

Annual Management Report of Fund Performance

As at December 31, 2022

Lysander-Canso Short Term and Floating Rate 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 Short Term and Floating Rate Fund (the “Fund”) contains financial highlights for the year ended December 31, 2022 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, 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 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 total returns consisting principally of interest income by investing primarily in short term fixed income and floating rate debt 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 fixed income and floating rate debt securities of Canadian and foreign issuers. It also may invest in debt securities

convertible into common stock, and fixed income and floating rate debt 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 assets in foreign securities. The Fund’s investments will not be constrained by credit ratings except that at the time of purchase at least 75% of the market value of the Fund will be held in securities rated BBB or higher in the opinion of Canso. 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 were -3.86% for Series A, -3.32% for Series F and -2.73% for Series O.

The net assets of the Fund were to approximately \$368.6 million at December 31, 2022 from \$571.2 million at the beginning of the year. There were net redemptions of \$178.9 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

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affected performance beyond what would be reasonably expected or as described below.

The Fund did not borrow money during the year 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 a year ago. Policies put in place to support economies during the pandemic have turned out to be major contributors to 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.

The Fund is being managed increasingly conservatively. This helps to preserve capital in a market decline and makes it easier to take advantage of future investment opportunities.

During the year, the Fund focused on improving liquidity and adding credit risk when it was compensated. The Fund continued to purchase high quality liquid securities as interest rate risk and credit risk remained elevated during the period, however added credit when there was opportunity to do so. The Fund holds a significant position in Government of Canada bonds (15.7%) and 2.5% in NHA Mortgage-Backed Securities. The Fund participated in new issues of a three-year RBC covered bond and a 5 year B issue of LATAM Airlines with an all in yield of 15%. Additionally, the Fund reduced its weight in Limited Recourse Capital Notes from 12.8% at the beginning of the year to 10% as at year end. This was accomplished by decreasing holdings in names such as BNS, BMO, RBC and TD. The Fund continues to keep duration short of the index at 2 years. The Fund will take on duration when it believes it's being compensated for the risk.

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 involving the Fund.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

Related Party Transactions

The Manager provides or arranges to provide 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 \$3,346,357 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$2,665,081).

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. Portfolio management fees for the Portfolio Manager's services are paid from the management fee.

The Manager paid \$1,469,245 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$1,138,369).

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-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Net assets per unit¹					
Net assets, beginning of year	\$ 10.47	\$ 10.50	\$ 10.07	\$ 10.03	\$ 10.13
Operations:					
Total revenue	0.29	0.21	0.30	0.30	0.25
Total expenses	(0.13)	(0.13)	(0.13)	(0.13)	(0.13)
Realized gains (losses)	(0.27)	0.05	0.28	-	(0.03)
Unrealized gains (losses)	(0.36)	(0.10)	0.22	0.09	(0.05)
Total increase (decrease) from operations²	\$ (0.47)	\$ 0.03	\$ 0.67	\$ 0.26	\$ 0.04
Distributions:					
From income (excluding dividends)	\$ (0.17)	\$ (0.06)	\$ (0.21)	\$ (0.21)	\$ (0.13)
From dividends	-	-	-	-	-
From capital gains	-	(0.03)	(0.03)	-	-
Total distributions^{2 3}	\$ (0.17)	\$ (0.09)	\$ (0.23)	\$ (0.21)	\$ (0.13)
Net assets, end of year^{2 3}	\$ 9.89	\$ 10.47	\$ 10.50	\$ 10.07	\$ 10.03

Ratios and supplemental data					
Net asset value ⁴	\$ 52,637,646	\$ 93,559,608	\$ 38,980,488	\$ 21,866,302	\$ 28,293,835
Units outstanding	5,320,014	8,933,832	3,712,384	2,170,805	2,821,732
Management expense ratio ⁵	% 1.26	% 1.26	% 1.30	% 1.31	% 1.30
Management expense ratio before waivers or absorption	1.26	1.26	1.30	1.31	1.30
Portfolio turnover rate ⁶	77.21	27.45	112.44	32.0	74.8
Trading expense ratio ⁷	-	-	-	-	-
Net asset value per unit, end of year	\$ 9.89	\$ 10.47	\$ 10.50	\$ 10.07	\$ 10.03

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-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Net assets per unit¹					
Net assets, beginning of year	\$ 10.60	\$ 10.65	\$ 10.16	\$ 10.08	\$ 10.17
Operations:					
Total revenue	0.30	0.22	0.31	0.30	0.25
Total expenses	(0.07)	(0.08)	(0.08)	(0.08)	(0.08)
Realized gains (losses)	(0.29)	0.04	0.20	-	(0.03)
Unrealized gains (losses)	(0.37)	(0.10)	0.24	0.10	(0.05)
Total increase (decrease) from operations²	\$ (0.43)	\$ 0.08	\$ 0.67	\$ 0.32	\$ 0.09
Distributions:					
From income (excluding dividends)	\$ (0.24)	\$ (0.14)	\$ (0.21)	\$ (0.22)	\$ (0.18)
From dividends	-	-	-	-	-
From capital gains	-	(0.04)	(0.01)	-	-
Total distributions^{2 3}	\$ (0.24)	\$ (0.18)	\$ (0.22)	\$ (0.22)	\$ (0.18)
Net assets, end of year^{2 3}	\$ 10.02	\$ 10.60	\$ 10.65	\$ 10.16	\$ 10.08
Ratios and supplemental data					
Net asset value ⁴	\$ 311,330,882	\$ 471,407,486	\$ 122,734,118	\$ 83,868,116	\$ 152,389,772
Units outstanding	31,085,446	44,453,555	11,527,569	8,252,547	15,122,826
Management expense ratio ⁵	% 0.70	% 0.69	% 0.72	% 0.73	% 0.73
Management expense ratio before waivers or absorption	0.70	0.69	0.72	0.73	0.73
Portfolio turnover rate ⁶	77.21	27.45	112.44	32.0	74.8
Trading expense ratio ⁷	-	-	-	-	-
Net asset value per unit, end of year	\$ 10.02	\$ 10.60	\$ 10.65	\$ 10.16	\$ 10.08

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.
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- 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.
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Series O*

Year ended	31-Dec-2022		31-Dec-2021	
Net assets per unit¹				
Net assets, beginning of year	\$	9.94	\$	10.00
Operations:				
Total revenue		0.28		0.20
Total expenses		(0.01)		(0.01)
Realized gains (losses)		(0.26)		0.04
Unrealized gains (losses)		(0.28)		(0.18)
Total increase (decrease) from operations²	\$	(0.27)	\$	0.05
Distributions:				
From income (excluding dividends)	\$	(0.20)	\$	(0.30)
From dividends		-		-
From capital gains		-		(0.06)
Total distributions^{2 3}	\$	(0.20)	\$	(0.36)
Net assets, end of year^{2 3}	\$	9.46	\$	9.94
Ratios and supplemental data				
Net asset value ⁴	\$	4,667,982	\$	6,263,254
Units outstanding		493,305		630,261
Management expense ratio ⁵	%	0.08	%	0.08
Management expense ratio before waivers or absorption		0.08		0.08
Portfolio turnover rate ⁶		77.21		27.45
Trading expense ratio ⁷		-		-
Net asset value per unit, end of year	\$	9.46	\$	9.94

Notes

* Series O commenced operations on January 11, 2021.

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 or reinvested in additional units, or both.

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.

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Management Fees

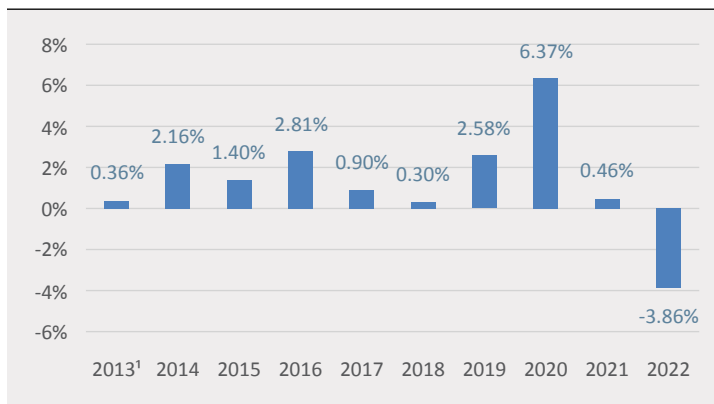
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 at a rate of 1.05% per annum for Series A units and at a rate of 0.55% 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.

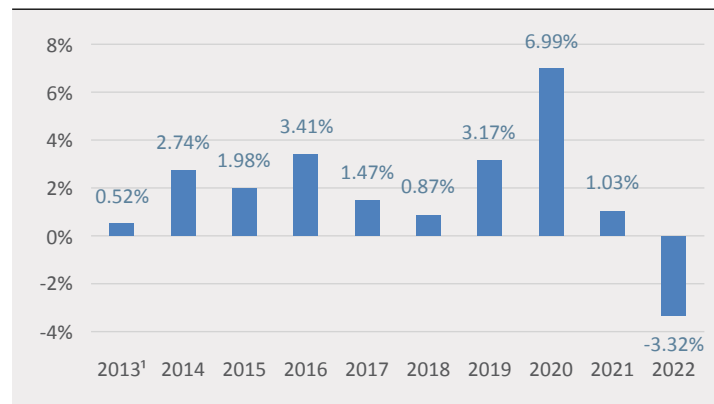
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 47.6% of the management fee of Series A units.

Year-by-Year Returns

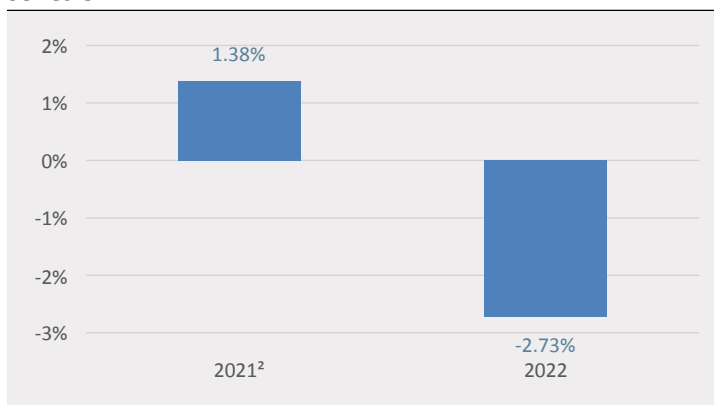
Series A



Series F



Series O



Past Performance

The commencement date of being distributed under a prospectus for Series A and F was September 18, 2013. 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.

1 For the period September 18 to December 31, 2 For the period January 11 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 Short Term Overall 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, 2022		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	(3.86)	%	0.90	%	1.11	%	1.42
Series F ¹		(3.32)		1.48		1.69		2.00
Series O ¹		(2.73)		-		-		(0.71)
FTSE Canada Short Term Overall Bond Index ⁴	%	(4.05)	%	0.03	%	1.01	%	1.35

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 Series A and Series F period starting from September 18, 2013. Series O period starting from January 11, 2021. Since inception returns are annualized.

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Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
Government of Canada	%	15.7	Canadian Equities	%	0.1
Pacific Life Gf li		7.4	Canadian Fixed Income		54.0
Goldman Sachs Group Inc		5.3	Cash and Cash Equivalents		0.5
Transcanada Pipelines		4.8	Foreign Fixed Income		34.6
Bank Of Nova Scotia		4.7	Mortgage Backed Securities		2.5
Honda Canada Finance Inc		3.8	Other Assets less Liabilities		1.2
Morgan Stanley		3.5	Private Placements		7.0
Air Canada		3.5	Zero Coupon Bonds		0.1
Bank Of America Corp		3.4	Total	%	100.0
Manulife Financial Corp		3.3	Sector		
Royal Bank Of Canada		3.1	Cash and Cash Equivalents	%	0.5
Bell Canada		2.9	Communication Services		5.2
Great-West Lifeco Inc		2.5	Consumer Discretionary		13.6
Nav Canada		2.5	Consumer Staples		3.4
Spirit Aerosystems Inc		2.4	Energy		9.0
First National		2.3	Financials		41.3
Ford Credit Canada Co		2.1	Government		16.7
Natwest Group Plc		2.1	Industrials		9.1
Avis Budget Car/Finance		1.9	Other Assets less Liabilities		1.2
Occidental Petroleum Corporation		1.7	Total	%	100.0
Toyota Credit Canada Inc		1.6			
Bombardier Inc.		1.5			
Wth Car Rental Ulc		1.4			
Pembina Pipeline Corp		1.3			
American Airlines Inc.		1.3			
Total	%	86.0			



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