^{2 3}	\$	10.08	\$	10.11	\$	10.52
Ratios and supplemental data						
Net asset value ⁴	\$	55,949,033	\$	28,257,519	\$	18,320,094
Units outstanding		5,552,827		2,793,809		1,741,358
Management expense ratio ⁵	%	1.06	%	1.11	%	1.26
Management expense ratio before waivers or absorption		1.06		1.11		1.28
Portfolio turnover rate ⁶		219.3		161.5		85.9
Trading expense ratio ⁷		0.1		0.04		0.1
Net asset value per unit, end of year	\$	10.08	\$	10.11	\$	10.52

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

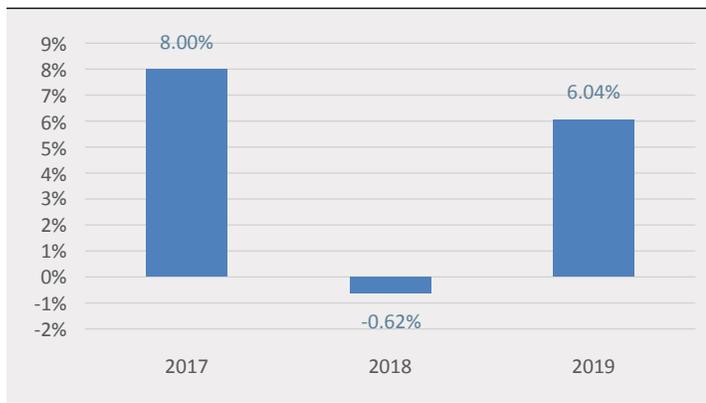
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.35% per annum for Series A units and 0.85% 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 42% of the management fee of Series A units.

Year-by-Year Returns

Series A

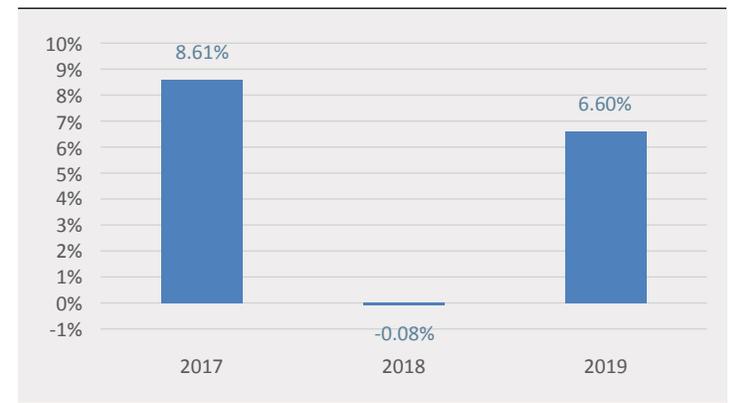


Past Performance

The commencement of operations as a reporting issuer for Series A and F was December 30, 2016. 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:

For years ended December 31, 2019		1 Year		3 Year ²		Since Inception ²	
Annual Compound Return							
Series A ¹	%	6.04	%	4.41	%	4.40	
Series F ¹		6.60		4.98		4.97	
Index ³	%	5.00	%	5.00	%	5.00	

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 30, 2016. Since inception returns are annualized.
- 4 The Fund aims to exceed an absolute annual return of 5% per annum. Therefore, an annual return of 5% has been used as the Fund's benchmark.

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Summary of Investment Portfolio

	% of NAV	
Top 25 Issuers		
Cash and Cash Equivalents	%	13.7
Government of Canada (Debt)		13.4
RockPoint Gas Storage (Debt)		4.4
Tidewater Midstream (Debt)		4.2
Millar Western (Debt)		4.1
NuVista Energy Ltd (Debt)		3.8
Canadian Imperial Bank of Commerce (Debt)		3.5
Rite Aid Corp (Debt)		3.3
CNG Holdings Inc (Debt)		3.1
Sherritt International Corp (Debt)		2.9
Global Ship Lease Inc. (Debt)		2.8
Chemtrade Logistics (Debt)		2.6
AT&T Inc. (Debt)		2.4
Thomson Reuters Corporation (Debt)		2.3
HSBC Bank Canada (Debt)		2.2
Laurentian Bank of Canada (Debt)		2.2
Element Fleet Management (Debt)		2.2
Briggs Stratton (Debt)		2.1
Dundee Corporation (Equity)		2.0
Conuma Coal Resources (Debt)		2.0
Blue Racer (Debt)		2.0
HC2 Holdings Inc (Debt)		1.8
WildBrain Ltd. (Debt)		1.8
PetSmart Inc (Debt)		1.6
Teekay Corp (Debt)		1.4
Total	%	87.8

	% of NAV	
Asset Mix		
Bank Loans	%	1.6
Canadian Equities		3.6
Canadian Fixed Income		54.9
Cash and Cash Equivalents		13.7
Foreign Fixed Income		20.4
Other Assets less Liabilities		3.6
Preferred Shares		2.2
Total	%	100.0
Sector		
Cash and Cash Equivalents	%	13.7
Communication Services		6.3
Consumer Discretionary		4.7
Consumer Staples		3.4
Energy		17.2
Federal		13.4
Financials		15.4
Industrials		6.1
Materials		14.4
Other Assets less Liabilities		3.6
Real Estate		0.5
Utilities		1.3
Total	%	100.0



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