

**Annual Management Report of Fund Performance**

As at December 31, 2019

Lysander-Seamark Total Equity Fund



# Lysander-Seamark Total 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-Seamark Total Equity 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](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 companies anywhere in the world.

## Investment Strategies

The Fund’s portfolio manager is Seamark Asset Management Ltd. (“Portfolio Manager” or “Seamark”). The Fund’s portfolio positions is primarily invested in equity securities of companies globally. 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

On December 23, 2019, the Manager increased the risk rating of the Fund from “low-to-medium” 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

2019 was a strong year for equity markets. The strongest returns were generated from the U.S. and Canada as stock markets from other parts of the world lagged the returns of their North American counterparts. In local currencies, the S&P 500 jumped 28.9%, the S&P TSX rose 19.1% and Morningstar Developed Markets Ex-North America PR Index advanced 18.9%. The Canadian dollar advanced from year ago levels, rising to 76.99 cents USD, up from 73.30 twelve months Ago (+5.03%). The move in CAD was particularly noticeable at the end of December, when the US dollar declined against world currencies for six consecutive trading sessions. The rise of the CAD had a corresponding negative impact on Canadian dollar returns of US denominated assets for the year.

We should not forget what conditions were at the start of 2019. Markets were coming from lower levels after a rough down-quarter at the end of 2018. Investors had been concerned about Federal Reserve Chairman Powell’s Determination not to cut interest rates until data supported such a move. But 2019 gave him that opportunity, particularly after the interest rate yield curve inverted, often the harbinger of economic recession. Powell subsequently cut interest rates with three 25 basis point reductions during the year. By comparison, Canada kept rates steady, with no cuts in 2019. In retrospect, everything had set up

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nicely for US stocks to advance in 2019. Coming from a low base, with tail winds from multiple interest rate cuts, and a more positive tone toward trade made a perfect recipe for higher prices. And although earnings did advance again in 2019, the tenth year of Economic recovery, the market enjoyed one of those periods where an expanding Price-earnings ratio was the principal driver of share price gains.

Currency was once again a mitigating factor when reviewing returns in 2019. Strong foreign equity markets returns were tempered by strength in the Canadian dollar which appreciated 5.0% against the U.S. dollar. Over the year, the Fund recorded positive returns of 16.6% for Series A and 18.0% for Series F.

At year end the largest equity sectors of the Fund were Financials, Consumer Staples, Energy and Information Technology. In combination, these sectors comprised 56.9% of the portfolio. Technology showed the strongest weighted returns followed by financials while health care and industrials were the weakest. In the equity space leading performers were KLA-Tencor, Industrial Alliance, Apple, Franco Nevada and Applied Materials while some of the weakest holdings were Fluor, Northwest Company and Walgreen Boots Alliance. During the year, new positions were established in Major Drilling, Newmont, Nutrien, New Flyer, UPS, United Rentals, Ingredion, Alcon, Applied Materials and Rogers Communications. Positions in Dow Dupont, Goldcorp, Maxar, SNC Lavalin, Stantec, Kraft Heinz, Bristol Myers, Transalta Renewables and Vodafone were sold.

The Fund continued to be fully invested in equities during the year. This positioning and performance are consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund were \$2.0 million at December 31, 2019 versus \$1.9 million at December 31, 2018.

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

Markets are starting 2020 on the high side, after a year of big gains. And those gains largely outpaced the growth in earnings, meaning that a good portion of the advance came from price/earnings expansion, which is never as dependable or sustainable as earnings-driven growth. Earnings may have some catching up to do to keep investors motivated to buy stocks. The

economy continues to grow, now into its tenth year of expansion. But earnings growth is likely to be modest in 2020, given GDP growth that may be less than 2%. A real trade deal with China would be expansionary, but so far, the progress appears to be window dressing.

The interest rate backdrop looks to be benign for 2020. The Federal Reserve is unlikely to raise rates in an election year, and recent strength in the Canadian Dollar will soften exports from this country, hardly the backdrop for an increase in rates. In fact, one could make a case for the possibility of a single cut in interest rates on either side of the border in 2020.

Barring some exogenous shocks to the world economy, investment markets should get off to a decent start in the first half. But by mid-year, investors will be focused on the U.S. election, and all the attendant rhetoric that emerges every four years. If the Democrats nominate a more left-leaning Presidential candidate, the markets may demonstrate concern about his or her election. 2020 could very well be a year of two halves. Against this thinking, the Fund is fully invested at the outset of the year. If share prices advance into the year, it may present opportunities to trim equity holdings, securing profits ahead of the volatility we expect later in the year.

Effective January 1, 2020 the management fees of Series A and Series F of the Fund have been reduced from 2.00% and 1.00% to 1.80% and 0.80% respectively, exclusive of taxes.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund in 2019. 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 \$26,882 (including HST) in management fees to the Manager for the year ended December 31, 2019 (December 31, 2018 - \$27,831).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and

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arranging for the acquisition and disposition of portfolio investments. Fees for providing these services are included in the management fee.

The Manager paid \$11,222 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2018 - \$11,510).

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 yearic 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      | 31-Dec-2015      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets per unit<sup>1</sup></b>                       |                  |                  |                  |                  |                  |
| Net assets, beginning of year                                | \$ 9.92          | \$ 10.97         | \$ 10.72         | \$ 9.79          | \$ 10.00         |
| Operations:  |                  |                  |                  |                  |                  |
| Total revenue  | 0.37             | 0.37             | 0.33             | 0.30             | 0.30             |
| Total expenses   | (0.30)           | (0.29)           | (0.29)           | (0.27)           | (0.25)           |
| Realized gains (losses)                                      | (0.09)           | (0.02)           | (0.11)           | 0.05             | 0.05             |
| Unrealized gains (losses)                                    | 1.69             | (1.01)           | 0.32             | 1.01             | (0.23)           |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$ 1.67</b>   | <b>\$ (0.95)</b> | <b>\$ 0.25</b>   | <b>\$ 1.09</b>   | <b>\$ (0.13)</b> |
| Distributions:   |                  |                  |                  |                  |                  |
| From income (excluding dividends)                            | \$ -             | \$ -             | \$ -             | \$ (0.02)        | \$ -             |
| From dividends   | (0.07)           | (0.06)           | (0.04)           | (0.03)           | (0.11)           |
| From capital gains   | -                | -                | -                | (0.10)           | (0.06)           |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$ (0.07)</b> | <b>\$ (0.06)</b> | <b>\$ (0.04)</b> | <b>\$ (0.15)</b> | <b>\$ (0.17)</b> |
| <b>Net assets, end of year<sup>2 3</sup></b>                 | <b>\$ 11.51</b>  | <b>\$ 9.92</b>   | <b>\$ 10.97</b>  | <b>\$ 10.72</b>  | <b>\$ 9.79</b>   |
| <b>Ratios and supplemental data</b>                          |                  |                  |                  |                  |                  |
| Net asset value <sup>4</sup>                                 | \$ 395,863       | \$ 384,818       | \$ 437,286       | \$ 393,328       | \$ 229,592       |
| Units outstanding  | 34,380           | 38,792           | 39,857           | 36,704           | 23,450           |
| Management expense ratio <sup>5</sup>                        | % 2.56           | % 2.55           | % 2.55           | % 2.55           | % 2.53           |
| Management expense ratio before waivers or absorption        | 3.65             | 3.56             | 3.01             | 3.54             | 4.87             |
| Portfolio turnover rate <sup>6</sup>                         | 15.2             | 32.3             | 16.0             | 19.7             | 8.2              |
| Trading expense ratio <sup>7</sup>                           | 0.03             | 0.1              | -                | 0.1              | 0.1              |
| Net asset value per unit, end of year                        | \$ 11.51         | \$ 9.92          | \$ 10.97         | \$ 10.72         | \$ 9.79          |

### Notes

- 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.
- 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- 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      | 31-Dec-2015      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets per unit<sup>1</sup></b>                       |                  |                  |                  |                  |                  |
| Net assets, beginning of year                                | \$ 10.03         | \$ 11.11         | \$ 10.86         | \$ 9.89          | \$ 10.00         |
| Operations:  |                  |                  |                  |                  |                  |
| Total revenue  | 0.38             | 0.38             | 0.34             | 0.31             | 0.30             |
| Total expenses   | (0.18)           | (0.18)           | (0.17)           | (0.16)           | (0.14)           |
| Realized gains (losses)                                      | (0.08)           | (0.04)           | (0.09)           | 0.08             | 0.07             |
| Unrealized gains (losses)                                    | 1.70             | (1.03)           | 0.33             | 0.99             | (0.09)           |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$ 1.82</b>   | <b>\$ (0.87)</b> | <b>\$ 0.41</b>   | <b>\$ 1.22</b>   | <b>\$ (0.16)</b> |
| Distributions:   |                  |                  |                  |                  |                  |
| From income (excluding dividends)                            | \$ -             | \$ -             | \$ -             | \$ (0.02)        | \$ -             |
| From dividends   | (0.21)           | (0.21)           | (0.17)           | (0.12)           | (0.12)           |
| From capital gains   | -                | -                | -                | (0.08)           | (0.07)           |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$ (0.21)</b> | <b>\$ (0.21)</b> | <b>\$ (0.17)</b> | <b>\$ (0.22)</b> | <b>\$ (0.19)</b> |
| <b>Net assets, end of year<sup>2 3</sup></b>                 | <b>\$ 11.64</b>  | <b>\$ 10.03</b>  | <b>\$ 11.11</b>  | <b>\$ 10.86</b>  | <b>\$ 9.89</b>   |

| <b>Ratios and supplemental data</b>                   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| Net asset value <sup>4</sup>                          | \$ 1,667,352 | \$ 1,514,900 | \$ 1,607,562 | \$ 1,867,495 | \$ 1,441,238 |
| Units outstanding                                     | 143,252      | 151,025      | 144,641      | 171,962      | 145,786      |
| Management expense ratio <sup>5</sup>                 | % 1.43       | % 1.42       | % 1.42       | % 1.42       | % 1.42       |
| Management expense ratio before waivers or absorption | 2.52         | 2.43         | 1.90         | 2.49         | 3.65         |
| Portfolio turnover rate <sup>6</sup>                  | 15.2         | 32.3         | 16.0         | 19.7         | 8.2          |
| Trading expense ratio <sup>7</sup>                    | 0.03         | 0.1          | -            | 0.1          | 0.1          |
| Net asset value per unit, end of year                 | \$ 11.64     | \$ 10.03     | \$ 11.11     | \$ 10.86     | \$ 9.89      |

## Notes

- 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.
- 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- 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

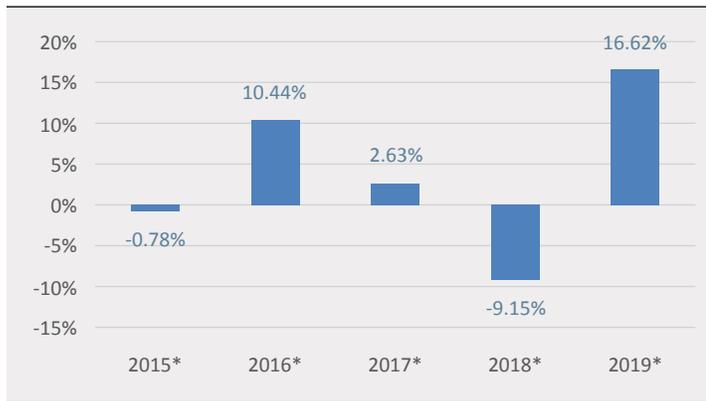
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a management fee, based on the net asset value of each Series, calculated daily and payable monthly. Effective January 1, 2020, the Fund will pay a management fee of 1.80% (formerly 2.00%) per annum for Series A units and 0.80% (formerly 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 were paid on Series A units to dealers. This comprises approximately 50.0% of the management fee of Series A units.

## Year-by-Year Returns

### Series A

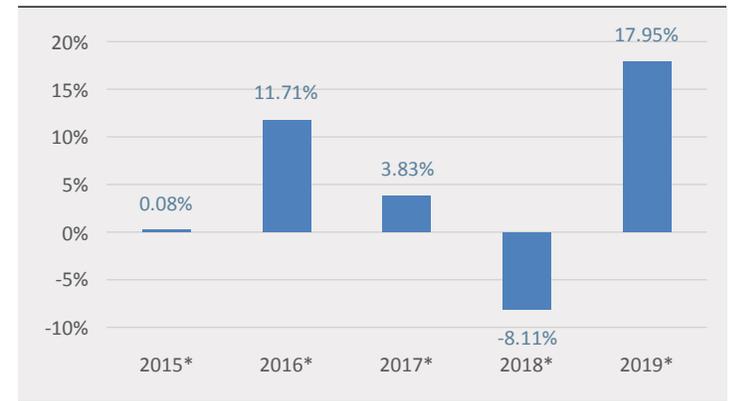


## Past Performance

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

### Series F



\* 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 50% S&P/TSX Total Return Index(CAD), 35% S&P Total Return Index (CAD) and 15% 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 <sup>2</sup> |   | Since Inception <sup>3</sup> |  |
|-----------------------------------|---|--------|---|---------------------|---|------------------------------|--|
| <b>Annual Compound Return</b>     |   |        |   |                     |   |                              |  |
| Series A <sup>1</sup>             | % | 16.62  | % | 2.83                | % | 3.56                         |  |
| Series F <sup>1</sup>             |   | 17.95  |   | 4.01                |   | 4.70                         |  |
| Index <sup>4</sup>                | % | 22.60  | % | 9.56                | % | 9.38                         |  |

### 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, 2014. Since inception returns are annualized.

**4** Source: TSX Inc. Copyright © TSX Inc. All rights reserved.

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## Summary of Investment Portfolio

|                              |          | % of NAV    |                               |          | % of NAV     |
|------------------------------|----------|-------------|-------------------------------|----------|--------------|
| <b>Top 25 Issuers</b>        |          |             | <b>Asset Mix</b>              |          |              |
| Manulife Financial Corp.     | %        | 2.6         | Canadian Equities             | %        | 47.6         |
| Canadian Natural Resources   |          | 2.4         | Cash and Cash Equivalents     |          | (0.1)        |
| IA Financial Corporation     |          | 2.4         | International Equities        |          | 51.2         |
| Bank of Nova Scotia          |          | 2.3         | Other Assets less Liabilities |          | 1.3          |
| Toronto Dominion Bank        |          | 2.3         | <b>Total</b>                  | <b>%</b> | <b>100.0</b> |
| Royal Bank of Canada         |          | 2.2         | <b>Sector</b>                 |          |              |
| Suncor Energy Inc.           |          | 2.1         | Cash and Cash Equivalents     | %        | (0.1)        |
| TC Energy Corp               |          | 2.0         | Consumer Discretionary        |          | 7.3          |
| Applied Materials            |          | 1.9         | Consumer Staples              |          | 10.8         |
| Franco-Nevada Corp.          |          | 1.8         | Energy                        |          | 12.1         |
| Walt Disney Co.              |          | 1.8         | Financials                    |          | 19.9         |
| Alimentation Couche-Tard Inc |          | 1.8         | Health Care                   |          | 8.5          |
| Apple Inc.                   |          | 1.8         | Industrials                   |          | 9.5          |
| Enbridge Inc.                |          | 1.8         | Information Technology        |          | 13.7         |
| SAP ADR                      |          | 1.7         | Materials                     |          | 7.6          |
| Alphabet Inc.                |          | 1.7         | Other Assets less Liabilities |          | 1.3          |
| Kla-Tencor Corp.             |          | 1.7         | Communication Services        |          | 6.5          |
| United Parcel Service        |          | 1.6         | Utilities                     |          | 2.9          |
| CGI Group Inc.               |          | 1.6         | <b>Total</b>                  | <b>%</b> | <b>100.0</b> |
| Rogers Communication Inc.    |          | 1.6         |                               |          |              |
| BHP Billiton Ltd. SP ADR     |          | 1.5         |                               |          |              |
| Verizon Communications Inc.  |          | 1.5         |                               |          |              |
| UNITED RENTALS INC.          |          | 1.5         |                               |          |              |
| ABB Ltd-Spon ADR             |          | 1.5         |                               |          |              |
| Royal Dutch Shell ADR        |          | 1.5         |                               |          |              |
| <b>Total</b>                 | <b>%</b> | <b>46.6</b> |                               |          |              |



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