

Annual Management Report of Fund Performance

As at December 31, 2022

Lysander-Slater Preferred Share Dividend Fund



SLATER

ASSET MANAGEMENT



Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

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-Slater Preferred Share Dividend 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 seek to generate income while preserving investor capital by investing primarily in preferred securities of Canadian issuers that are listed on a Canadian stock exchange.

Investment Strategies

The Fund’s portfolio manager is Slater Asset Management Inc. (“Portfolio Manager” or “Slater”). The Fund’s portfolio is primarily invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. The Fund may invest (at the time of purchase)

up to 30% 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

Preferred Shares had a difficult year in 2022, with the S&P/TSX Preferred Share Index finishing the year -18.08% and Series F of the Lysander-Slater Preferred Share Dividend Fund (“The Fund”) -18.44% respectively.

The net assets of the Fund were approximately \$64.1 million at December 31, 2022 from \$98.1 million at the beginning of the year. There were net redemptions of \$12.5 million during the year.

The second quarter of the year was challenged by both the Bank of Canada and U.S Central Bank fighting to control high inflationary levels not seen since the early 1980’s. The Central Banks loosened monetary policy by reducing interest rates at a record pace during the 2020 pandemic and were just as quick to increase them in 2022. The Canadian overnight rate increased from 0.25% at the start of 2022 and ended at 4.25%. The speed of which interest rates increased certainly shocked most asset classes including Preferred Shares. Another contributing factor to the volatility during the second half of the year were fund outflows from ETFs. Investors in Preferred Share ETFs and individual Preferred Shares took advantage of tax loss selling in a down year and caused an influx of selling pressure in the market. ETF market makers facing large redemptions were forced to sell

Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

the underlying ETF holdings regardless of price. Many Preferred Shares simply don't have the liquidity that common shares have and this resulted in distorted pricing. An estimated \$1.2 billion of ETF redemptions occurred in 2022.

The Fund continued to hold its positioning in fixed rate resets due to higher expected reset yields. Specifically, the Fund increased its weighting in 225-300bp spread resets from an approximate weighting of 45.8% at the beginning of July to 49.1% at the end of the year. Also, the Fund decreased its weighting in <225bp fixed rate resets from 23.9% at the beginning of July to 16.5% by the end December and increased its weighting in \$1000 institutional Preferred Shares that carry higher yields. The Fund decreased its straight perpetual exposure from 13% to approximately 10% at the end of December.

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

Slater expected higher interest rates and the continued Preferred Share redemptions to have a positive effect on the market. Both events occurred yet the opposite happened. Slater believes that the speed of which rates increased and the geopolitical risk caused by the Russian invasion of Ukraine caught many investors off-guard including Preferred Shares investors. Bank of Canada and the Central Bank are nearing the end of monetary tightening and could begin to see spread tightening which would benefit Preferred Shares. With the recent market pullback and higher bond yields Preferred Shares look attractive from a yield standpoint, especially if the 5 year bond yield can hold in the range of 2.5 to 3.5%. Slater continues to position the Fund in discounted fixed rate resets that could reset higher over the next few years upon reset date, with an emphasis on 2024 resets.

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 \$838,609 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$846,048).

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 \$372,486 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$366,604).

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-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

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	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53	\$ 10.00
Operations:					
Total revenue	0.42	0.42	0.41	0.47	0.45
Total expenses	(0.13)	(0.14)	(0.11)	(0.13)	(0.15)
Realized gains (losses)	(0.32)	1.08	(1.29)	(1.09)	0.11
Unrealized gains (losses)	(1.77)	0.84	0.64	0.85	(1.56)
Total increase (decrease) from operations²	\$ (1.80)	\$ 2.20	\$ (0.35)	\$ 0.10	\$ (1.15)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.30)	(0.24)	(0.34)	(0.32)	(0.27)
From capital gains	-	-	-	-	(0.12)
Return of capital	-	(0.08)	-	-	(0.12)
Total distributions^{2 3}	\$ (0.30)	\$ (0.32)	\$ (0.34)	\$ (0.32)	\$ (0.39)
Net assets, end of year^{2 3}	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53

Ratios and supplemental data					
Net asset value ⁴	\$ 12,818,292	\$ 19,517,906	\$ 17,676,754	\$ 25,827,659	\$ 25,951,516
Units outstanding	1,693,176	2,018,179	2,254,836	3,101,718	3,041,701
Management expense ratio ⁵	% 1.49	% 1.52	% 1.56	% 1.54	% 1.53
Management expense ratio before waivers or absorption	1.49	1.52	1.56	1.54	1.53
Portfolio turnover rate ⁶	82.1	121.8	157.7	84.8	104.8
Trading expense ratio ⁷	0.24	0.43	0.6	0.4	0.4
Net asset value per unit, end of year	\$ 7.57	\$ 9.67	\$ 7.84	\$ 8.33	\$ 8.53

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.

Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

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	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58	\$ 10.04
Operations:					
Total revenue	0.42	0.42	0.43	0.47	0.45
Total expenses	(0.08)	(0.09)	(0.07)	(0.08)	(0.10)
Realized gains (losses)	(0.27)	1.07	(1.24)	(1.08)	0.11
Unrealized gains (losses)	(1.88)	0.68	0.71	0.76	(1.64)
Total increase (decrease) from operations²	\$ (1.81)	\$ 2.08	\$ (0.17)	\$ 0.07	\$ (1.18)
Distributions:					
From income (excluding dividends)	\$ -	\$ -	\$ -	\$ -	\$ -
From dividends	(0.32)	(0.24)	(0.36)	(0.36)	(0.33)
From capital gains	-	-	-	-	(0.10)
Return of capital	-	(0.10)	-	-	(0.12)
Total distributions^{2 3}	\$ (0.32)	\$ (0.34)	\$ (0.36)	\$ (0.36)	\$ (0.43)
Net assets, end of year^{2 3}	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58

Ratios and supplemental data					
Net asset value ⁴	\$ 51,316,465	\$ 78,535,564	\$ 47,850,514	\$ 53,479,670	\$ 74,783,460
Units outstanding	6,661,345	8,011,843	6,043,971	6,379,154	8,717,097
Management expense ratio ⁵	% 0.92	% 0.96	% 0.99	% 0.98	% 0.97
Management expense ratio before waivers or absorption	0.92	0.96	0.99	0.98	0.97
Portfolio turnover rate ⁶	82.1	121.8	157.7	84.8	104.8
Trading expense ratio ⁷	0.24	0.43	0.6	0.4	0.4
Net asset value per unit, end of year	\$ 7.70	\$ 9.80	\$ 7.92	\$ 8.38	\$ 8.58

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.

Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

Management Fees

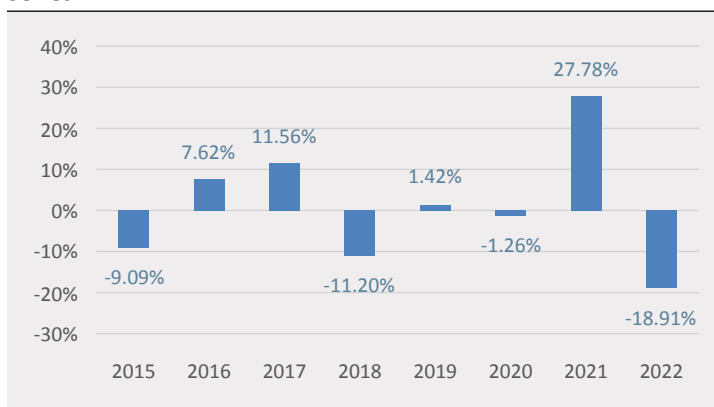
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 at a rate of 1.25% 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 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Year-by-Year Returns

Series A

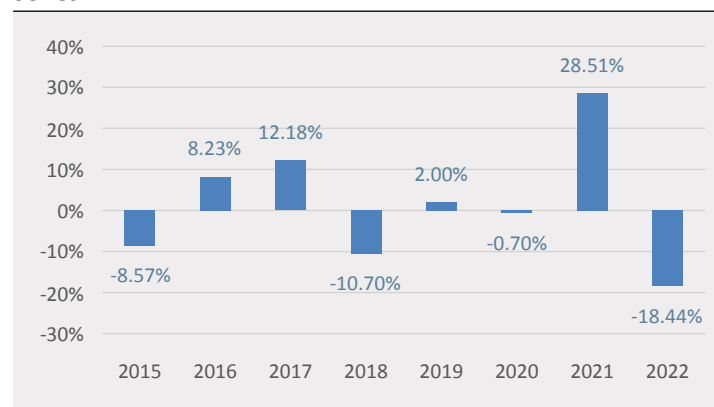


Past Performance

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



Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

Annual Compound Returns

The following table shows the Fund's annual compound return for each year indicated, compared with the S&P/TSX Preferred Share Index (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 ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	(18.91)	%	0.76	%	(1.62)	%	0.07
Series F ¹		(18.44)		1.34		(1.06)		0.64
S&P/TSX Preferred Share Total Return Index ⁴	%	(18.08)	%	1.25	%	(0.22)	%	0.32

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 year returns are annualized.
- 3 Period starting from December 30, 2014. Since inception returns are annualized.
- 4 TSX © Copyright 2022 TSX Inc. All Rights Reserved.

Lysander-Slater Preferred Share Dividend Fund

Annual Management Report of Fund Performance as at December 31, 2022

Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
Toronto-Dominion Bank	%	9.8	Canadian Equities	%	0.3
Enbridge Inc.		9.4	Cash and Cash Equivalents		(1.5)
Royal Bank Of Canada		7.4	Other Assets less Liabilities		2.6
Bank Of Montreal		6.3	Preferred Shares		98.6
Fairfax Finl Hldgs Ltd.		5.8	Total	%	100.0
BCE Inc..		5.3	Sector		
Fortis Inc.		4.6	Cash and Cash Equivalents	%	(1.5)
Great-West Lifeco Inc.		4.3	Communication Services		5.6
Pembina Pipeline Corp.		4.1	Consumer Staples		0.7
Emera Inc.		4.0	Energy		19.5
Canadian Utilities Ltd.		3.8	Financials		52.3
Canadian Imperial Bank of Commerce		3.4	Other Assets less Liabilities		2.6
TC Energy Corp.		3.4	Utilities		20.8
Altagas Ltd.		3.0	Total	%	100.0
Cenovus Energy Inc.		2.6			
Brookfield Corp.		2.5			
Sun Life Financial Inc.		2.5			
Power Financial Corp.		2.4			
Artis Real Estate		2.1			
Northland Power Inc.		2.1			
Capital Power Corp.		2.0			
Manulife Financial Corp.		1.4			
Brookfield Office Properties		1.3			
National Bank Of Canada		1.1			
Industrial Alliance		1.1			
Total	%	95.7			



3080 Yonge Street, Suite 3037
Toronto, ON M4N 3N1
www.lysanderfunds.com

® Lysander Funds is a registered trademark of Lysander Funds Limited