

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

Lysander-Canso 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-Canso Equity 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 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 long-term capital growth by investing primarily in equity securities of companies anywhere in the world.

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 invests primarily in equity securities of small, medium and large companies. The Fund may also hold cash and fixed income securities. The Fund will not be constrained by geographic or sector considerations and could be

substantially exposed to equity securities of issuers not in developed markets.

Canso tends to take a “bottom up” approach to portfolio construction, focusing on security selection. The Portfolio Manager selects securities based on its independent, proprietary research and valuation of individual companies.

The Fund may invest in debt securities convertible into common stock, fixed income securities of governments, government agencies, supranational agencies, companies, trusts, limited partnerships and other funds including ETFs. The Fund will not be leveraged. The Fund may invest up to 100% of its net assets in foreign securities.

The Fund may hold all or a portion of its assets in cash or cash equivalents or invest in short term bonds or money market instruments in response to adverse market, economic and/or political conditions or for liquidity, defensive or other purposes. As a result, the Fund may not always be fully invested in accordance with its investment objectives. More details are contained in the Fund’s simplified prospectus.

Risks

On December 23, 2020, the Manager increased the risk rating of the Fund from “medium” to “medium-to-high” in accordance with the investment risk classification methodology mandated by the Canadian Securities Administrators. Please refer to the Fund’s most recent simplified prospectus.

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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 returns in the year of 8.65% for Series A and 9.87% for Series F.

The net assets of the Fund increased to approximately \$9.4 million at December 31, 2020 from approximately \$7.1 million at the beginning of the year. There were net subscriptions of \$1.1 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.

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 added two new positions in the second half of 2020, Airbnb Inc. and Bird Construction. Airbnb Inc. was added in December as part of the Initial Public Offering but due to the popularity of the issue, the weight was very small. Bird Construction was added as part of a financing to raise capital to purchase Stuart Olsen. The Fund also increased its weight in some positions during the year including Bombardier Inc. and Lloyds Banking Group PLC. The Fund raised proceeds during the period from the sale of Torstar Corp as part of its acquisition, Postmedia, General Electric, and David's Tea.

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. 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.

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The Fund paid \$68,138 (including HST) in management fees to the Manager for the year ended December 31, 2020 (December 31, 2019- \$69,147).

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 \$32,631 (including HST) to the Portfolio Manager for the year ended December 31, 2019 (December 31, 2019 - \$32,768).

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
Net assets per unit¹					
Net assets, beginning of year	\$ 11.20	\$ 8.96	\$ 12.68	\$ 11.38	\$ 11.19
Operations:					
Total revenue	0.18	0.27	0.30	0.15	0.16
Total expenses	(0.22)	(0.27)	(0.34)	(0.31)	(0.27)
Realized gains (losses)	0.24	0.08	1.78	0.17	0.11
Unrealized gains (losses)	(0.75)	2.24	(4.12)	1.44	0.14
Total increase (decrease) from operations²	\$ (0.55)	\$ 2.32	\$ (2.38)	\$ 1.45	\$ 0.14
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	-	-	-	-	-
From capital gains	0.06	(0.07)	(1.29)	(0.15)	(0.08)
Total distributions^{2 3}	\$ 0.06	\$ (0.07)	\$ (1.29)	\$ (0.15)	\$ (0.08)
Net assets, end of year^{2 3}	\$ 12.03	\$ 11.20	\$ 8.96	\$ 12.68	\$ 11.38
Ratios and supplemental data					
Net asset value ⁴	\$ 141,145	\$ 369,198	\$ 293,361	\$ 377,088	\$ 334,795
Units outstanding	11,731	32,964	32,750	29,741	29,414
Management expense ratio ⁵	% 2.13	% 2.55	% 2.56	% 2.55	% 2.52
Management expense ratio before waivers or absorption	2.40	2.84	3.16	3.00	3.20
Portfolio turnover rate ⁶	12.32	18.21	28.23	10.41	27
Trading expense ratio ⁷	0.07	0.13	0.23	0.07	0.1
Net asset value per unit, end of year	\$ 12.03	\$ 11.20	\$ 8.96	\$ 12.68	\$ 11.38

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
Net assets per unit¹					
Net assets, beginning of year	\$ 11.7	\$ 9.33	\$ 13.17	\$ 11.69	\$ 11.37
Operations:					
Total revenue	0.20	0.27	0.32	0.15	0.16
Total expenses	(0.12)	(0.17)	(0.21)	(0.18)	(0.15)
Realized gains (losses)	0.15	0.08	1.83	0.17	0.10
Unrealized gains (losses)	1.48	2.22	(4.25)	1.55	0.42
Total increase (decrease) from operations²	\$ 1.71	\$ 2.40	\$ (2.31)	\$ 1.69	\$ 0.53
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	0.08	(0.11)	(0.10)	-	-
From capital gains	0.16	(0.08)	(1.89)	(0.17)	(0.10)
Total distributions^{2 3}	\$ 0.24	\$ (0.19)	\$ (1.99)	\$ (0.17)	\$ (0.10)
Net assets, end of year^{2 3}	\$ 12.64	\$ 11.70	\$ 9.33	\$ 13.17	\$ 11.69
Ratios and supplemental data					
Net asset value ⁴	\$ 9,261,160	\$ 6,766,543	\$ 3,616,841	\$ 3,162,448	\$ 2,513,398
Units outstanding	732,963	578,238	387,546	240,177	215,045
Management expense ratio ⁵	% 1.00	% 1.42	% 1.43	% 1.42	% 1.41
Management expense ratio before waivers or absorption	1.29	1.71	2.01	1.89	2.07
Portfolio turnover rate ⁶	12.32	18.21	28.23	10.41	27
Trading expense ratio ⁷	0.07	0.13	0.23	0.07	0.1
Net asset value per unit, end of year	\$ 12.64	\$ 11.70	\$ 9.33	\$ 13.17	\$ 11.69

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.

Service fees or trailing commissions of a maximum of 1.00% per annum were paid on Series A units to dealers. This comprises approximately 55.6% of the management fee of Series A units.

Year-by-Year Returns

Series A



Past Performance

The Fund commenced operations on September 18, 2013. 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.

Series F



* For the period September 18 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 MSCI All Country World (CAD) Index (the "Index"). The Index captures large and mid cap representation across 24 developed markets countries.

For years ended December 31, 2020		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	8.65	%	3.44	%	5.06	%	6.28
Series F ¹		9.87		4.62		6.23		7.37
MSCI All Country World (CAD) Index ⁴	%	14.39	%	10.76	%	10.41	%	12.77

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 from September 18, 2013 to December 31, 2020. Since inception returns are annualized.

4 The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used to create any financial instruments or products or any indices. The MSCI information is provided on an as is basis and the user of this information assumes the entire risk of any use it may make or permit to be made of this information. Neither MSCI, any of its affiliates or any other person involved in or related to compiling, computing or creating the MSCI information (collectively, the MSCI Parties.) makes any express or implied warranties or representations with respect to such information or the results to be obtained by the use thereof, and the MSCI Parties hereby expressly disclaim all warranties (including, without limitation, all warranties of originality, accuracy, completeness, timeliness, noninfringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential or any other damages (including, without limitation, lost profits) even if notified of, or if it might otherwise have anticipated, the possibility of such damages.

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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
Apple Inc.	%	7.6	Canadian Equities	%	55.5
Maxar Technologies Inc.		6.5	Cash and Cash Equivalents		0.2
Linamar Corporation		5.3	Foreign Equities		43.9
Ovintiv Inc.		5.0	Preferred Shares		0.3
General Electric Company		4.9	Other Assets less Liabilities		0.1
CAE Inc.		4.4	Total	%	100.0
Yellow Pages Limited		4.4	Sector		
Cenovus Energy Inc.		4.3	Cash and Cash Equivalents	%	0.2
Manulife Financial Corp.		4.3	Communication Services		11.7
Nintendo Co Ltd		4.0	Consumer Discretionary		11.6
SNC Lavalin		4.0	Consumer Staples		6.3
Kraft Heinz Co.		4.0	Energy		13.2
GoPro Inc		3.8	Financials		12.7
Bird Construction Inc.		3.8	Industrials		27.2
Enbridge Inc.		3.7	Information Technology		14.1
Bombardier Inc.		3.7	Materials		2.9
Spirit Aerosystems Inc.		3.3	Other Assets less Liabilities		0.1
SES S.A		3.2	Total	%	100.0
Givaudan SA		2.9			
Lloyds Banking Group PLC		2.7			
Empire Co Ltd.		2.3			
SLM Corp		2.0			
Canfor Pulp Products Inc.		1.8			
NatWest Group plc		1.6			
Aegis Brands Inc.		1.5			
Total	%	95.0			



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