

Annual Management Report of Fund Performance

As at December 31, 2021

Lysander-Slater Preferred Share Dividend 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 (“MRFP”) of Lysander-Slater Preferred Share Dividend Fund (the “Fund”) contains financial highlights for the year ended December 31, 2021 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, 2021. 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 seek to generate income while preserving investor capital by investing primarily in preferred securities of Canadian issuers that are listed on a Canadian stock exchange.

Investment Strategies

The Fund’s portfolio manager is Slater Asset Management Inc. (“Portfolio Manager” or “Slater”). The Fund’s portfolio is primarily invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. The Fund may invest (at the time of purchase)

up to 30% of its assets in foreign securities. More details are contained in the Fund’s simplified prospectus.

Risks

On December 22, 2021, 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

Preferred Shares had a tremendous 2021, with the S&P/TSX Preferred Share Index up 19.35% and the Lysander-Slater Preferred Share Dividend Fund (Series F) up 28.51%.

The recovery from Covid-19 in North America continued in the second half of 2021, with unemployment rates improving to pre-pandemic levels. Wages increased due to a shortage in labour supply that helped spur economic activity. Global supply chain issues continued to hamper supply of many goods and services, and historically low interest rates helped spur inflation to its highest level since the 1980’s. The Canadian 5-year bond yield (benchmark for fixed rate reset Preferred Shares) rose to as high as 1.6% in November but trended lower to finish the year at 1.25% due to the fear of a new variant (Omicron) and its effect on economic growth. The theme of supply shrinkage continued for Preferred Shares that helped support performance, with institutions calling in more costly Preferred Shares and re-issuing a lower cost of capital Limited Recourse Capital Notes (“LRCN”). An additional \$6.24 billion worth of Preferred Shares were redeemed in the second half for a total of over \$10 billion, and the market saw an additional \$1.4 billion of new issue Preferred

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Shares. The net difference of approximately \$4.84 billion caused many funds and investors to invest in existing Preferred Shares with the proceeds. The LRCN market continued to grow with an additional \$5.95 billion coming to market in the second half, the LRCN market has now grown to over \$18 billion in size.

The Fund continued to position the portfolio for a move in higher interest rates by being overweight in discounted fixed rate reset Preferred Shares. Specifically, the Fund reduced its weighting in 300-400bp spread resets to an approximate weighting of 10% from 20% at the end of June, as many of these resets approached par value. The Fund also slightly reduced its weighting in 225-300bp spread resets from 43% to 39%, and increased <225 spread resets to 15.4% from 11% at the end of June.

The Fund's assets under management increased from approximately \$65.5 million at the beginning of the year to approximately \$98.1 million at the end of the year. The increase was due to net subscriptions of \$13.8 million and appreciation of security prices.

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 herein.

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

Recent Developments

Slater's thesis of expected market redemptions played out from the beginning of the year as Slater estimated that approximately \$8 billion in Preferred Share product would be redeemed in 2021 and over \$10 billion in product was actually called. Slater also continues to expect higher rather than lower interest rates going forward, and expects the Bank of Canada to begin raising interest rates in the first half of 2022. Slater anticipates that an estimated \$7 billion of Preferred Share product to be called in 2022 and that little new issuance of Preferred Shares to occur. Therefore, the Fund is positioned for higher interest rates.

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 \$846,048 (including HST) in management fees to the Manager for the year ended December 31, 2021 (December 31, 2020 - \$648,850).

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 \$366,604 (including HST) to the Portfolio Manager for the year ended December 31, 2021 (December 31, 2020 - \$268,524).

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-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets per unit¹					
Net assets, beginning of year	\$ 7.84	\$ 8.33	\$ 8.53	\$ 10.00	\$ 9.32
Operations:					
Total revenue	0.42	0.41	0.47	0.45	0.47
Total expenses	(0.14)	(0.11)	(0.13)	(0.15)	(0.16)
Realized gains (losses)	1.08	(1.29)	(1.09)	0.11	0.54
Unrealized gains (losses)	0.84	0.64	0.85	(1.56)	0.19
Total increase (decrease) from operations²	\$ 2.20	\$ (0.35)	\$ 0.10	\$ (1.15)	\$ 1.04
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.24)	(0.34)	(0.32)	(0.27)	(0.29)
From capital gains	-	-	-	(0.12)	(0.10)
Return of Capital	(0.08)	-	-	(0.12)	(0.10)
Total distributions^{2 3}	\$ (0.32)	\$ (0.34)	\$ (0.32)	\$ (0.39)	\$ (0.39)
Net assets, end of year^{2 3}	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53	\$ 10.00

Ratios and supplemental data					
Net asset value ⁴	\$ 19,517,906	\$ 17,676,754	\$ 25,827,659	\$ 25,951,516	\$ 25,459,510
Units outstanding	2,018,179	2,254,836	3,101,718	3,041,701	2,545,622
Management expense ratio ⁵	% 1.52	% 1.56	% 1.54	% 1.53	% 1.55
Management expense ratio before waivers or absorption	1.52	1.56	1.54	1.53	1.55
Portfolio turnover rate ⁶	121.8	157.7	84.8	104.8	132.0
Trading expense ratio ⁷	0.43	0.6	0.4	0.4	0.5
Net asset value per unit, end of year	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53	\$ 10.00

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-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets per unit¹					
Net assets, beginning of year	\$ 7.92	\$ 8.38	\$ 8.58	\$ 10.04	\$ 9.35
Operations:					
Total revenue	0.42	0.43	0.47	0.45	0.47
Total expenses	(0.09)	(0.07)	(0.08)	(0.10)	(0.10)
Realized gains (losses)	1.07	(1.24)	(1.08)	0.11	0.54
Unrealized gains (losses)	0.68	0.71	0.76	(1.64)	0.19
Total increase (decrease) from operations²	\$ 2.08	\$ (0.17)	\$ 0.07	\$ (1.18)	\$ 1.10
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.24)	(0.36)	(0.36)	(0.33)	(0.34)
From capital gains	-	-	-	(0.10)	(0.10)
Return of Capital	(0.10)	-	-	(0.12)	(0.10)
Total distributions^{2 3}	\$ (0.34)	\$ (0.36)	\$ (0.36)	\$ (0.43)	\$ (0.44)
Net assets, end of year^{2 3}	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58	\$ 10.04
Ratios and supplemental data					
Net asset value ⁴	\$ 78,535,564	\$ 47,850,514	\$ 53,479,670	\$ 74,783,460	\$ 62,559,365
Units outstanding	8,011,843	6,043,971	6,379,154	8,717,097	6,232,411
Management expense ratio ⁵	% 0.96	% 0.99	% 0.98	% 0.97	% 0.98
Management expense ratio before waivers or absorption	0.96	0.99	0.98	0.97	0.98
Portfolio turnover rate ⁶	121.8	157.7	84.8	104.8	132.0
Trading expense ratio ⁷	0.43	0.6	0.4	0.4	0.5
Net asset value per unit, end of year	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58	\$ 10.04

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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Management Fees

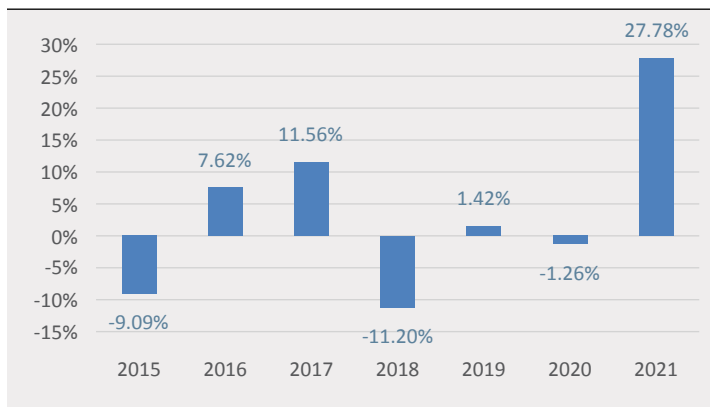
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.25% per annum for Series A units and 0.75 % per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Year-by-Year Returns

Series A

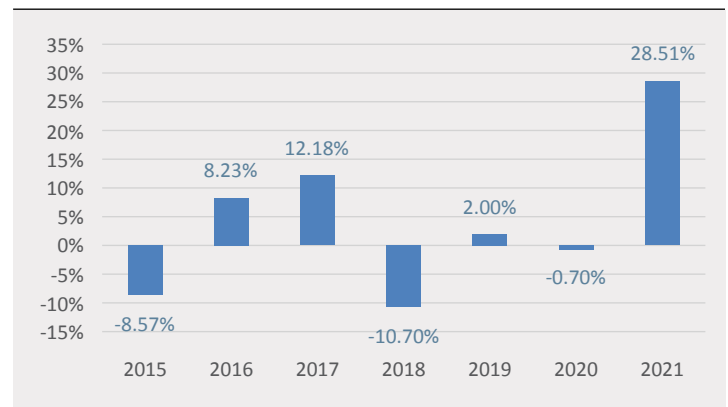


Past Performance

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



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Annual Compound Returns

The following table shows the Fund's annual compound return for each year indicated, compared with the S&P/TSX Preferred Share Index (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, 2021		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	27.78	%	8.57	%	4.86	%	3.12
Series F ¹		28.51		9.18		5.45		3.71
S&P/TSX Preferred Share Total Return Index ⁴	%	19.35	%	9.45	%	6.52	%	3.27

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 year returns are annualized.
- 3 From December 30, 2014. Since inception returns are annualized.
- 4 Source: TSX © Copyright 2021 TSX Inc. All rights reserved.

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Enbridge Inc.	9.7	Canadian Equities	1.1
Fairfax Finl Hldgs Ltd.	6.8	Canadian Fixed Income	0.1
Canadian Utilities Ltd.	5.5	Cash and Cash Equivalents	1.7
Power Financial Corp.	5.2	Preferred Shares	96.9
Fortis Inc.	5.1	Other Assets less Liabilities	0.2
Great-West Lifeco Inc.	5.0	Total	100.0
Tc Energy Corp.	5.0	Sector	
Bce Inc.	4.7	Cash and Cash Equivalents	1.7
Emera Inc.	4.4	Communication Services	4.7
Sun Life Financial Inc.	3.6	Consumer Staples	3.0
Brookfield Asset Man Inc.	3.6	Energy	20.0
Manulife Financial Corp.	3.4	Financials	42.9
Pembina Pipeline Corp.	3.2	Other Assets less Liabilities	0.2
Royal Bank Of Canada	3.1	Real Estate	3.9
Altagas Ltd.	3.1	Utilities	23.6
George Weston Ltd.	3.0	Total	100.0
Bank Of Montreal	2.9		
Artis Real Estate	2.5		
Thomson Reuters Corp.	2.3		
Toronto-Dominion Bank	2.3		
Cenovus Energy Inc.	2.1		
Capital Power Corp.	2.1		
Cash And Cash Equivalents	1.7		
Northland Power Inc.	1.6		
Brookfield Office Prop	1.4		
Total	93.3		



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