

Annual Management Report of Fund Performance

As at December 31, 2020

Lysander-Canso Broad Corporate Bond 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 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 Broad Corporate 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 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 earn income and some capital gains by investing primarily in fixed income securities 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’s portfolio will be invested primarily in fixed income securities, including those of foreign issuers. 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 100% of its net assets 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 returns for the year 12.77% for Series A and 13.40% for Series F.

The net assets of the Fund increased to approximately \$132.9 million from \$61.3 million at the beginning of the year. There were net subscriptions of \$62.0 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.

Lysander-Canso Broad Corporate Bond Fund

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

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.

Credit spreads continued to rally during the second half of the year, fueled by unprecedented government backed stimulus programs. While spreads began to tighten off the wide levels of the spring, the bonds of pandemically impacted companies still represented tremendous value throughout the summer and early fall. The Fund opportunistically added to existing positions

at attractive levels and purchased new issues of Spirit AeroSystems, Cenovus, and Continental Resources. The Fund also purchased newly created AT1 securities, Limited Recourse Capital Notes, issued by Royal Bank of Canada and Bank of Montreal in the third quarter.

As news of COVID-19 vaccines were announced in the late fall, the rally in spread tightening accelerated and provided an opportunity to reposition the portfolio as many spreads had returned to fair value. The Fund began to re-establish its liquidity positioning by buying NHA MBS pools during this period.

As of December 31, 2020, the Fund was 38% invested in BBB names and 19% in High Yield names versus 37% and 22% respectively at June 30, 2020. Duration in the portfolio was 5.7 years.

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 \$703,360 (including HST) in management fees to the Manager for the year ended December 31, 2020 (December 31, 2019- \$457,574).

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 \$344,521 (including HST) to the Portfolio Manager for the year ended December 31, 2020 (December 31, 2019 - \$222,823).

Lysander-Canso Broad Corporate Bond Fund

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

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.

Lysander-Canso Broad Corporate Bond Fund

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

Financial Highlights

Series A*

Year ended	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets per unit¹				
Net assets, beginning of year	\$ 10.53	\$ 9.83	\$ 9.98	\$ 10.00
Operations:				
Total revenue	0.41	0.37	0.32	0.30
Total expenses	(0.16)	(0.15)	(0.15)	(0.17)
Realized gains (losses)	0.39	0.14	(0.07)	(0.05)
Unrealized gains (losses)	0.73	0.82	(0.13)	0.08
Total increase (decrease) from operations²	\$ 1.37	\$ 1.18	\$ (0.03)	\$ 0.16
Distributions:				
From income (excluding dividends)	\$ 0.35	\$ (0.04)	\$ (0.12)	\$ (0.17)
From capital gains	0.35	-	-	(0.07)
Total distributions^{2 3}	\$ 0.70	\$ (0.04)	\$ (0.12)	\$ (0.24)
Net assets, end of year^{2 3}	\$ 11.36	\$ 10.53	\$ 9.83	\$ 9.98
Ratios and supplemental data				
Net asset value ⁴	\$ 5,477,265	\$ 1,364,960	\$ 5,117,093	\$ 3,289,377
Units outstanding	482,000	129,636	520,770	329,725
Management expense ratio ⁵	% 1.48	% 1.48	% 1.54	% 1.65
Management expense ratio before waivers or absorption	1.48	1.48	1.54	1.72
Portfolio turnover rate ⁶	42.52	61.81	55.96	41.32
Trading expense ratio ⁷	-	-	-	-
Net assets, end of year ^{2 3}	\$ 11.36	\$ 10.53	\$ 9.83	\$ 9.98

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.

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.

Lysander-Canso Broad Corporate Bond Fund

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

Series F*

Year ended	31-Dec-2020	31-Dec-2019	31-Dec-2018	31-Dec-2017
Net assets per unit¹				
Net assets, beginning of year	\$ 10.33	\$ 9.81	\$ 10.02	\$ 10.00
Operations:				
Total revenue	0.40	0.38	0.32	0.28
Total expenses	(0.10)	(0.1)	(0.10)	(0.11)
Realized gains (losses)	0.38	0.16	(0.07)	-
Unrealized gains (losses)	0.74	0.35	(0.15)	(0.08)
Total increase (decrease) from operations²	\$ 1.42	\$ 0.79	\$ 0.00	\$ 0.09
Distributions:				
From income (excluding dividends)	\$ 0.28	\$ (0.29)	\$ (0.24)	\$ (0.16)
From capital gains	0.3	-	-	(0.06)
Total distributions^{2 3}	\$ 0.58	\$ (0.29)	\$ (0.24)	\$ (0.22)
Net assets, end of year^{2 3}	\$ 11.21	\$ 10.33	\$ 9.81	\$ 10.02
Ratios and supplemental data				
Net asset value ⁴	\$ 127,501,019	\$ 59,986,724	\$ 48,045,589	\$ 21,347,746
Units outstanding	11,369,195	5,805,429	4,897,805	2,131,540
Management expense ratio ⁵	% 0.92	% 0.93	% 0.94	% 1.09
Management expense ratio before waivers or absorption	0.92	0.93	0.94	1.15
Portfolio turnover rate ⁶	42.52	61.81	55.96	41.32
Trading expense ratio ⁷	-	-	-	-
Net assets, end of year ^{2 3}	\$ 11.21	\$ 10.33	\$ 9.81	\$ 10.02

Notes

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Lysander-Canso Broad Corporate Bond Fund

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

Management Fees

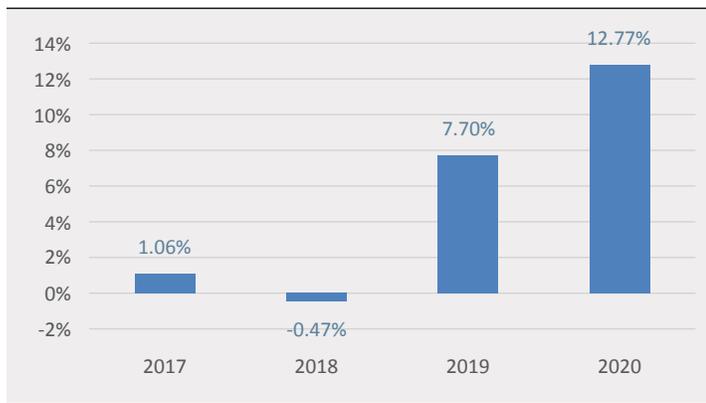
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.20% per annum for Series A units and 0.70% 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

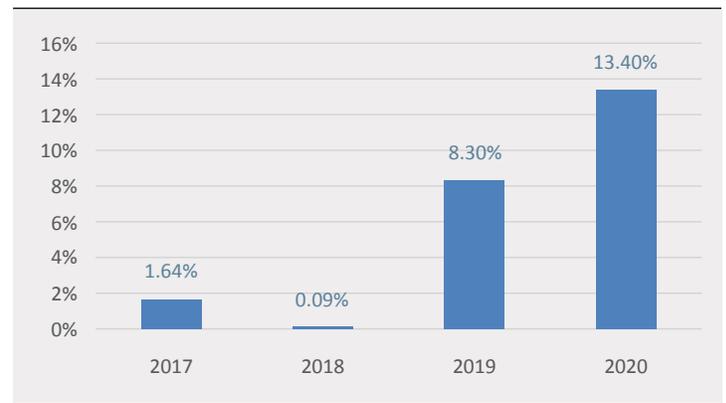


Past Performance

The Fund became a reporting issuer on December 30, 2016. 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



Lysander-Canso Broad Corporate Bond Fund

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

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the FTSE Canada All Corporate Bond Index (the "Index"). The Index is divided into sub-indices based on credit rating: a combined AAA/AA sector, a single A sector, and a BBB sector. 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 ²		Since Inception ³	
Annual Compound Return							
Series A ¹	%	12.77	%	6.53	%	5.13	
Series F ¹		13.40		7.12		5.72	
FTSE Canada All Corporate Bond Index ⁴	%	8.74	%	5.91	%	5.27	

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 period returns are annualized.

³ Period from December 30, 2016 to December 31, 2020. Since inception returns are annualized.

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Lysander-Canso Broad Corporate Bond Fund

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

Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Boeing Co.	5.3	Canadian Equities	0.1
Royal Bank of Canada	5.0	Canadian Fixed Income	60.1
Cash and Cash Equivalents	4.9	Cash and Cash Equivalents	4.9
Apple Inc.	4.7	Foreign Fixed Income	33.8
Bank of Montreal	4.4	Other Assets less Liabilities	1.1
First National NHA MBS (97518449)	3.8	Total	100.0
Bank of Nova Scotia	3.6	Sector	
Walt Disney Co.	3.6	Cash and Cash Equivalents	4.9
TransCanada Pipelines	3.1	Communication Services	12.8
AT&T Inc.	2.9	Consumer Discretionary	0.1
Suncor Energy Inc.	2.8	Consumer Staples	3.3
Enbridge Inc.	2.8	Energy	18.1
Air Canada	2.6	Federal	5.4
Pembina Pipeline Corporation	2.5	Financials	27.6
407 International Inc.	2.2	Industrials	18.5
Shaw Communications Inc.	2.1	Information Technology	6.4
Toronto Dominion Bank	1.9	Materials	0.2
NatWest Group plc	1.9	Other Assets less Liabilities	1.1
Bombardier Inc.	1.8	Provincial	0.4
Ford Credit Canada Company	1.8	Real Estate	0.2
GE Capital Canada Funding Co.	1.7	Utilities	1.0
Maxar Technologies Inc.	1.7	Total	100.0
Spirit Aerosystems Inc.	1.6		
Nav Canada	1.6		
Occidental Petroleum Corporation	1.6		
Total	71.9		



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