

Annual Management Report of Fund Performance

As at December 31, 2022

Lysander-Fulcra Corporate Securities 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-Fulcra Corporate Securities 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 income and capital growth by investing in fixed income, floating rate, convertible, preferred equity, and common equity securities of corporations anywhere in the world.

Investment Strategies

The Fund’s portfolio manager is Fulcra Asset Management Inc. (“Portfolio Manager” or “Fulcra”). The Fund seeks to provide income and capital growth by primarily investing in fixed income, floating rate, convertible, preferred equity, and common equity securities of corporations primarily

headquartered in North America, with a focus on fixed income securities.

Fulcra is focused on generating absolute returns that do not replicate any particular index or competing funds in the same category.

The Fund may invest (at the time of purchase) up to 15% of its net assets in issuers based outside of North America. 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 Series A units returned -2.1% year-to-date, and the Series F units returned -1.5% year-to-date.

During 2022, the Sherritt 8.5% bonds due 2026 had the greatest positive impact to Fund performance. Negatively, the Rite Aid 7.5% bond due 2025 had the greatest negative impact. As of end of 2022, the Fund is Yielding 10.35% to Maturity with a 1.7 year duration.

The US dollar denominated ICE BofAML US High Yield Index (HOA0) performed -11.22% YTD, with a duration of 4.29 years YTD. The ICE BofAML Canada Corporate Index (FOC0) performed -10.12% YTD, with a duration of 4.71 years YTD. The FTSE Canada Universe Bond Index returned -11.69% in 2022 and ended 2022 with a duration of 7.31 years.

Lysander-Fulcra Corporate Securities Fund

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

The net assets of the Fund increased from \$176.7 million to \$263.6 million since the beginning of the year. The Fund has mainly grown through net subscriptions of \$96.3 million.

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

Risk markets saw declines in December that extended losses for an exceptionally tough investment year. Even traditionally viewed safe investments, such as investment grade and government bonds, were bludgeoned by the multiple interest rate increases by the US Federal Reserve and other Central Banks globally.

This time last year most investors did not seem ready to believe that interest rates were going to go higher in the quantum that they did. While the rise in interest rates may be closer to the end than the beginning, it seems that investors don't want to believe that they could remain at these levels.

The Dot Plot interest rate predictive tool, which didn't effectively forewarn the substantial rate rises during 2022, is now predicting that interest rates will be substantially lower by the end of 2025. The median assumption is a Federal Funds rate of 3.125% by the end of 2025. In our view, it is probably good to be skeptical.

While the Dot Plot may or may not suggest there will be a recession, a more reliable source of the economy's strength will likely play out over the coming quarters as companies report their financial performance.

Companies that have achieved record cash flow margins over the last year may be further supported by an opening up of supply chains. However, the drop in demand that will result from central bank's increasing interest rates will be very difficult to predict. It is no surprise, when listening to management teams, that 2023 will be a difficult one to call.

The recent exit from the abnormally low interest rate environment, where the demand for many goods, services and real estate was pulled forward from future consumption has the potential to impact prices significantly. The combination of lower cash flow and earnings with a higher discount rate could

have a double whammy negative impact on the pricing of almost everything.

While not suggesting the outcome is deeply negative, the overall process to take the steam out will be a difficult one to thread and the case for higher volatility would appear to be strong. Furthermore, the continued war in Ukraine and the recent "reopening" in China make the recent (Jan. 13th) reading of the VIX (the S&P 500 Index's expected volatility) at a one year low of 18.6 appear rather disconnected from reality.

Currently, we are finding the best opportunities in shorter duration Investment Grade corporates, event driven situations, and idiosyncratic stressed high yield situations.

The portfolio of Lysander-Fulcra Corporate Securities Fund as of the end of December possessed a 10.35% yield to maturity with a duration of 1.7 years.

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 \$2,310,755 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$1,686,282)

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.

Lysander-Fulcra Corporate Securities Fund

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

The Manager paid \$1,063,899 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$767,180)

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-Fulcra Corporate Securities 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	\$ 10.09	\$ 9.77	\$ 10.11	\$ 10.09	\$ 10.52
Operations:					
Total revenue	0.67	0.60	0.58	0.61	0.57
Total expenses	(0.16)	(0.16)	(0.15)	(0.16)	(0.18)
Realized gains (losses)	(0.28)	0.16	0.38	0.30	(0.04)
Unrealized gains (losses)	(0.44)	0.28	(0.14)	(0.14)	(0.48)
Total increase (decrease) from operations²	\$ (0.21)	\$ 0.88	\$ 0.67	\$ 0.61	\$ (0.13)
Distributions:					
From income (excluding dividends)	\$ (0.43)	\$ (0.40)	\$ (0.45)	\$ (0.35)	\$ (0.37)
From dividends	(0.01)	(0.02)	(0.02)	(0.04)	(0.04)
From capital gains	-	(0.31)	(0.36)	(0.21)	-
Total distributions^{2 3}	\$ (0.44)	\$ (0.73)	\$ (0.83)	\$ (0.60)	\$ (0.41)
Net assets, end of year^{2 3}	\$ 9.45	\$ 10.09	\$ 9.77	\$ 10.11	\$ 10.09
Ratios and supplemental data					
Net asset value ⁴	\$ 33,887,026	\$ 30,386,349	\$ 19,109,791	\$ 11,070,169	\$ 10,023,553
Units outstanding	3,586,472	3,010,987	1,956,730	1,095,110	993,883
Management expense ratio ⁵	% 1.57	% 1.58	% 1.59	% 1.58	% 1.64
Management expense ratio before waivers or absorption	1.57	1.58	1.59	1.58	1.64
Portfolio turnover rate ⁶	66.87	99.60	150.80	219.30	161.50
Trading expense ratio ⁷	-	0.01	0.01	0.10	0.04
Net asset value per unit, end of year	\$ 9.45	\$ 10.09	\$ 9.77	\$ 10.11	\$ 10.09

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-Fulcra Corporate Securities 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	\$ 10.10	\$ 9.76	\$ 10.08	\$ 10.11	\$ 10.52
Operations:					
Total revenue	0.67	0.60	0.59	0.61	0.57
Total expenses	(0.11)	(0.11)	(0.10)	(0.11)	(0.12)
Realized gains (losses)	(0.28)	0.18	0.38	0.32	(0.03)
Unrealized gains (losses)	(0.45)	0.30	(0.13)	(0.22)	(0.47)
Total increase (decrease) from operations²	\$ (0.17)	\$ 0.97	\$ 0.74	\$ 0.60	\$ (0.05)
Distributions:					
From income (excluding dividends)	\$ (0.54)	\$ (0.44)	\$ (0.44)	\$ (0.48)	\$ (0.39)
From dividends	(0.01)	(0.02)	(0.02)	(0.04)	(0.04)
From capital gains	-	(0.30)	(0.32)	(0.25)	-
Total distributions^{2 3}	\$ (0.55)	\$ (0.76)	\$ (0.78)	\$ (0.77)	\$ (0.42)
Net assets, end of year^{2 3}	\$ 9.40	\$ 10.10	\$ 9.76	\$ 10.08	\$ 10.11

Ratios and supplemental data					
Net asset value ⁴	\$ 229,641,268	\$ 146,306,741	\$ 99,129,915	\$ 55,949,033	\$ 28,257,519
Units outstanding	24,428,249	14,481,867	10,153,197	5,552,827	2,793,809
Management expense ratio ⁵	% 1.04	% 1.04	% 1.06	% 1.06	% 1.11
Management expense ratio before waivers or absorption	1.04	1.04	1.06	1.06	1.11
Portfolio turnover rate ⁶	66.87	99.60	150.80	219.30	161.50
Trading expense ratio ⁷	-	0.01	0.01	0.10	0.04
Net asset value per unit, end of year	\$ 9.40	\$ 10.10	\$ 9.76	\$ 10.08	\$ 10.11

Notes

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Lysander-Fulcra Corporate Securities Fund

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

Management Fees

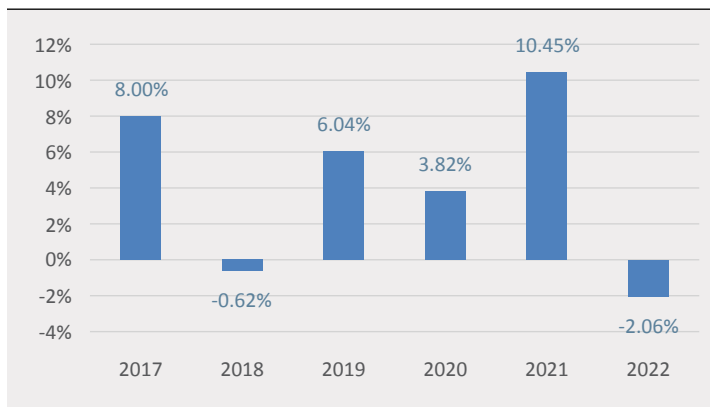
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 1.35% per annum for Series A units and at a rate of 0.85% 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 37% of the management fee of Series A units.

Year-by-Year Returns

Series A

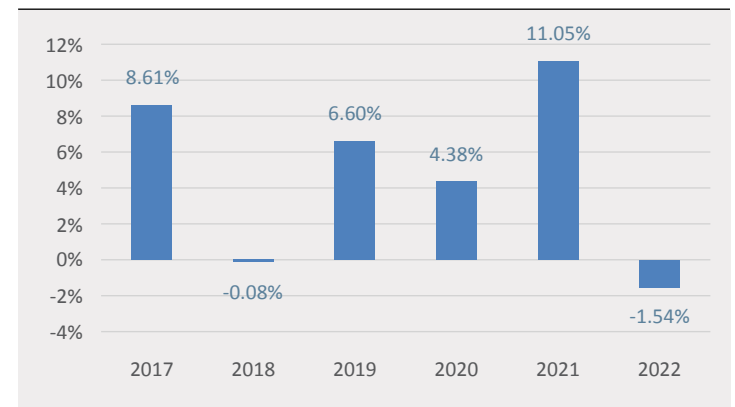


Past Performance

The commencement of operations as a reporting issuer for Series A and F was December 30, 2016. 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-Fulcra Corporate Securities 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:

For years ended December 31, 2022		1 Year		3 Year ²		5 Year ²		Since Inception ^{2 3}
Annual Compound Return								
Series A ¹	%	(2.06)	%	3.94	%	3.43	%	4.17
Series F ¹		(1.54)		4.50		3.98		4.74
Index ⁴	%	5.00	%	5.00	%	5.00	%	5.00

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, 2016. Since inception returns are annualized.
- 4 The Fund aims to exceed an absolute annual return of 5% per annum. Therefore, an annual return of 5% has been used as the Fund's benchmark.

Lysander-Fulcra Corporate Securities 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		
Government of Canada	%	9.6	Bank Loans	%	9.5
Seaspan Corp		5.8	Canadian Equities		1.0
Ford Credit Canada Co		4.0	Canadian Fixed Income		63.3
New Flyer Industries Inc		3.8	Cash and Cash Equivalents		2.5
SNC-Lavalin Group Inc.		3.6	Foreign Equities		0.3
Spencer Spirit Ih Llc		3.4	Foreign Fixed Income		18.6
Enbridge Inc		3.2	Other Assets less Liabilities		2.7
Eg Global Finance Plc		3.1	Preferred Shares		2.1
Kar Auction Services Inc		3.0	Total	%	100.0
Rite Aid Corp		2.9	Sector		
Cash and Cash Equivalents		2.5	Cash and Cash Equivalents	%	2.5
The Geo Group Inc		2.5	Communication Services		8.2
Ferroglobe / Globe Spec		2.3	Consumer Discretionary		29.4
Cengage Learning Inc		2.2	Consumer Staples		8.7
Enerflex Ltd		2.2	Energy		14.1
Saputo Inc		2.1	Financials		2.9
Us Silica Co		2.1	Government		9.6
Russel Metals Inc		2.0	Industrials		12.9
Daimler Truck Fi Canada		2.0	Information Technology		1.8
Telesat Corp		1.9	Materials		7.2
Tervita Corp		1.9	Other Assets less Liabilities		2.7
Ensign Drilling Inc		1.9	Total	%	100.0
Optiva Inc		1.8			
Pyxus Holdings		1.7			
Nuvista Energy Ltd		1.6			
Total	%	73.1			



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