

# **Lysander–Crusader Equity Income Fund**

Semi-Annual Management Report of Fund Performance

June 30, 2016



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# **Lysander –Crusader Equity Income Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Report of Fund Performance***

As at June 30, 2016

#### ***A NOTE ABOUT FORWARD LOOKING STATEMENTS***

This semi-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.

# **Lysander –Crusader Equity Income Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Report of Fund Performance***

As at June 30, 2016

This semi-annual Management Report of Fund Performance of Lysander-Crusader Equity Income Fund (the “Fund”) contains financial highlights for the period ended June 30, 2016 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 2016. 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 us at Lysander Funds Limited, 100 York Boulevard Suite 501, Richmond Hill Ontario, L4B 1J8, 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 us using one of these methods to obtain a copy of the investment Funds’ proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

### ***Management Discussion of Fund Performance***

#### ***Investment objective***

The Fund’s objective is to earn income and to achieve long term capital growth through a diversified portfolio composed primarily of equity securities, however other equity-like income-producing securities, debt and money market securities may be used to achieve this objective.

#### ***Investment Strategies***

The Fund’s portfolio manager, is Crusader Asset Management Inc. (“Portfolio Manager” or “Crusader”). The Fund’s portfolio positions will primarily be invested in Canadian equity securities. The Fund will not be leveraged. The Fund may invest up to 30% of its assets in foreign securities. The Fund’s investments will not be constrained by sector considerations. 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 or its amendments.

#### ***Results of Operations***

The Lysander-Crusader Equity Income Fund Series A units returned 0.7%, and Series F units returned 1.3% for the six month period ended June 30, 2016 compared to a 9.8% gain in the total return of the S&P/TSX Composite Index.

The Fund’s underperformance is due to effectively three factors one of which is the conservative positioning of the Fund through a period of substantial volatility in January through March when the fund held an index put option to protect the portfolio. The Canadian equity market rallied significantly between the middle of February and the end of March creating a period of underperformance. The second factor which had a material influence was the performance of the SPTSX Gold Sector which returned approximately 51%. The Fund is a dividend mandate whose investment process disqualifies securities for inclusion in the portfolio where the dividend yield is below the median of those that pay a dividend, which includes gold stocks. Finally, the SPTSX Energy Sector was the second best performer in the Canadian Index returning approximately 17%. The Fund did not hold any energy securities, because in the estimation of the portfolio manager crude energy prices and gas prices during the period under review would not allow most energy companies to pay a dividend out of free cash flow. Moreover, the qualitative assessment and valuation characteristics of these energy securities according to the Portfolio Manager do not make these securities eligible for inclusion in the Fund.

This positioning and performance is entirely consistent with the Fund’s fundamental investment objective and strategies. The net assets of the Fund increased to over \$5.2 million at June 30, 2016 from \$4.9 million at the beginning of the period. This was mainly due to subscriptions of almost \$300 thousand in the period.

The Fund did not borrow money during the period.

# **Lysander –Crusader Equity Income Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Discussion of Fund Performance - continued***

#### ***Recent Developments***

The Fund remains positioned with no securities in the energy sector, a significant underweight in the materials sector, an underweight to commercial banks with an overweight in REITs when compared to a broad measure of Canadian equity such as the S&P/TSX Composite Index.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund in the period. There have been no actual or planned reorganizations, mergers or similar transactions.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

#### ***Related Party Transactions***

The Manager provides or arranges 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 approximately \$10,679 (including HST) in management fees to the Manager for the period June 30, 2016 (June 30, 2015: \$7,611).

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.

The Fund paid approximately \$12,286 (including HST) in management fees to the Manager for the period ended December 31, 2015 (June 30, 2015: \$5,780).

The Fund did not rely on any approval, positive recommendation or standing instruction from its IRC with respect to any related party transactions.

# Lysander –Crusader Equity Income Fund

## Semi-Annual Management Report of Fund Performance

### Financial Highlights

The following table shows selected financial information for the period ended June 30, 2016 and December 31, 2015 for Series A, F and O, and is intended to help you understand the Series' financial performance.

Series A*	Period ended	June 30, 2016	December 31, 2015	December 31, 2014
<b>Series Net assets Per Unit <sup>1</sup></b>				
	Net assets, beginning of period	\$11.56	\$11.89	-
	<b>Increase (decrease) from operations:</b>			
	Total revenue	0.27	0.52	-
	Total expenses	(0.15)	(0.30)	-
	Realized gains (losses)	(0.55)	0.11	-
	Unrealized gains (losses)	0.65	(0.60)	-
	<b>Total increase (decrease) from operations <sup>2</sup></b>	<b>\$0.22</b>	<b>\$(0.27)</b>	-
	<b>Distributions:</b>			
	From income (excluding dividends)	(0.01)	-	-
	From dividends	(0.07)	(0.34)	-
	From capital gains	-	-	-
	<b>Total Distributions<sup>2,3</sup></b>	<b>(0.08)</b>	<b>-</b>	-
	<b>Net assets, end of period <sup>2,3</sup></b>	<b>\$11.57</b>	<b>\$11.56</b>	-
<b>Ratios and Supplemental Data</b>				
	Net asset value <sup>4</sup>	94,391	66,373	-
	Units outstanding <sup>4</sup>	8,156	5,743	-
	Management expense ratio <sup>5</sup>	2.58%	2.52%	-
	Management expense ratio before waivers or absorption <sup>5</sup>	3.07%	3.82%	-
	Portfolio turnover rate <sup>6</sup>	78.23%	123.9%	-
	Trading expense ratio <sup>7</sup>	0.39%	0.6%	-
	Net asset value per unit, end of period	\$11.57	\$11.56	-

\*Series A became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

### Notes

1. The information is derived from the Fund's unaudited semi-annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
2. Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in 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.
3. Distributions were paid in cash or reinvested in additional units, or both.
4. This information is provided at the end of the period shown.
5. 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.
6. 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.
7. 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 –Crusader Equity Income Fund

## Semi-Annual Management Report of Fund Performance

Series F*	Period ended	June 30, 2016	December 31, 2015	December 31, 2014
<b>Series Net assets Per Unit <sup>1</sup></b>				
Net assets, beginning of period		\$11.33	\$11.67	-
<b>Increase (decrease) from operations:</b>				
Total revenue		0.25	0.51	-
Total expenses		(0.08)	(0.16)	-
Realized gains (losses)		(0.53)	(0.26)	-
Unrealized gains (losses)		0.53	0.12	-
<b>Total increase (decrease) from operations <sup>2</sup></b>		<b>\$0.17</b>	<b>\$0.21</b>	-
<b>Distributions:</b>				
From income (excluding dividends)		(0.01)	-	-
From dividends		(0.11)	(0.45)	-
From capital gains		-	-	-
<b>Total Distributions<sup>2,3</sup></b>		<b>(0.12)</b>	<b>-</b>	-
<b>Net assets, end of period <sup>2,3</sup></b>		<b>\$11.37</b>	<b>\$11.33</b>	-
<b>Ratios and Supplemental Data</b>				
Net asset value <sup>4</sup>		2,289,655	1,989,984	-
Units outstanding <sup>4</sup>		201,463	175,571	-
Management expense ratio <sup>5</sup>		1.45%	1.41%	-
Management expense ratio before waivers or absorption <sup>5</sup>		1.91%	2.30%	-
Portfolio turnover rate <sup>6</sup>		78.23%	123.9%	-
Trading expense ratio <sup>7</sup>		0.39%	0.6%	-
Net asset value per unit, end of period		\$11.37	\$11.33	-

\*Series F became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

### Notes

1. The information is derived from the Fund's unaudited semi-annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
2. Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in 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.
3. Distributions were paid in cash or reinvested in additional units, or both.
4. This information is provided at the end of the period shown.
5. 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.
6. 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.
7. 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 –Crusader Equity Income Fund

## Semi-Annual Management Report of Fund Performance

Series O*	Period ended	June 30, 2016	December 31, 2015	December 31, 2014
<b>Series Net assets Per Unit <sup>1</sup></b>				
Net assets, beginning of period		\$11.52	\$11.76	-
<b>Increase (decrease) from operations:</b>				
Total revenue		0.24	0.50	-
Total expenses		(0.02)	(0.03)	-
Realized gains (losses)		(0.56)	(0.00)	-
Unrealized gains (losses)		0.55	(0.30)	-
<b>Total increase (decrease) from operations <sup>2</sup></b>		<b>\$0.21</b>	<b>\$0.17</b>	-
<b>Distributions:</b>				
From income (excluding dividends)		-	-	-
From dividends		(0.16)	(0.41)	-
From capital gains		-	-	-
<b>Total Distributions<sup>2,3</sup></b>		<b>(0.16)</b>	<b>(0.18)</b>	-
<b>Net assets, end of period <sup>2,3</sup></b>		<b>\$11.56</b>	<b>\$11.52</b>	-
<b>Ratios and Supplemental Data</b>				
Net asset value <sup>4</sup>		2,894,536	2,852,649	-
Units outstanding <sup>4</sup>		250,289	247,557	-
Management expense ratio <sup>5</sup>		0.32%	0.27%	-
Management expense ratio before waivers or absorption <sup>5</sup>		0.78%	1.34%	-
Portfolio turnover rate <sup>6</sup>		78.23%	123.9%	-
Trading expense ratio <sup>7</sup>		0.34%	0.4%	-
Net asset value per unit, end of period		\$11.56	\$11.52	-

\*Series O commenced operations on December 30, 2014 and accordingly prior period numbers are not available.

### Notes

1. The information is derived from the Fund's unaudited semi-annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
2. Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in 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.
3. Distributions were paid in cash or reinvested in additional units, or both.
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7. 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 –Crusader Equity Income Fund

## Semi-Annual Management Report of Fund Performance

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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 of 2.0% per annum for Series A units and 1.0% per annum for Series F units. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

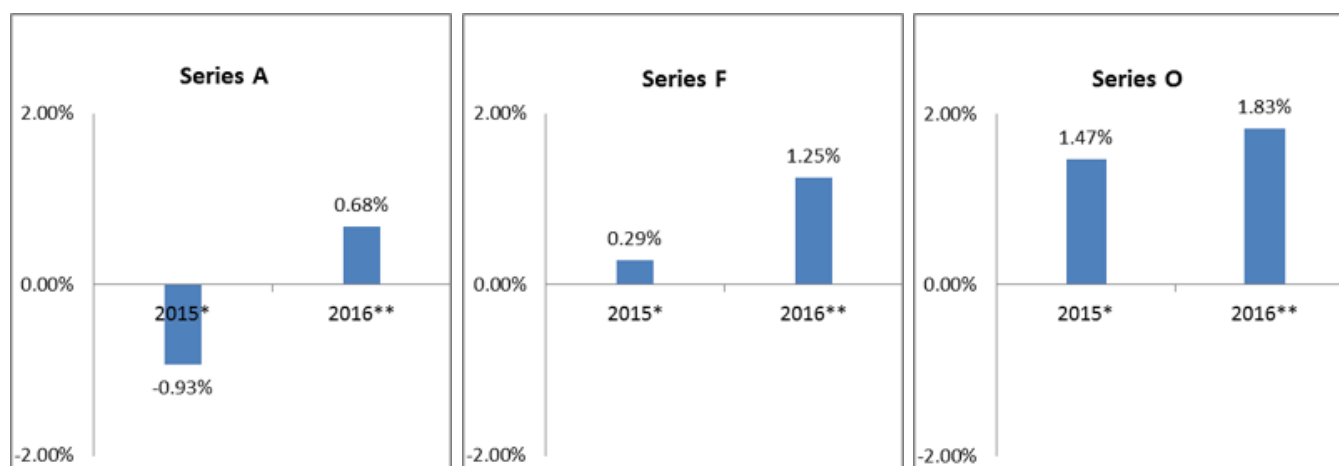
Service fees or trailing commissions of a maximum of 1.0% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

### Past Performance

The commencement of operations as a reporting issuer for Series A, Series F and Series O was December 30, 2014. Accordingly, returns are shown for the relevant period 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.

### Year – by – Year Returns



\*For the period January 1 to December 31

\*\*For the period January 1 to June 30

# Lysander –Crusader Equity Income Fund

## Semi-Annual Management Report of Fund Performance

### Summary of Investment Portfolio

As at June 30, 2016

Top 25 Issuers	% of NAV	Asset Mix	% of NAV
High Liner Foods Inc.	3.7	Canadian Equities	99.0
NorthWest Healthcare Properties Real Estate Investment Trust	3.7	Cash and cash equivalents	0.5
Canadian Real Estate Investment Trust	3.7	Other assets less liabilities	0.5
H&R REIT	3.7	Total	100.0%
Pure Multi-Family REIT LP	3.7		
Agellan Commercial Real Estate Investment Trust	3.7		
Pure Industrial REIT	3.7		
Milestone Apartments	3.7		
Rogers Sugar Inc.	3.6		
Chesswood Group Ltd.	3.6	<b>Sector Mix</b>	<b>% of NAV</b>
Granite Real Estate Investment Trust	3.6	Consumer Discretionary	7.3
Slate Office REIT	3.5	Consumer Staples	3.7
Exchange Income Corp.	3.5	Energy	3.5
MCAN Mortgage Corp.	3.5	Financials	52.6
Alaris Royalty	3.5	Industrials	3.3
ZCL Composites Inc.	3.5	Information Technology	10.3
Toronto Dominion Bank	3.5	Real Estate	18.3
Evertz Technologies Limited	3.5	Cash and cash equivalents	0.5
Royal Bank of Canada	3.5	Other assets less liabilities	0.5
Whistler Blackcomb Holdings	3.4	Total	100.0%
Sun Life Financial Inc.	3.4		
Bank of Nova Scotia	3.4		
Constellation Software Inc.	3.4		
Manulife Financial Corp.	3.4		
Canadian Imperial Bank of Commerce	3.4		
Total	88.8%		



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