

**Annual Management Report of Fund Performance**  
As at December 31, 2020

Lysander-Canso Bond Fund



# Lysander-Canso Bond Fund

Annual Management Report of Fund Performance as at December 31, 2020

## 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-Canso Bond Fund (the “Fund”) contains financial highlights for the year ended December 31, 2020 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, 2020. 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 St., 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 above average, long-term total returns consisting principally of interest income by investing primarily in high-quality Canadian dollar denominated fixed income securities of Canadian and foreign issuers.

## Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”), a company under common control as the Manager. The Fund’s portfolio will primarily be invested in Canadian dollar denominated fixed income securities of Canadian and foreign issues. It also may invest in debt securities convertible into common stock, and fixed income

securities of governments, government agencies, supranational agencies, companies, trusts and limited partnerships. The Fund will not be leveraged. The Fund may invest up to 60% of its assets at the time of purchase 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

During the year Canso employed its bottom-up process to buy and sell securities for the Fund. The Fund’s positioning and performance is consistent with the Fund’s fundamental investment objective and strategies.

The Fund had positive returns for the year of 9.48% for Series A and 10.11% for Series F.

This positioning and performance is consistent with the Fund’s fundamental investment objective and strategies. The net assets of the Fund increased to approximately \$81.9 million at December 31, 2020 from \$63.3 million at the end of the prior year. There were net subscriptions of approximately \$13.2 million during the year.

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 or have been described below.

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

## Recent Developments

The COVID-19 pandemic took markets on a wild ride in 2020. The pandemic has had a staggering impact on the global economy. Certain industries have seen their revenues slashed and this has led to mass layoffs. Governments have responded with a series of financial and tax relief measures that are unprecedented in peacetime. This has been supplemented by various actions by central banks to improve liquidity in financial markets.

After the first quarter selloff, markets came roaring back in spectacular fashion. This was helped in no small part by massive Government assistance and central bank actions. The US Federal Reserve implemented a number of, what they described as, “funding, credit, liquidity, and loan facilities”. These included the direct purchase of corporate bonds and related ETFs in both the primary and secondary markets. The Bank of Canada has also implemented similar programs.

The announcement of effective COVID-19 vaccines in November lit a fire under markets in the fourth quarter. Equity and credit markets were both strong. This strength was more broadly supported by the Federal Reserve's plans to continue their low interest rate policy until their twin objectives of maximum employment and inflation of two per cent are reached. The Federal Reserve is prepared to allow moderately higher inflation in the short term so that inflation averages two per cent over time. The Federal Reserve maintained its pace of purchasing Treasury securities and agency mortgage-backed securities to sustain smooth market functioning.

The Bank of Canada has also acted decisively to cut interest rates to protect the Canadian economy that is reeling from the widespread impact of the pandemic. The central bank provided liquidity to Canadian banks as the Government urged the banks to support businesses and consumers through these difficult times. The central bank has expanded its balance sheet exponentially by purchasing mortgage bonds, corporate and provincial bonds and commercial paper.

For the year as a whole, equity markets were generally strong, especially the technology-heavy NASDAQ index. Bond markets produced high single digit returns, with credit outperforming Government bonds. Higher yielding bonds generally outperformed highly rated corporates.

The Fund continues to be conservatively positioned around sensitivity to interest rates. The Fund purchased new Limited Recourse Capital Notes issued from both Royal Bank of Canada

and Bank of Montreal. The Fund also participated in a new issue from GTAA as the airport came to the market to shore up liquidity. The Fund harvested some gains on securities bought in the first half of the year such as Enbridge Inc, Boeing, and Broadcom. The Fund also sold some of its deposit notes to fund some of the above purchases.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. 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 \$521,609 (including HST) in management fees to the Manager for the year ended December 31, 2020 (December 31, 2019 - \$497,721).

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 \$238,318 (including HST) to the Portfolio Manager for the year ended December 31, 2020 (December 31, 2019 - \$230,780).

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-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 10.46	\$ 10.36	\$ 10.48	\$ 10.49	\$ 10.47
Operations:					
Total revenue	0.35	0.32	0.31	0.27	0.25
Total expenses	(0.15)	(0.14)	(0.15)	(0.15)	(0.15)
Realized gains (losses)	0.24	(0.07)	(0.01)	(0.02)	(0.03)
Unrealized gains (losses)	0.48	0.16	(0.14)	0.01	0.03
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.92</b>	<b>\$ 0.27</b>	<b>\$ 0.01</b>	<b>\$ 0.11</b>	<b>\$ 0.10</b>
Distributions:					
From income (excluding dividends)	\$ 0.26	\$ (0.16)	\$ (0.13)	\$ (0.09)	\$ (0.08)
From capital gains	-	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ 0.26</b>	<b>\$ (0.16)</b>	<b>\$ (0.13)</b>	<b>\$ (0.09)</b>	<b>\$ (0.08)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.20</b>	<b>\$ 10.46</b>	<b>\$ 10.36</b>	<b>\$ 10.48</b>	<b>\$ 10.49</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 11,016,769	\$ 6,255,564	\$ 6,305,982	\$ 8,817,734	\$ 17,476,019
Units outstanding	983,428	598,032	608,873	841,028	1,666,318
Management expense ratio <sup>5</sup>	% 1.41	% 1.41	% 1.43	% 1.43	% 1.40
Management expense ratio before waivers or absorption	1.41	1.41	1.43	1.43	1.40
Portfolio turnover rate <sup>6</sup>	97.7	27.2	35.8	24.4	29
Trading expense ratio <sup>7</sup>	-	-	-	-	-
Net asset value per unit, end of year	\$ 11.20	\$ 10.46	\$ 10.36	\$ 10.48	\$ 10.49

### 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-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 10.25	\$ 10.16	\$ 10.32	\$ 10.37	\$ 10.39
Operations:					
Total revenue	0.34	0.32	0.31	0.27	0.25
Total expenses	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Realized gains (losses)	0.22	(0.07)	(0.01)	(0.02)	(0.03)
Unrealized gains (losses)	0.49	0.16	(0.14)	(0.01)	0.02
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.96</b>	<b>\$ 0.32</b>	<b>\$ 0.07</b>	<b>\$ 0.15</b>	<b>\$ 0.15</b>
Distributions:					
From income (excluding dividends)	\$ 0.23	\$ (0.24)	\$ (0.23)	\$ (0.18)	\$ (0.17)
From capital gains	-	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ 0.23</b>	<b>\$ (0.24)</b>	<b>\$ (0.23)</b>	<b>\$ (0.18)</b>	<b>\$ (0.17)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.04</b>	<b>\$ 10.25</b>	<b>\$ 10.16</b>	<b>\$ 10.32</b>	<b>\$ 10.37</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 61,452,464	\$ 57,102,955	\$ 52,683,065	\$ 52,767,933	\$ 69,454,371
Units outstanding	5,565,588	5,569,118	5,183,054	5,113,564	6,697,299
Management expense ratio <sup>5</sup>	% 0.83	% 0.84	% 0.85	% 0.86	% 0.85
Management expense ratio before waivers or absorption	0.83	0.84	0.85	0.86	0.85
Portfolio turnover rate <sup>6</sup>	97.7	27.2	35.8	24.4	29
Trading expense ratio <sup>7</sup>	-	-	-	-	-
Net asset value per unit, end of year	\$ 11.04	\$ 10.25	\$ 10.16	\$ 10.32	\$ 10.37

## 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.
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- 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.

# Lysander-Canso Bond Fund

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## Series O\*

Year ended	31-Dec-2020	
<b>Net assets per unit<sup>1</sup></b>		
Net assets, beginning of year	\$	10.00
Operations:		
Total revenue		0.01
Total expenses		-
Realized gains (losses)		-
Unrealized gains (losses)		0.03
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$</b>	<b>0.04</b>
Distributions:		
From income (excluding dividends)	\$	-
From dividends		-
From capital gains		-
<b>Total distributions<sup>2 3</sup></b>	<b>\$</b>	<b>0</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$</b>	<b>10.04</b>
<b>Ratios and supplemental data</b>		
Net asset value <sup>4</sup>	\$	9,511,254
Units outstanding		947,592
Management expense ratio <sup>5</sup>	%	0.11
Management expense ratio before waivers or absorption		0.11
Portfolio turnover rate <sup>6</sup>		97.7
Trading expense ratio <sup>7</sup>		-
Net asset value per unit, end of year	\$	10.04

## Notes

\* Series O commenced operations on December 21, 2020

- 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

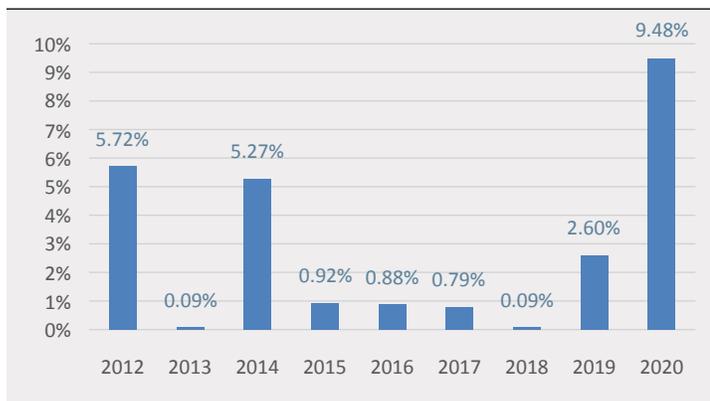
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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. The Fund pays a management fee of 1.15% per annum for Series A units and 0.65% 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.

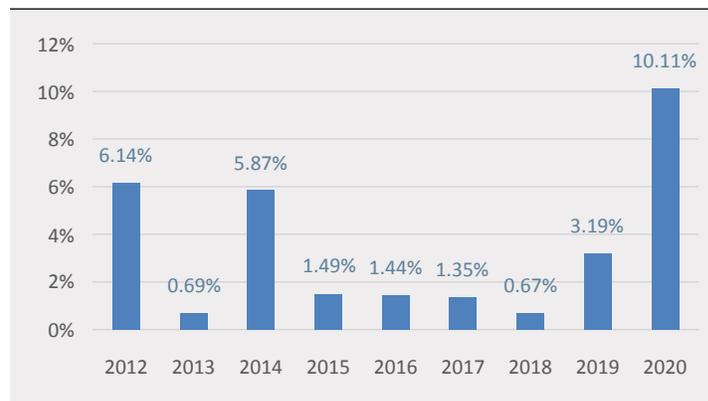
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises 43.5% of the management fee of Series A units.

## Year-by-Year Returns

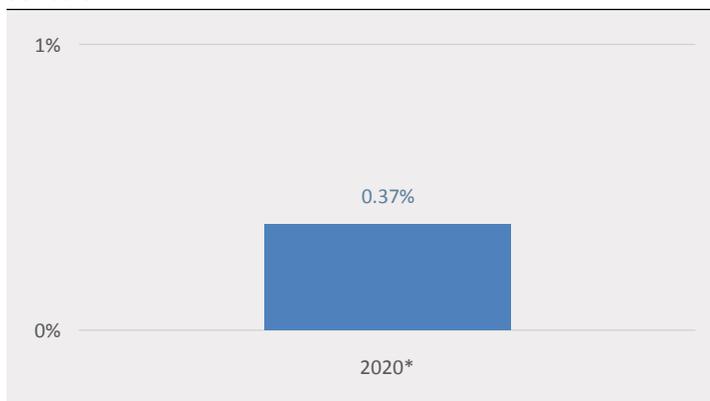
### Series A



### Series F



### Series O



## Past Performance

The commencement date of being distributed under a prospectus for Series A and F was December 28, 2011. Accordingly, returns are shown for the relevant years as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

\* For the period December 21 to December 31

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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the FTSE Canada Universe Bond Index (the "Index"). The Index is designed to be a broad measure of the Canadian investment-grade fixed income market. 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, 2020		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		Since Inception <sup>3</sup>
<b>Annual Compound Return</b>								
Series A <sup>1</sup>	%	9.48	%	3.98	%	2.71	%	2.78
Series F <sup>1</sup>		10.11		4.58		3.30		3.35
FTSE Canada Universe Bond Index <sup>4</sup>	%	8.68	%	5.61	%	4.19	%	3.97

### Notes

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

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

<sup>3</sup> Period from December 28, 2011 to December 31, 2020. Since inception returns are annualized.

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## Summary of Investment Portfolio

		% of NAV			% of NAV
<b>Top 25 Issuers</b>			<b>Asset Mix</b>		
Cash and Cash Equivalents	%	9.2	Canadian Fixed Income	%	62.2
Royal Bank of Canada		5.8	Cash and Cash Equivalents		9.2
Walt Disney Co.		5.6	Foreign Fixed Income		27.9
Pembina Pipeline Corporation		4.6	Other Assets less Liabilities		0.7
Apple Inc.		4.6	<b>Total</b>	<b>%</b>	<b>100.0</b>
TransCanada Pipelines		4.3	<b>Sector</b>		
GE Capital Canada Funding Co.		3.9	Cash and Cash Equivalents	%	9.2
Unicredit SPA		3.4	Communication Services		8.0
Nav Canada		3.4	Consumer Discretionary		1.6
Bank of Montreal		3.4	Consumer Staples		4.7
WTH Car Rental ULC (AVIS)		3.3	Energy		15.3
Boeing Co.		2.8	Federal		1.0
Enbridge Inc.		2.7	Financials		34.8
G.T.A.A.		2.6	Health Care		0.7
Suncor Energy Inc.		2.5	Industrials		15.6
Molson Coors Beverage Company		2.5	Information Technology		4.6
Heathrow Funding Limited		2.5	Other Assets less Liabilities		0.7
NatWest Group plc		2.5	Provincial		2.2
407 International Inc.		2.4	Real Estate		0.7
Loblaw Companies Ltd		2.2	Utilities		0.9
Toronto Dominion Bank		2.0	<b>Total</b>	<b>%</b>	<b>100.0</b>
Met Life Global Funding I		1.8			
Sun Life Financial Inc.		1.8			
Toyota Credit Canada Inc.		1.7			
Clarica Life Insurance Co.		1.7			
<b>Total</b>	<b>%</b>	<b>83.2</b>			



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