

Semi-Annual Management Report of Fund Performance
As at June 30, 2022

Lysander Balanced Income Fund



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A Note About Forward Looking Statements

This semi-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 semi-annual Management Report of Fund Performance of Lysander Balanced Income Fund (the “Fund”) contains financial highlights for the period ended June 30, 2022 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the period ended June 30, 2022. 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 generate returns consisting of income and capital gains by investing primarily in a portfolio of fixed income securities and equities of companies anywhere in the world.

Investment Strategies

The Fund’s portfolio consists of a combination of fixed income securities and equity securities. Lysander Funds Limited, as portfolio manager, is responsible primarily for the overall asset allocation and cash management of the fund’s portfolio. Canso Investment Counsel Ltd. (“Canso”) and Triasima Portfolio Management Inc. (“Triasima”) are sub-advisors to the portfolio

manager, each managing primarily the fixed income securities and the equity securities in the Fund’s portfolio, respectively.

Fixed income securities may include evidences of indebtedness of governments, government agencies, supranational agencies and companies, trusts and limited partnerships from anywhere in the world. Fixed income securities are selected based on a “bottom up” approach focusing on individual securities using an assessment of expected future return versus risk. The weight of any particular security in the Fund will also be based on an assessment of the security’s maximum downside in a bankruptcy or similar event. There are no limits on the percentage of the Fund’s fixed income portfolio that can be invested in securities rated below BBB by a rating agency or that are not rated.

Equity holdings may consist of equity securities from anywhere in the world. The investment approach is based on selecting a portfolio of stocks believed to meet a combination of qualitative fundamental selection criteria, attractive financial parameters and other positive attributes.

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 period, the Portfolio Managers employed its bottom-up process to buy and sell securities for the Fund. The Fund’s

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positioning and performance is consistent with the Fund's fundamental investment objective and strategies.

The Fund returns for the period were -11.84% for Series A and -12.50% for Series F.

The net assets of the Fund were approximately \$3.9 million at June 30, 2022 from approximately \$4.5 million at the beginning of the period.

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 period except for immaterial short-term cash overdrafts.

Recent Developments

The aggressive tightening of monetary policy around the world marks a complete turnaround from central bank policies of only a year ago. Policies put in place to support economies during the pandemic have now turned out to be major contributors to very high inflation. The year-over-year inflation numbers in North America and elsewhere are the highest in decades and central banks are moving to slow it down through interest rate hikes and a reversal of quantitative easing (QE).

QE involves the central banks buying their own country's government bonds to push down yields and put money directly into people's hands. QE is not a new approach to monetary policy but its scale reached records during the pandemic. It is not clear what will happen as central banks stop reinvesting maturing bonds and possibly start selling bonds they hold.

In this environment of high inflation, rising interest rates, and reduced liquidity, financial assets have not performed well. The big question is how much further the monetary and fiscal authorities have to go to get inflation under control. The risk of an economic recession continues to become more likely. This will be negative for unemployment and credit markets.

Canso's Portfolio Managers are positioning the funds they manage increasingly conservatively. This helps to preserve capital in a market decline and makes it easier to take advantage of future investment opportunities.

The bond side has continued to get more conservative, continuing the trend from 2021. The portfolio improved quality and liquidity during the first half of 2022 with large increases to

the amount of the portfolio in government securities while bringing down the duration to 1.45 years. The yield on the portfolio increased 1% as underlying government rates went up as well as spreads widening. We continue to look to be positioned conservatively.

From the equities portfolio perspective, most advanced countries entered the period late in the mature stage of the economic cycle. Growth slowed due to the inflation headwinds and declining real disposable income. Some countries even started showing recessionary signs late in the period.

The MSCI ACWI lost 18.9%. Sector returns were negative across the board with the exception of Energy (+17%), moved by rising oil and natural gas prices caused by a rebound in demand and tight supply management by OPEC+. The growth-oriented Information Technology (-29%) and Communication Services (-26%) sectors fell the most as rising interest rates slashed valuations. The best performers were the traditional defensive sectors such as Consumer Staples, Healthcare and Utilities, which declined -7%, on average.

Equity portfolio turnover was focused on reducing expensive growth and cyclical names while increasing resource and defensive names. Although trading reversed late in the period for resources companies, some sold back due to the deepening worldwide economic slowdown.

In the expensive growth realm, names such as Bill.com (United States, cloud services), Adyen (Netherlands, payments systems) and Lonza Group (Switzerland, contract research organization) were sold. Also sold were the industrial cyclical companies Emerson Electric (United States, electrical products), ATS Automation (Canada, industrial machinery) and Schneider Electric (France, automation). These various holdings were replaced by more defensive names such as Loblaw's (Canada, grocery stores), Hershey's (United States, confectionary) McKesson (United States, drug distributor) and Yakult Honsha (Japan, food & beverage).

In terms of portfolio structure for the equity portion of the Fund, at the sector level, and relative to the MSCI ACWE, the Fund ended the semester significantly (over 5%) overweight the Energy sector and with a high cash level (12%). Conversely, the Fund is significantly underweight the Consumer Discretionary and Information Technology sectors.

From a regional perspective, the North American region was reduced during the semester and the cash reserve increased. Overall, the equity portion of the Fund maintains a significant underweight in emerging Asian countries, mainly in China.

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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 \$17,731 (including HST) in management fees to the Manager for the period ended June 30, 2022 (December 31, 2021 - \$16,750).

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 \$8,821 (including HST) to the Portfolio Manager for the period ended June 30, 2022 (June 30, 2021 - \$9,480).

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

| Period ended | 30-Jun-2022 | 31-Dec-2021 | 31-Dec-2020 | 31-Dec-2019 | 31-Dec-2018 | 31-Dec-2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Net assets per unit¹ | | | | | | |
| Net assets, beginning of period | \$ 12.82 | \$ 11.13 | \$ 10.71 | \$ 9.68 | \$ 10.88 | \$ 10.16 |
| Operations: | | | | | | |
| Total revenue | 0.16 | 0.35 | 0.39 | 0.37 | 0.36 | 0.38 |
| Total expenses | (0.13) | (0.25) | (0.22) | (0.22) | (0.22) | (0.22) |
| Realized gains (losses) | (21.26) | 0.58 | (0.32) | (0.22) | (0.34) | 0.21 |
| Unrealized gains (losses) | 19.71 | 1.10 | 0.76 | 1.22 | (0.84) | 0.47 |
| Total increase (decrease) from operations² | \$ (1.52) | \$ 1.78 | \$ 0.61 | \$ 1.15 | \$ (1.04) | \$ 0.84 |
| Distributions: | | | | | | |
| From income (excluding dividends) | \$ (0.03) | \$ - | \$ (0.01) | \$ - | \$ - | \$ - |
| From dividends | (0.02) | (0.09) | (0.16) | (0.12) | (0.17) | (0.12) |
| From capital gains | - | - | - | - | - | - |
| Total distributions^{2 3} | \$ (0.05) | \$ (0.09) | \$ (0.17) | \$ (0.12) | \$ (0.17) | \$ (0.12) |
| Net assets, end of period^{2 3} | \$ 11.26 | \$ 12.82 | \$ 11.13 | \$ 10.71 | \$ 9.68 | \$ 10.88 |

| Ratios and supplemental data | | | | | | |
|---|----------|----------|----------|----------|----------|----------|
| Net asset value ⁴ | \$ 6,146 | \$ 6,972 | \$ 6,010 | \$ 5,686 | \$ 5,080 | \$ 5,623 |
| Units outstanding | 546 | 544 | 540 | 531 | 525 | 517 |
| Management expense ratio ⁵ | % 2.00 | % 1.98 | % 1.99 | % 1.94 | % 1.96 | % 1.94 |
| Management expense ratio before waivers or absorption | 4.09 | 2.39 | 2.61 | 2.77 | 3.14 | 3.95 |
| Portfolio turnover rate ⁶ | 45.63 | 56.99 | 119.60 | 34.10 | 61.10 | 35.60 |
| Trading expense ratio ⁷ | 0.11 | 0.13 | 0.10 | 0.20 | 0.20 | 0.30 |
| Net asset value per unit, end of period | \$ 11.26 | \$ 12.82 | \$ 11.13 | \$ 10.71 | \$ 9.68 | \$ 10.88 |

Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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

| Period ended | 30-Jun-2022 | 31-Dec-2021 | 31-Dec-2020 | 31-Dec-2019 | 31-Dec-2018 | 31-Dec-2017 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Net assets per unit¹ | | | | | | |
| Net assets, beginning of period | \$ 12.85 | \$ 11.15 | \$ 10.73 | \$ 9.70 | \$ 10.88 | \$ 10.16 |
| Operations: | | | | | | |
| Total revenue | 0.15 | 0.35 | 0.39 | 0.37 | 0.36 | 0.38 |
| Total expenses | (0.08) | (0.15) | (0.13) | (0.13) | (0.14) | (0.13) |
| Realized gains (losses) | 0.75 | 0.59 | (0.32) | (0.22) | (0.34) | 0.06 |
| Unrealized gains (losses) | (2.42) | 1.11 | 0.83 | 1.03 | (0.85) | 0.90 |
| Total increase (decrease) from operations² | \$ (1.60) | \$ 1.89 | \$ 0.77 | \$ 1.05 | \$ (0.97) | \$ 1.21 |
| Distributions: | | | | | | |
| From income (excluding dividends) | \$ (0.06) | \$ (0.04) | \$ (0.04) | \$ - | \$ - | \$ - |
| From dividends | (0.04) | (0.16) | (0.23) | (0.23) | (0.22) | (0.23) |
| From capital gains | - | - | - | - | - | - |
| Total distributions^{2 3} | \$ (0.10) | \$ (0.20) | \$ (0.27) | \$ (0.23) | \$ (0.22) | \$ (0.23) |
| Net assets, end of period^{2 3} | \$ 11.15 | \$ 12.85 | \$ 11.15 | \$ 10.73 | \$ 9.70 | \$ 10.88 |
| Ratios and supplemental data | | | | | | |
| Net asset value ⁴ | \$ 3,900,279 | \$ 4,457,681 | \$ 3,775,428 | \$ 3,182,399 | \$ 1,555,179 | \$ 1,640,922 |
| Units outstanding | 349,893 | 347,005 | 338,516 | 296,473 | 160,298 | 150,826 |
| Management expense ratio ⁵ | % 1.15 | % 1.14 | % 1.15 | % 1.12 | % 1.14 | % 1.12 |
| Management expense ratio before waivers or absorption | 1.60 | 1.54 | 1.78 | 1.93 | 2.33 | 3.26 |
| Portfolio turnover rate ⁶ | 45.63 | 56.99 | 119.6 | 34.1 | 61.10 | 35.60 |
| Trading expense ratio ⁷ | 0.11 | 0.13 | 0.10 | 0.20 | 0.20 | 0.30 |
| Net asset value per unit, end of period | \$ 11.15 | \$ 12.85 | \$ 11.15 | \$ 10.73 | \$ 9.70 | \$ 10.88 |

Notes

- The information is derived from the Fund's unaudited semi-annual and/or 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.
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- 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 monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 1.50% per annum for Series A units and 0.75% per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.75% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

Year-by-Year Returns

Series A

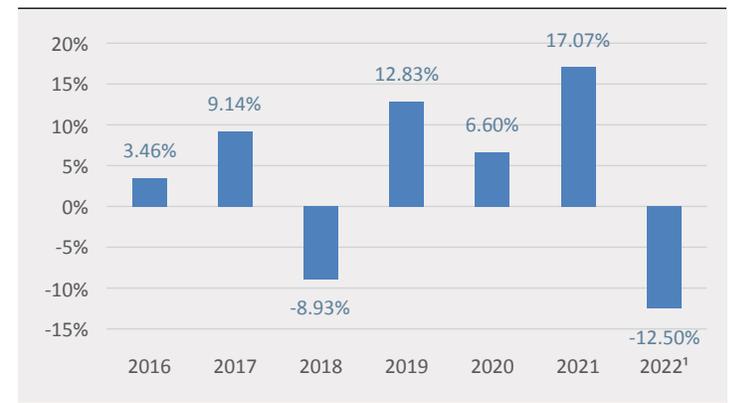


Past Performance

The Fund became a reporting issuer on December 31, 2015. Accordingly, returns are shown for the relevant period/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



¹ For the period January 1 to June 30

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Summary of Investment Portfolio

| | | % of NAV | | | % of NAV |
|---|----------|-------------|-------------------------------|----------|--------------|
| Top 25 Issuers | | | Asset Mix | | |
| Cash and Cash Equivalents | % | 7.7 | Canadian Equities | % | 14.8 |
| Government of Canada (Debt) | | 6.1 | Canadian Fixed Income | | 24.7 |
| Air Canada (Debt) | | 3.2 | Cash and Cash Equivalents | | 7.7 |
| Canadian Imperial Bank of Commerce (Debt) | | 2.1 | Foreign Fixed Income | | 14.1 |
| Manulife Financial Corporation (Equity) | | 2.1 | Foreign Equities | | 30.2 |
| TC Energy Corporation (Equity) | | 2.1 | Preferred Shares | | 7.3 |
| GE Capital Corporation Ltd (Debt) | | 2.0 | Other Assets less Liabilities | | 1.2 |
| Spirit Aerosystems Inc (Debt) | | 2.0 | Total | % | 100.0 |
| BCE Inc. (Equity) | | 1.8 | Sector | | |
| Bank of Nova Scotia (Debt) | | 1.8 | Cash and Cash Equivalents | % | 7.7 |
| Bank of Montreal (Equity) | | 1.7 | Communication Services | | 5.2 |
| Eli Lilly and Co (Equity) | | 1.7 | Consumer Discretionary | | 4.9 |
| American Airlines Inc. (Debt) | | 1.7 | Consumer Staples | | 4.4 |
| Trican Well Service Ltd (Equity) | | 1.6 | Energy | | 9.9 |
| Ford Credit Canada Company (Debt) | | 1.5 | Federal | | 11.0 |
| Avis Budget Group, Inc. (Debt) | | 1.5 | Financials | | 21.6 |
| Pacific Mutual Holding Company (Debt) | | 1.4 | Health Care | | 7.0 |
| Royal Bank of Canada (Equity) | | 1.4 | Industrials | | 17.8 |
| Bombardier Inc (Debt) | | 1.3 | Information Technology | | 3.3 |
| Sun Life Financial Inc. (Equity) | | 1.2 | Materials | | 3.1 |
| Scotia Capital Inc. NHA MBS (98004951) (Debt) | | 1.2 | Other Assets less Liabilities | | 1.2 |
| Nav Canada (Debt) | | 1.2 | Real Estate | | 1.2 |
| WSP Global Inc. (Equity) | | 1.2 | Utilities | | 1.7 |
| Loblaw Companies Ltd (Equity) | | 1.2 | Total | % | 100.0 |
| Total | % | 50.7 | | | |



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