

**Annual Management Report of Fund Performance**

As at December 31, 2022

Lysander-Seamark Balanced Fund



# Lysander-Seamark Balanced 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-Seamark Balanced 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 total returns consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and equities.

## Investment Strategies

The Fund’s portfolio manager, is Seamark Asset Management Ltd. (“Portfolio Manager” or “Seamark”). The Fund’s portfolio is primarily invested in a diversified portfolio of both equities and bonds. The Fund will not be leveraged. The Fund may invest up to 100% of its 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

The returns for the Fund for the year were -6.37% for Series A and -5.54% for Series F.

The net assets of the Fund were \$2.0 million at December 31, 2022 versus \$2.3 million at December 31, 2021. 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.

Investment markets in 2022 delivered disappointment to investors across all asset classes. Runaway Inflation, sharply higher interest rates, and concerns about economic recession were enough to send markets into retreat over the last 12 months.

Bond prices fell, reflecting higher levels of interest rates. For the second consecutive year, the FTSE Canada Universe Bond Index recorded a loss, registering a -11.7% return in 2022. Share prices of equities also corrected, reflecting fears that a ratcheting up of interest rates may result in a recession. Notwithstanding some recovery in the fourth quarter, world equity markets registered negative returns in 2022. Canada’s benchmark, the S&P/TSX Composite Index (TSX), performed better than its U.S. counterpart, recording a decline of 8.7%. When dividends are included, the TSX registered a -5.8% total return. As measured by the S&P 500 Index, stocks fell

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by 19.4% in the U.S. (-18.1% return including dividends). Adjusting for a 6.4% decline in the value of the Canadian dollar, the S&P 500 logged a -12.5% total return for Canadian investors. The tech heavy NASDAQ Composite Index registered the most carnage, declining by 33.1% in the 12 month period. Other world markets, represented by Morningstar Developed Markets ex North America PR Index, fell by 17.8%, but when adjusted for dividends and the lower Canadian dollar, it recorded a -11.8% return.

Despite the challenging investment backdrop, SEAMARK portfolios performed very well versus various market indices, and when compared to most investment managers. SEAMARK's recognition of overvaluation in the growth sectors, led to a more defensive positioning of portfolios in recent years. Those expensive sectors began to unwind their overvaluation in 2022. How much of that process is complete is still to be determined. Fixed income securities made up just 23.0% of the Fund at year-end, with cash and cash equivalents comprising 10.5%.

At year end the largest equity sectors of the Fund were Financials, Information Technology, Health Care and Materials. In combination, these sectors comprised 34.8% of the portfolio. Energy showed the strongest weighted returns followed by health care, while information technology and financials were the weakest. In the equity space the leading performers were Cenovus, Merck, Canadian Natural Resources and Teck Resources Class B (all of whom registered gains of more than 40%), while some of the weakest holdings were New Flyer Industries, Algonquin Power, Intel and Walt Disney Company.

The Fund was more active than usual in 2022. Many of the new positions were established at less than full weight, as a means of managing volatility risk. Some of the purchases made at attractive prices included shares of Federal Express (world's second largest package delivery) and Generac (standby generators and inverters), along with shares of Canadian companies Jamieson Wellness (vitamins and herbals) and Stella Jones (wooden telephone poles and decking).

Positions in Cenovus and Nutrien were sold to take advantage of stronger commodity prices created by dislocations caused by the Ukraine conflict. Honeywell was sold on relative price strength to focus on other industrials trading at more depressed prices. Walgreen Boots Alliance was sold in favor of a focus on United Health Care. The Fund increased cash from a level of 8.5% at year-end 2021 to 10.5% at year-end 2022. This positioning and performance are consistent with the Fund's fundamental investment objective and strategies.

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

The economy will continue to face challenges in 2023. Inflation is still high, and short term interest rates may need to go higher. Growth will slow, and the economy may flirt with recession. Corporate earnings may be under pressure in such an environment. Meanwhile, stock markets have corrected most of their excesses, and represent better value than in recent years. Stocks also project forward by six to nine months. Looking that far ahead, some of the economic challenges of today will be old news. Markets may be ready to move higher, when looking ahead to a resumption of earnings growth in 2024. Any further correction in stock prices should be seen as an opportunity to purchase high quality companies for portfolios.

Early indications of improving inflation levels have not convinced Central Banks that the fight against higher prices has been won. We may see higher short term rates in the first half of 2023. But by year end, it is likely that good progress will be evident in the inflation data. This may set up a better environment for bonds. The Fund, which has been underinvested in bonds in recent years, has room to take advantage of improved prospects for fixed income investments, if attractive opportunities should evolve.

Similarly, over the course of 2023, we expect to find attractive opportunities to purchase equities. A clearer economic picture beyond 2023, and more attractive valuation levels bode well for the Fund's investors.

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

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calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid \$18,828 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$19,277).

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 \$8,711 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$9,184).

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	\$ 13.25	\$ 11.55	\$ 11.10	\$ 9.97	\$ 10.73
Operations:					
Total revenue	0.33	0.31	0.33	0.34	0.34
Total expenses	(0.26)	(0.26)	(0.23)	(0.23)	(0.22)
Realized gains (losses)	0.40	0.77	0.22	-	0.06
Unrealized gains (losses)	(1.22)	1.01	(0.71)	1.09	(0.67)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.75)</b>	<b>\$ 1.83</b>	<b>\$ (0.39)</b>	<b>\$ 1.20</b>	<b>\$ (0.49)</b>
Distributions:					
From income (excluding dividends)	\$ (0.03)	\$ (0.01)	\$ (0.02)	\$ -	\$ -
From dividends	(0.15)	(0.05)	(0.06)	(0.10)	(0.11)
From capital gains	(0.58)	(0.11)	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.76)</b>	<b>\$ (0.17)</b>	<b>\$ (0.08)</b>	<b>\$ (0.10)</b>	<b>\$ (0.11)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.64</b>	<b>\$ 13.25</b>	<b>\$ 11.55</b>	<b>\$ 11.10</b>	<b>\$ 9.97</b>

<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 202,725	\$ 116,054	\$ 76,933	\$ 251,904	\$ 276,600
Units outstanding	17,410	8,762	6,660	22,692	27,733
Management expense ratio <sup>5</sup>	% 1.99	% 1.97	% 1.97	% 1.99	% 1.99
Management expense ratio before waivers or absorption	3.40	2.85	2.98	3.07	2.82
Portfolio turnover rate <sup>6</sup>	12.92	19.69	45.83	29.6	39.6
Trading expense ratio <sup>7</sup>	0.01	0.02	0.01	0.01	0.05
Net asset value per unit, end of year	\$ 11.64	\$ 13.25	\$ 11.55	\$ 11.10	\$ 9.97

### 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
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 12.70	\$ 11.54	\$ 11.12	\$ 10.02	\$ 10.77
Operations:					
Total revenue	0.33	0.32	0.33	0.34	0.34
Total expenses	(0.15)	(0.15)	(0.14)	(0.14)	(0.14)
Realized gains (losses)	0.66	0.74	0.08	0.01	(0.03)
Unrealized gains (losses)	(1.52)	1.07	0.43	1.11	(0.69)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.68)</b>	<b>\$ 1.98</b>	<b>\$ 0.70</b>	<b>\$ 1.32</b>	<b>\$ (0.52)</b>
Distributions:					
From income (excluding dividends)	\$ (0.03)	\$ (0.03)	\$ (0.05)	\$ -	\$ -
From dividends	(0.14)	(0.14)	(0.15)	(0.21)	(0.21)
From capital gains	(0.53)	(0.65)	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.70)</b>	<b>\$ (0.82)</b>	<b>\$ (0.20)</b>	<b>\$ (0.21)</b>	<b>\$ (0.21)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 11.30</b>	<b>\$ 12.70</b>	<b>\$ 11.54</b>	<b>\$ 11.12</b>	<b>\$ 10.02</b>

<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 1,833,723	\$ 2,211,131	\$ 1,906,990	\$ 1,648,724	\$ 1,528,654
Units outstanding	162,216	174,082	165,319	148,204	152,585
Management expense ratio <sup>5</sup>	% 1.14	% 1.12	% 1.12	% 1.14	% 1.14
Management expense ratio before waivers or absorption	2.41	1.99	2.19	2.32	2.10
Portfolio turnover rate <sup>6</sup>	12.92	19.69	45.83	29.6	39.6
Trading expense ratio <sup>7</sup>	0.01	0.02	0.01	0.01	0.05
Net asset value per unit, end of year	\$ 11.30	\$ 12.70	\$ 11.54	\$ 11.12	\$ 10.02

## Notes

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## Management Fees

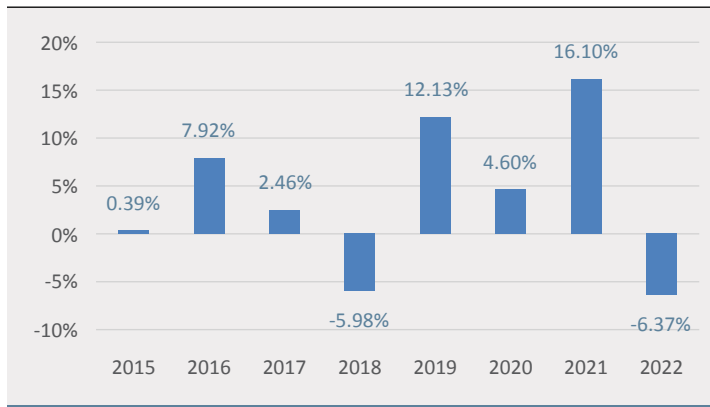
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.50% per annum for Series A units and at a rate of 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

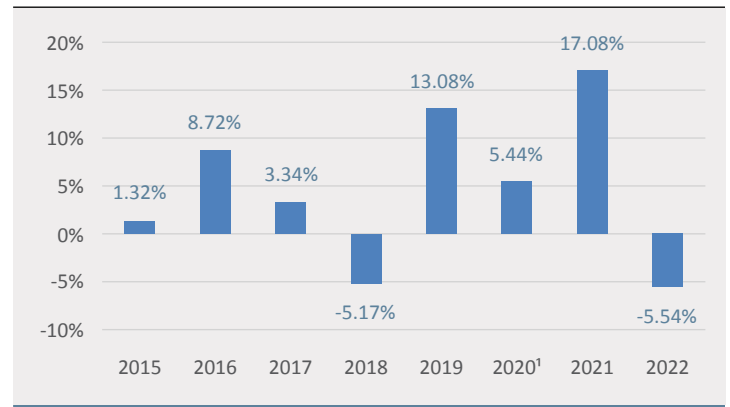


## Past Performance

The Fund became a reporting issuer on December 30, 2014. 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



<sup>1</sup> Restated return for Series F

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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with 40% FTSE Canada Universe, 5% FTSE Canada 91 Day Tbills, 27% S&P/TSX Total Return Index(CAD), 20% S&P Total Return Index (CAD) and 8% MSCI EAFE Composite(CAD) (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, 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>	%	(6.37)	%	4.37	%	3.69	%	3.63
Series F <sup>1</sup>		(5.54)		5.26		4.57		4.51
Index <sup>4</sup>	%	(9.15)	%	3.12	%	4.49	%	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 starting from December 30, 2014. Since inception returns are annualized.

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## Summary of Investment Portfolio

	% of NAV		% of NAV
<b>Top 25 Issuers</b>		<b>Asset Mix</b>	
Cash and Cash Equivalents	10.5	Canadian Equities	31.5
Canada Housing Trust (Debt)	2.6	Canadian Fixed Income	23.1
Kla Corp (Equity)	1.8	Cash and Cash Equivalents	10.5
Royal Bank Of Canada (Equity)	1.6	Fixed Income	1.1
Ia Financial Corp Inc (Equity)	1.6	International Equities	5.3
Toronto-Dominion Bank (Equity)	1.5	Other Assets less Liabilities	1.2
Canadian Government (Debt)	1.4	US Equities	27.3
Province of Ontario (Debt)	1.4	<b>Total</b>	<b>100.0</b>
Prov Of New Brunswick (Debt)	1.4	<b>Sector</b>	
Stella-Jones Inc (Equity)	1.3	Cash and Cash Equivalents	10.5
Manulife Financial Corp (Equity)	1.3	Communication Services	6.9
Bank Of Nova Scotia (Equity)	1.3	Consumer Discretionary	6.6
Novartis Ag (Equity)	1.2	Consumer Staples	14.2
Applied Materials Inc (Equity)	1.2	Energy	3.8
Biogen Inc (Equity)	1.2	Financials	24.2
BMW Canada Inc (Debt)	1.2	Government	11.4
Unilever Plc (Equity)	1.2	Industrials	6.8
Apple Inc. (Equity)	1.2	Information Technology	6.7
JP Morgan Chase & Co. (Equity)	1.2	Materials	4.6
Royal Bank Of Canada (Debt)	1.2	Other Assets less Liabilities	1.2
Ingredion Inc (Equity)	1.1	Utilities	3.1
Ats Corp (Equity)	1.1	<b>Total</b>	<b>100.0</b>
Aimco Realty Investors (Debt)	1.1		
Major Drilling Group Internati (Equity)	1.1		
Bank Of America Corp (Equity)	1.1		
<b>Total</b>	<b>42.8</b>		



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