

## Annual Management Report of Fund Performance

As at December 31, 2022

# Lysander-Patient Capital 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-Patient Capital Equity 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](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://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 anywhere in the world.

## Investment Strategies

The Fund’s portfolio manager is Patient Capital Management Inc. (“Portfolio Manager” or “PCM”). The Fund invests primarily in equity securities, including those of foreign issuers. The Fund typically gains exposure to equity securities of issuers located outside North America by investing in American depositary receipts (“ADRs”). The Fund is not constrained by geographic or sector considerations. The Fund will not be leveraged. The

portfolio manager’s investment philosophy is based on long-term absolute value, with the goal of preservation of capital while earning returns. 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

The Fund’s style was changed from a portfolio with exposure to companies with Offence characteristics (growth and momentum) and Defence characteristics (income and value) to a value-based investment philosophy in accordance with the assignment of a new portfolio manager as of November 1, 2021.

For the full year, the fund’s net performance was -1.55% and -0.44% for Series A and F respectively.

The net assets of the Fund were approximately \$10.5 million at December 31, 2022 from \$5.5 million at the beginning of the year. There were net subscriptions of \$5.1 million during the year.

During the second half of the year, global equity markets bounced back from their declines in the first six months of the year. During the year, the Fund added to existing positions in BCE Inc., the Bank of Nova Scotia, Canadian Imperial Bank of Commerce, Verizon Inc and WPP. New positions in Canadian Utilities and Meta Platforms (formerly Facebook) were established during the second half of the year.

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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 as described below.

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

## Recent Developments

While equity markets were positive in the second half of the year, there was a high degree of volatility. Markets rose sharply on several days but also fell by equal amounts on occasion. This volatility was the result of alternating views on how high and for how long interest rates would rise. Investor sentiment was impacted by data indicating recent inflation rates and economic growth. Some investors concluded that inflation had peaked and that the pace of interest rate increases would slow down in the coming quarters. Investors also pointed to reports of improving supply chains and an inverted yield curve as evidence that interest rates would not go much higher. On the other hand, employment and overall economic activity continued to be strong. In addition, central bankers continued to indicate that as long as the rate of inflation was above their two per cent target interest rates would continue to increase.

Investors were worried that central bank's resolve to curb inflation will cause a recession. The continued inversion of the yield curve suggests a recession is possible in 2023. The sharp spike in borrowing costs has started to filter through the economy. The real estate sector is being effected by the interest rate increases and residential real estate prices are starting to decline.

While higher interest rates have had a negative impact on overall markets, they have put significant pressure on higher growth companies. Many of these companies are not profitable and/or generate relatively small cash flows. As a result, higher interest rates reduce the net present value of distant cash flows and are less attractive to investors. In the higher rate and more normalized environment, some investors are shifting back to value based investment philosophies.

The Fund continues to be well positioned for current market conditions. As of December 31, 2022, the Fund's dividend yield was 4.5%. In addition, the Fund's overall characteristics compare favorably to major benchmarks such as the S&P 500 index and S&P/TSX Composite index.

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 \$95,578 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$37,663).

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 \$44,256 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$22,338).

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      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets per unit<sup>1</sup></b>                       |                  |                  |                  |                  |                  |
| Net assets, beginning of year                                | \$ 12.73         | \$ 12.55         | \$ 13.04         | \$ 11.29         | \$ 12.55         |
| <b>Operations:</b>   |                  |                  |                  |                  |                  |
| Total revenue  | 0.35             | 0.39             | 0.40             | 0.38             | 0.36             |
| Total expenses   | (0.27)           | (0.30)           | (0.26)           | (0.33)           | (0.32)           |
| Realized gains (losses)                                      | -                | 3.32             | 0.02             | 0.74             | 0.12             |
| Unrealized gains (losses)                                    | (0.57)           | (0.14)           | (1.57)           | 2.11             | (1.36)           |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$ (0.49)</b> | <b>\$ 3.27</b>   | <b>\$ (1.41)</b> | <b>\$ 2.90</b>   | <b>\$ (1.20)</b> |
| <b>Distributions:</b>  |                  |                  |                  |                  |                  |
| From income (excluding dividends)                            | \$ (0.03)        | \$ -             | \$ -             | \$ -             | \$ -             |
| From dividends   | (0.11)           | (0.08)           | (0.06)           | (0.01)           | (0.03)           |
| From capital gains   | -                | (0.85)           | -                | (0.51)           | (0.04)           |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$ (0.14)</b> | <b>\$ (0.93)</b> | <b>\$ (0.06)</b> | <b>\$ (0.52)</b> | <b>\$ (0.07)</b> |
| <b>Net assets, end of year<sup>2 3</sup></b>                 | <b>\$ 12.40</b>  | <b>\$ 12.73</b>  | <b>\$ 12.55</b>  | <b>\$ 13.04</b>  | <b>\$ 11.29</b>  |

| <b>Ratios and supplemental data</b>                   |            |           |            |            |            |
|---|------------|-----------|------------|------------|------------|
| Net asset value <sup>4</sup>                          | \$ 785,347 | \$ 47,997 | \$ 141,306 | \$ 300,049 | \$ 415,393 |
| Units outstanding                                     | 63,336     | 3,769     | 11,262     | 23,003     | 36,796     |
| Management expense ratio <sup>5</sup>                 | % 2.13     | % 2.13    | % 2.14     | % 2.55     | % 2.56     |
| Management expense ratio before waivers or absorption | 2.42       | 2.33      | 2.57       | 2.83       | 2.87       |
| Portfolio turnover rate <sup>6</sup>                  | 0.01       | 72.92     | 41.05      | 62.18      | 47.6       |
| Trading expense ratio <sup>7</sup>                    | 0.01       | 0.09      | 0.07       | 0.10       | 0.10       |
| Net asset value per unit, end of year                 | \$ 12.40   | \$ 12.73  | \$ 12.55   | \$ 13.04   | \$ 11.29   |

### 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. Effective January 1, 2020, the Fund paid 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.
- 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      |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Net assets per unit<sup>1</sup></b>                       |                  |                  |                  |                  |                  |
| Net assets, beginning of year                                | \$ 12.07         | \$ 12.61         | \$ 13.22         | \$ 11.48         | \$ 12.77         |
| Operations:  |                  |                  |                  |                  |                  |
| Total revenue  | 0.31             | 0.36             | 0.42             | 0.41             | 0.36             |
| Total expenses   | (0.12)           | (0.14)           | (0.12)           | (0.19)           | (0.18)           |
| Realized gains (losses)                                      | (0.01)           | 3.57             | (0.11)           | 0.61             | 0.12             |
| Unrealized gains (losses)                                    | (0.35)           | (0.83)           | (0.54)           | 1.61             | (1.38)           |
| <b>Total increase (decrease) from operations<sup>2</sup></b> | <b>\$ (0.17)</b> | <b>\$ 2.96</b>   | <b>\$ (0.35)</b> | <b>\$ 2.44</b>   | <b>\$ (1.08)</b> |
| Distributions:   |                  |                  |                  |                  |                  |
| From income (excluding dividends)                            | \$ (0.03)        | \$ -             | \$ -             | \$ -             | \$ -             |
| From dividends   | (0.12)           | (0.26)           | (0.29)           | (0.23)           | (0.17)           |
| From capital gains   | -                | (4.57)           | -                | (0.64)           | (0.04)           |
| <b>Total distributions<sup>2 3</sup></b>                     | <b>\$ (0.15)</b> | <b>\$ (4.83)</b> | <b>\$ (0.29)</b> | <b>\$ (0.87)</b> | <b>\$ (0.21)</b> |
| <b>Net assets, end of year<sup>2 3</sup></b>                 | <b>\$ 11.86</b>  | <b>\$ 12.07</b>  | <b>\$ 12.61</b>  | <b>\$ 13.22</b>  | <b>\$ 11.48</b>  |
| <b>Ratios and supplemental data</b>                          |                  |                  |                  |                  |                  |
| Net asset value <sup>4</sup>                                 | \$ 9,737,044     | \$ 5,538,476     | \$ 3,090,046     | \$ 3,815,598     | \$ 2,711,951     |
| Units outstanding  | 821,039          | 458,876          | 245,030          | 288,714          | 236,250          |
| Management expense ratio <sup>5</sup>                        | % 1.00           | % 0.99           | % 0.99           | % 1.42           | % 1.43           |
| Management expense ratio before waivers or absorption        | 1.28             | 1.41             | 1.47             | 1.74             | 1.73             |
| Portfolio turnover rate <sup>6</sup>                         | 0.01             | 72.92            | 41.05            | 62.18            | 47.60            |
| Trading expense ratio <sup>7</sup>                           | 0.01             | 0.09             | 0.07             | 0.10             | 0.10             |
| Net asset value per unit, end of year                        | \$ 11.86         | \$ 12.07         | \$ 12.61         | \$ 13.22         | \$ 11.48         |

## Notes

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- 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 1.80% per annum for Series A units and at a rate of 0.80% 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.

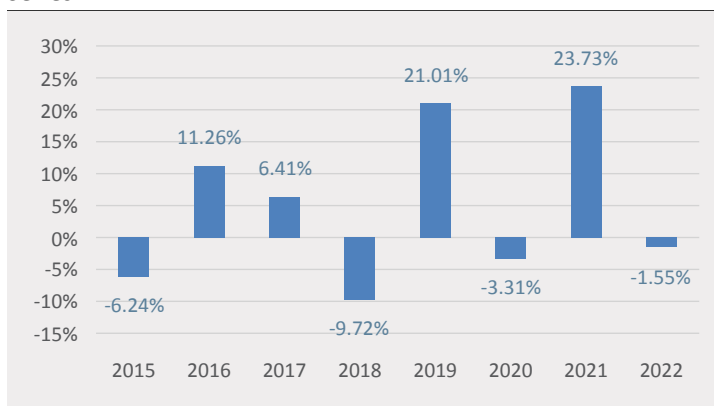
## Past Performance

The Fund became a reporting issuer on December 30, 2014. As at December 9, 2021, the Fund no longer had any Series O units outstanding. Accordingly, returns are shown for the relevant period/years as indicated below. On November 1, 2021, the portfolio manager of the fund changed from 18 Asset Management Inc. to Patient Capital Management Inc. and the investment objective of the fund no longer had a Canadian equity securities focus. These changes could have affected the performance of the fund had these changes been in effect throughout the performance measurement period.

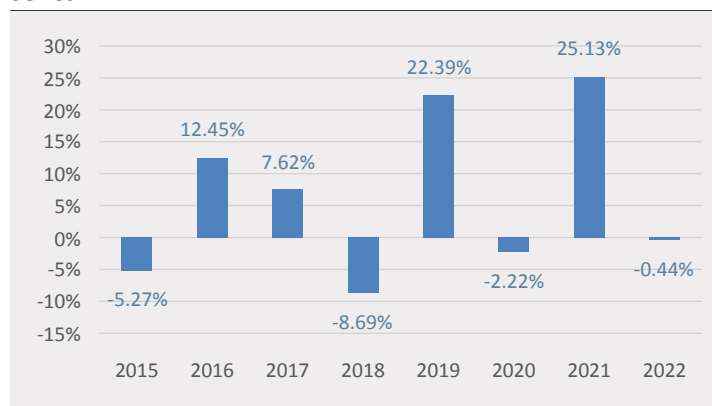
The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

## Year-by-Year Returns

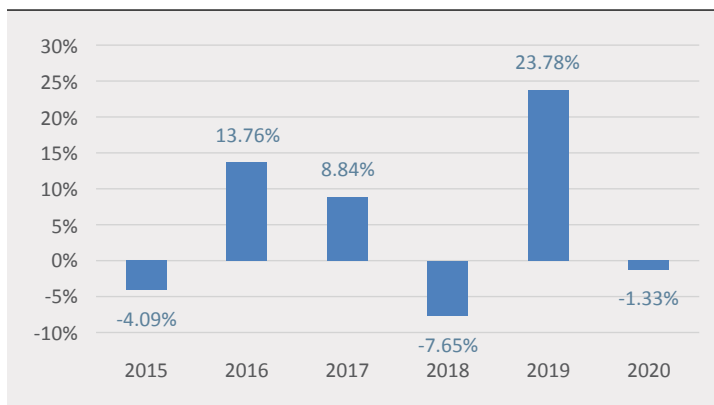
### Series A



### Series F



### Series O



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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the S&P/TSX Composite Total Return Index. The returns of the S&P/TSX Composite Total Return 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 <sup>2</sup> |   | 5 Year <sup>2</sup> |   | Since Inception <sup>3</sup> |
|---|---|--------|---|---------------------|---|---------------------|---|------------------------------|
| <b>Annual Compound Return</b>                     |   |        |   |                     |   |                     |   |                              |
| Series A <sup>1</sup>                             | % | (1.55) | % | 5.60                | % | 5.17                | % | 4.59                         |
| Series F <sup>1</sup>                             |   | (0.44) |   | 6.80                |   | 6.36                |   | 5.75                         |
| S&P/TSX Composite Total Return Index <sup>4</sup> | % | (5.84) | % | 7.54                | % | 6.85                | % | 6.74                         |

### 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 starting from December 30, 2014. Since inception returns are annualized.
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# Lysander-Patient Capital Equity Fund

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## Summary of Investment Portfolio

|                                    |          | % of NAV    |
|------------------------------------|----------|-------------|
| <b>Top 25 Issuers</b>              |          |             |
| Cash and Cash Equivalents          | %        | 53.9        |
| Verizon Communications Inc.        |          | 5.6         |
| Wpp Plc                            |          | 5.5         |
| Bank Of Nova Scotia                |          | 4.9         |
| Canadian Imperial Bank of Commerce |          | 4.7         |
| Linamar Corp                       |          | 4.7         |
| Honda Motor Co Ltd                 |          | 4.6         |
| Canadian Utilities Ltd.            |          | 3.3         |
| Canadian Natural Resources Ltd     |          | 3.3         |
| BCE Inc.                           |          | 2.5         |
| Royal Bank Of Canada               |          | 1.7         |
| Toronto-Dominion Bank              |          | 1.7         |
| Bank Of Montreal                   |          | 1.6         |
| Meta Platforms Inc                 |          | 1.3         |
| <b>Total</b>                       | <b>%</b> | <b>99.3</b> |

|                               |          | % of NAV     |
|-------------------------------|----------|--------------|
| <b>Asset Mix</b>              |          |              |
| Canadian Equities             | %        | 28.3         |
| Cash and Cash Equivalents     |          | 53.9         |
| Foreign Equities              |          | 17.0         |
| Other Assets less Liabilities |          | 0.8          |
| <b>Total</b>                  | <b>%</b> | <b>100.0</b> |
| <b>Sector</b>                 |          |              |
| Cash and Cash Equivalents     | %        | 53.9         |
| Communication Services        |          | 14.8         |
| Consumer Discretionary        |          | 9.3          |
| Energy                        |          | 3.3          |
| Financials                    |          | 14.6         |
| Other Assets less Liabilities |          | 0.8          |
| Utilities                     |          | 3.3          |
| <b>Total</b>                  | <b>%</b> | <b>100.0</b> |





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