

Annual Management Report of Fund Performance

As at December 31, 2023

Lysander-Slater Preferred Share ActivETF



SLATER

ASSET MANAGEMENT



Lysander-Slater Preferred Share ActivETF

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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 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 ActivETF (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 or at SEDAR+ at 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 seeks to generate income while preserving investor capital by investing primarily in preferred shares in Canadian entities 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 will primarily be invested in preferred shares of Canadian issuers listed in Canada, using fundamental and credit research. The Fund will not be leveraged. More details are contained in the Fund’s prospectus.

Risks

The risks of this Fund remain as discussed in the Fund’s most recent prospectus.

Results of Operations

For the year ended December 31, 2023, the Lysander-Slater Preferred Share ActivETF return was 8.3% and the S&P/TSX Preferred Share Index return was 5.9%.

The net assets of the Fund were approximately \$73.3 million at December 31, 2023 from approximately \$74.6 million at the beginning of the year. There were net redemptions of approximately \$3.8 million and cash distributions of \$3.6 million during the year.

Persistent high inflation continued to plague the Bank of Canada up until October when Slater began to see inflation start to taper off to more normalized levels of 3%, much lower than the 6% rate at the beginning of the year. The Bank of Canada raised rates to 5% in July 2023 and recently mentioned they do not see the need for an interest rate cut until inflation drops further and there is a clear indication of economic weakness occurring.

The signs of slowing inflation and signals from central banks to lower interest rates in the future caused risk-free assets to move to more normalized levels of approximately 4%, making preferred shares attractive from a yield perspective. Specifically, fixed rate resets yield in the range of 6% to 10% and straight perpetuals on average yield 6.6% both of which are tax efficient dividend income.

Slater was comfortable repositioning the portfolio out of cash & cash equivalents into preferred shares. This allocation worked

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well, as the S&P/TSX Preferred Share Index rose over 10% from the low of the market in October to year end. A number of other factors played into preferred shares performing well in the last few months including the removal of the proposal to tax banks and insurance company's preferred share dividend as income from the final budget. In addition, continued redemptions of listed preferred shares has caused investors to redeploy some of their proceeds into other listed Preferred Shares resulting in upward movement.

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's view is that the Canadian Preferred Share market is undervalued relative to other high-yielding asset classes, especially if the 5-year Canada bond yield can hold above 3.0%. The risk to our outlook is that a severe recession occurs, resulting in extreme downward pressure on bond yields. With the outlook of interest rates staying higher for longer, Slater positioned the Fund into shorter duration resets that will receive a new dividend rate in 2024 and the Fund has an approximate 40% weighting in 2024 fixed rate resets. Slater believe preferred shares will be in for another great year in 2024 due to spreads being attractive from a historical perspective.

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 prospectus.

The Fund paid \$475,755 (excluding HST) in management fees to the Manager for the year ended December 31, 2023 (December 31, 2022- \$574,598).

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 \$268,802 (including HST) to the Portfolio Manager for the year ended December 31, 2023 (December 31, 2022 - \$324,648).

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

| Year ended | 31-Dec-2023 | 31-Dec-2022 | 31-Dec-2021 | 31-Dec-2020 | 31-Dec-2019 |
|--|------------------|------------------|------------------|------------------|------------------|
| Net assets per unit¹ | | | | | |
| Net assets, beginning of year | \$ 8.08 | \$ 10.32 | \$ 8.35 | \$ 8.83 | \$ 9.06 |
| Operations: | | | | | |
| Total revenue | 0.47 | 0.43 | 0.44 | 0.44 | 0.48 |
| Total expenses | (0.10) | (0.11) | (0.14) | (0.12) | (0.10) |
| Realized gains (losses) | (0.90) | (0.14) | 1.27 | (1.33) | (1.05) |
| Unrealized gains (losses) | 1.19 | (2.04) | 0.69 | 0.71 | 0.77 |
| Total increase (decrease) from operations² | \$ 0.66 | \$ (1.86) | \$ 2.26 | \$ (0.30) | \$ 0.10 |
| Distributions: | | | | | |
| From income (excluding dividends) | \$ (0.02) | \$ - | \$ - | \$ - | \$ - |
| From dividends | (0.38) | (0.34) | (0.30) | (0.36) | (0.37) |
| From capital gains | - | - | - | - | - |
| Return of capital | - | (0.04) | (0.10) | (0.04) | (0.04) |
| Total distributions^{2 3} | \$ (0.40) | \$ (0.38) | \$ (0.40) | \$ (0.40) | \$ (0.41) |
| Net assets, end of year^{2 3} | \$ 8.34 | \$ 8.08 | \$ 10.32 | \$ 8.35 | \$ 8.83 |
| Ratios and supplemental data | | | | | |
| Net asset value ⁴ | \$ 73,319,181 | \$ 74,696,833 | \$ 100,836,205 | \$ 64,876,122 | \$ 84,454,128 |
| Units outstanding | 8,793,150 | 9,243,150 | 9,769,000 | 7,769,000 | 9,569,000 |
| Management expense ratio ⁵ | % 0.92 | % 0.90 | % 0.99 | % 1.03 | % 0.81 |
| Management expense ratio before waivers or absorption | 0.92 | 0.90 | 0.99 | 1.03 | 0.81 |
| Portfolio turnover rate ⁶ | 119 | 95 | 140 | 164 | 107 |
| Trading expense ratio ⁷ | 0.33 | 0.24 | 0.42 | 0.60 | 0.35 |
| Net asset value per unit, end of year | 8.34 | 8.08 | 10.32 | 8.35 | 8.83 |
| Closing market price per unit ⁴ | \$ 8.27 | \$ 8.07 | \$ 10.29 | \$ 8.33 | \$ 8.80 |

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.
- 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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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.

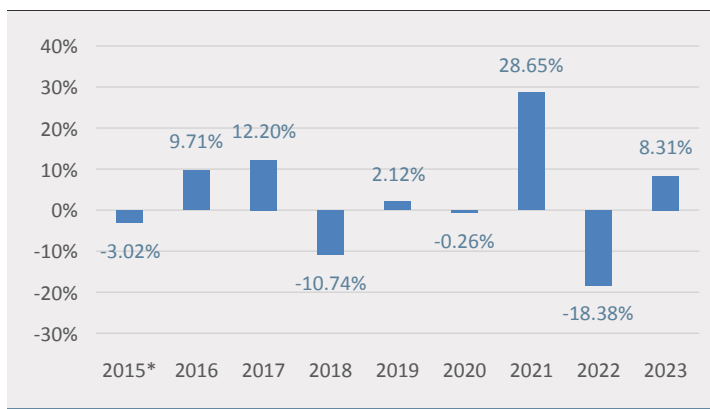
In consideration for such services, the Manager receives a management fee, based on the net asset value of the fund, calculated daily and payable monthly. The Fund pays a management fee at a rate of 0.65% per annum.

Past Performance

The Fund's commenced operations on August 10, 2015. Accordingly, returns are shown for the relevant years/periods as indicated below.

The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown assumes that cash distributions made by the Fund in the periods shown were reinvested in additional units of the Fund.

Year-by-Year Returns



* For the period August 10 to December 31

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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 Preferred Share Total Return Index (the "Index").

| For years ended December 31, 2023 | | 1 Year | | 3 Year ² | | 5 Year ² | | Since Inception ³ |
|---|---|--------|---|---------------------|---|---------------------|---|------------------------------|
| Annual Compound Return | | | | | | | | |
| Lysander-Slater Preferred Share ActivETF | % | 8.31 | % | 4.39 | % | 2.99 | % | 2.54 |
| S&P/TSX Preferred Share Total Return Index ⁴ | % | 5.90 | % | 1.17 | % | 2.61 | % | 2.54 |

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 August 10, 2015. Since inception returns are annualized.
- 4 TSX © Copyright 2023 TSX Inc. All Rights Reserved.

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Summary of Investment Portfolio

| | % of NAV | | | % of NAV | |
|---|----------|-------------|-------------------------------|----------|--------------|
| Top 25 Issuers | | | Asset Mix | | |
| Toronto-Dominion Bank | % | 8.5 | Cash and Cash Equivalents | % | 2.2 |
| Manulife Financial Corp. | | 7.4 | Equities | | 2.5 |
| Pembina Pipeline Corp. | | 6.2 | Fixed Income | | 13.4 |
| Bank of Montreal (Debt) | | 5.6 | Other Assets less Liabilities | | 0.2 |
| Enbridge Inc. | | 5.4 | Preferred Shares | | 81.7 |
| BCE Inc. | | 5.0 | Total | % | 100.0 |
| Power Financial Corp. | | 4.7 | Sector | | |
| TC Energy Corp. | | 4.2 | Cash and Cash Equivalents | % | 2.2 |
| Bank Of Montreal | | 4.1 | Communication Services | | 5.9 |
| Altagas Ltd | | 3.9 | Consumer Discretionary | | 0.8 |
| Great-West Lifeco Inc. | | 3.8 | Consumer Staples | | 1.3 |
| Sun Life Financial Inc. | | 3.8 | Energy | | 18.1 |
| Fairfax Finl Hldgs Ltd | | 3.7 | Financials | | 57.1 |
| Canadian Imperial Bank of Commerce (Debt) | | 3.6 | Other Assets less Liabilities | | 0.2 |
| Royal Bank Of Canada | | 3.4 | Utilities | | 14.4 |
| Canadian Utilities Ltd | | 2.5 | Total | % | 100.0 |
| Canadian Imperial Bank of Commerce | | 2.5 | | | |
| Fortis Inc. | | 2.4 | | | |
| Royal Bank Of Canada (Debt) | | 2.4 | | | |
| Cenovus Energy Inc. | | 2.3 | | | |
| Cash and Cash Equivalents | | 2.2 | | | |
| Canadian Utilities Ltd. | | 1.9 | | | |
| Transalta Corp. | | 1.5 | | | |
| Element Fleet Management | | 1.3 | | | |
| Emera Inc. | | 1.1 | | | |
| Total | % | 93.4 | | | |



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