

**Annual Management Report of Fund Performance**

As at December 31, 2023

Lysander-Fulcra Corporate Securities Fund



# 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, 2023 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, 2023. 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 4000, Toronto, Ontario, M4N 3N1, by visiting our website at [www.lysanderfunds.com](http://www.lysanderfunds.com) or at SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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 returns for the year ended December 31, 2023 were 8.3% for Series A units and 8.9% for Series F.

The net assets of the Fund were approximately \$454.3 million at December 31, 2023 from \$263.5 million at the beginning of the year. There were net subscriptions of approximately \$179.7 million during the year.

During the year, the Telesat 5.625% bonds due 2026 had the greatest positive impact to Fund performance. Negatively, the Diamond Sports bonds 5.375% bond due 2026 had the greatest negative impact.

For the year ended December 31, 2023, the CAD dollar denominated ICE BofAML US High Yield Index (HOAO) returned

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10.41% and a duration of 3.95 years. The ICE BofAML Canada Corporate Index (FOCO) returned 8.32% and a duration of 5.86 years. The FTSE Canada Universe Bond Index returned 6.69% in 2023 with a duration of 7.33 years.

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

Markets are keenly watching when the Federal Reserve would shift to a looser monetary policy, begin cutting rates and how large these cuts will be. The Fund needs to be mindful of the implications that higher interest rates may have on asset values. The Fund isn't in the business of predicting where interest rates are going but it's clearly not unprecedented times as far as the absolute level of interest rates is concerned.

Whether through the realization that rates may stay higher than expectations and/or an earnings recession, the Fund believes the potential for market disruption is still quite high.

This can cast a shadow over high yield bonds generally, depressing the price of all bonds, creating shorter term trading opportunities. In addition, attractive investment opportunities can result from a liquidation or balance sheet restructuring for price patient / sensitive investors. If executed properly, the Fund can benefit from a more immediate return of capital through the liquidation of a company's assets or the future economic benefits that can result from a de-levered balance sheet and streamlined operations.

In the world of investing, Fulcra is inevitably faced with the cyclical nature of markets. Having the flexibility to shift to where there is the greatest opportunity is critical to long term performance. Not only does this apply to specific areas of credit markets but also to specific parts of companies' balance sheets.

Currently, the Fund has found the best opportunities in shorter duration investment grade corporates, event driven situations, and idiosyncratic stressed high yield situations.

As of December 31, 2023, the Fund's portfolio had a yield to maturity of 8.2% yield to maturity and duration of 1.5 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 \$3,686,633 (including HST) in management fees to the Manager for the year ended December 31, 2023 (December 31, 2022 - \$2,310,755).

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 \$1,726,190 (including HST) to the Portfolio Manager for the year ended December 31, 2023 (December 31, 2022 - \$1,063,899).

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, 2023

### Financial Highlights

#### Series A

Year ended	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 9.45	\$ 10.09	\$ 9.77	\$ 10.11	\$ 10.09
Operations:					
Total revenue	0.63	0.67	0.60	0.58	0.61
Total expenses	(0.15)	(0.16)	(0.16)	(0.15)	(0.16)
Realized gains (losses)	0.05	(0.28)	0.16	0.38	0.30
Unrealized gains (losses)	0.24	(0.44)	0.28	(0.14)	(0.14)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.77</b>	<b>\$ (0.21)</b>	<b>\$ 0.88</b>	<b>\$ 0.67</b>	<b>\$ 0.61</b>
Distributions:					
From income (excluding dividends)	\$ (0.47)	\$ (0.43)	\$ (0.40)	\$ (0.45)	\$ (0.35)
From dividends	(0.01)	(0.01)	(0.02)	(0.02)	(0.04)
From capital gains	-	-	(0.31)	(0.36)	(0.21)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.48)</b>	<b>\$ (0.44)</b>	<b>\$ (0.73)</b>	<b>\$ (0.83)</b>	<b>\$ (0.60)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 9.75</b>	<b>\$ 9.45</b>	<b>\$ 10.09</b>	<b>\$ 9.77</b>	<b>\$ 10.11</b>

<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 47,978,277	\$ 33,887,026	\$ 30,386,349	\$ 19,109,791	\$ 11,070,169
Units outstanding	4,921,807	3,586,472	3,010,987	1,956,730	1,095,110
Management expense ratio <sup>5</sup>	% 1.55	% 1.57	% 1.58	% 1.59	% 1.58
Management expense ratio before waivers or absorption	1.55	1.57	1.58	1.59	1.58
Portfolio turnover rate <sup>6</sup>	86.33	66.87	99.60	150.80	219.30
Trading expense ratio <sup>7</sup>	-	-	0.01	0.01	0.10
Net asset value per unit, end of year	\$ 9.75	\$ 9.45	\$ 10.09	\$ 9.77	\$ 10.11

#### 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, 2023

### Series F

Year ended	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 9.40	\$ 10.10	\$ 9.76	\$ 10.08	\$ 10.11
Operations:					
Total revenue	0.62	0.67	0.60	0.59	0.61
Total expenses	(0.10)	(0.11)	(0.11)	(0.10)	(0.11)
Realized gains (losses)	0.06	(0.28)	0.18	0.38	0.32
Unrealized gains (losses)	0.24	(0.45)	0.30	(0.13)	(0.22)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.82</b>	<b>\$ (0.17)</b>	<b>\$ 0.97</b>	<b>\$ 0.74</b>	<b>\$ 0.60</b>
Distributions:					
From income (excluding dividends)	\$ (0.50)	\$ (0.54)	\$ (0.44)	\$ (0.44)	\$ (0.48)
From dividends	(0.01)	(0.01)	(0.02)	(0.02)	(0.04)
From capital gains	-	-	(0.30)	(0.32)	(0.25)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.51)</b>	<b>\$ (0.55)</b>	<b>\$ (0.76)</b>	<b>\$ (0.78)</b>	<b>\$ (0.77)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 9.71</b>	<b>\$ 9.40</b>	<b>\$ 10.10</b>	<b>\$ 9.76</b>	<b>\$ 10.08</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup>	\$ 406,366,096	\$ 229,641,268	\$ 146,306,741	\$ 99,129,915	\$ 55,949,033
Units outstanding	41,844,255	24,428,249	14,481,867	10,153,197	5,552,827
Management expense ratio <sup>5</sup>	% 1.01	% 1.04	% 1.04	% 1.06	% 1.06
Management expense ratio before waivers or absorption	1.01	1.04	1.04	1.06	1.06
Portfolio turnover rate <sup>6</sup>	86.33	66.87	99.60	150.80	219.30
Trading expense ratio <sup>7</sup>	-	-	0.01	0.01	0.10
Net asset value per unit, end of year	\$ 9.71	\$ 9.40	\$ 10.10	\$ 9.76	\$ 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.
- 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.
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# Lysander-Fulcra Corporate Securities Fund

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## Management Fees

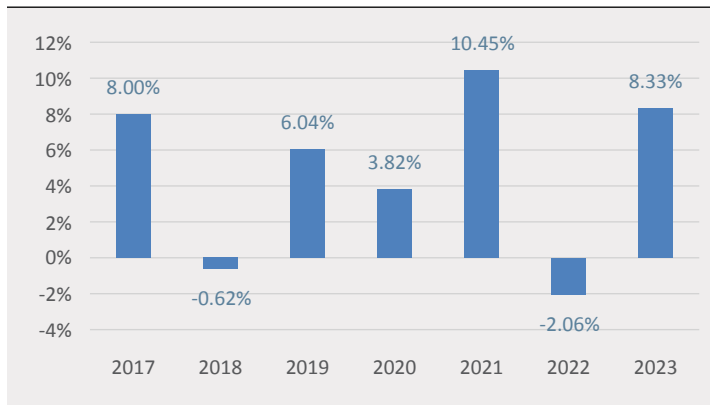
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a 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

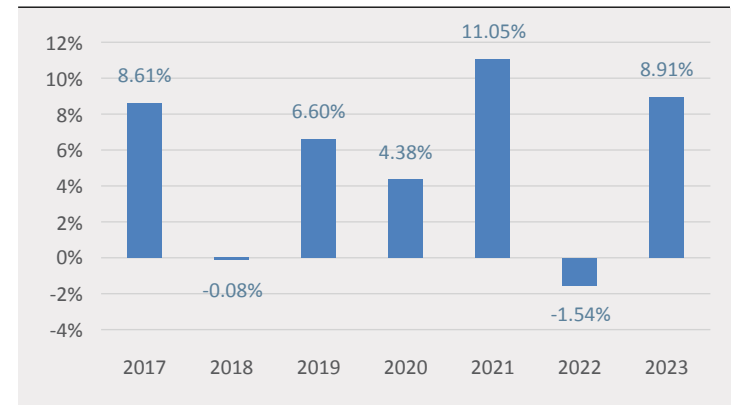


## Past Performance

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



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## Annual Compound Returns

The following table shows the Fund's annual compound return for each year indicated:

For years ended December 31, 2023		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		Since Inception <sup>2 3</sup>
<b>Annual Compound Return</b>								
Series A <sup>1</sup>	%	8.33	%	5.43	%	5.22	%	4.76
Series F <sup>1</sup>		8.91		5.99		5.79		5.32
Index <sup>4</sup>	%	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.

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## Summary of Investment Portfolio

	% of NAV		% of NAV
<b>Top 25 Issuers</b>		<b>Asset Mix</b>	
Canadian Government	9.5	Bank Loans	6.4
US Government	5.7	Canadian Equities	0.6
Cash and Cash Equivalents	5.2	Canadian Fixed Income	57.1
Rogers Communication Inc.	4.5	Cash and Cash Equivalents	5.2
Ford Credit Canada Co	3.9	Foreign Equities	0.7
Russel Metals Inc.	3.7	Foreign Fixed Income	28.8
Cineplex Inc.	3.6	Other Assets less Liabilities	0.4
Bell Canada	3.3	Preferred Shares	0.8
CSC Holdings LLC.	3.1	<b>Total</b>	<b>100.0</b>
Alimentation Couche-Tard Inc.	2.9	<b>Sector</b>	
Rite Aid Corp.	2.8	Cash and Cash Equivalents	5.2
New Flyer Industries Inc.	2.7	Communication Services	28
Seaspan Corp.	2.6	Consumer Discretionary	9.1
Videotron Ltd	2.4	Consumer Staples	8.4
Kar Auction Services Inc.	2.0	Energy	9.9
Telesat Corp.	2.0	Financials	4.7
Source Energy Services Ltd	1.8	Government	15.1
Enova International Inc.	1.8	Industrials	13.6
Premium Brands Hldgs Cor	1.7	Information Technology	1.1
CONUMA RESOURCES LTD	1.7	Materials	4.2
Cng Holdings Inc	1.6	Other Assets less Liabilities	0.4
Tamarack Valley Energy Ltd.	1.6	Real Estate	0.3
Geo Group Inc./The	1.4	<b>Total</b>	<b>100.0</b>
Ww International Inc.	1.3		
Wildbrain Ltd	1.3		
<b>Total</b>	<b>74.1</b>		





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