

Lysander – Slater Preferred Share Dividend Fund

Semi-Annual Management Report of Fund Performance

June 30, 2016

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Lysander – Slater Preferred Share Dividend Fund

Semi-Annual Management Report of Fund Performance

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.

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Management Report of Fund Performance

As at June 30, 2016

This semi-annual Management Report of Fund Performance of Lysander-Slater Preferred Share Dividend 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 or at SEDAR at 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 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 positions will primarily be 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 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 or its amendments.

Results of Operations

Much like 2015, the first six months for the Canadian preferred share market were volatile. However, since bottoming in mid-January, the Canadian preferred share market has steadily recovered almost to levels of the beginning of the year. The bottom of the market in the first quarter of 2016 represents one of the sharpest corrections on record in the Canadian preferred share space. For the period Series A returned -2.1% and Series F was -1.9%. The Fund benefitted from holding core positions in Canadian Utilities Limited Series X and Sun Life Financial Series A, both discounted straight perpetual preferred shares. In the early part of 2016, detractors from performers were found in some the Fund’s fixed-reset holdings including Emera, BCE and Fairfax Financial.

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 \$49.5 million at June 30, 2016 from \$43.0 million at the beginning of the period. This was mainly due to subscriptions of \$10.4 million offset by redemptions of \$3.3 million in the period.

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 noted above.

The Fund did not borrow money during the period except for immaterial short term cash overdrafts.

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Management Discussion of Fund Performance - continued

Recent Developments

Following the sharp sell-off in January, the Fund continued to add positions to the straight perpetual sub-sector of the preferred share market. Recognizing the deflationary pressures imposed by the Bank of Canada (by cutting the lending rate several times in 2015) Slater committed to overweighting the Fund with straight perpetuals preferred shares, particularly those trading below par. This was a successful campaign as several of these positions made gains in the second quarter of 2016. They include Sun Life Financial Inc. Preferred Share Series 1, Canadian Utilities Ltd. Preferred Share Series AA and Series BB, and Emera Inc. Preferred Share Series E.

Since the beginning of the new year, the preferred share new issue market has been robust, offering 14 new issues to market, totaling just under \$5 billion, all of which are trading at a premium. These offerings have had compelling yields, wide reset spreads and some with the attractive floor coupon. The Fund has participated in buying these new issues - best exemplified by investments in TransCanada Corp and Canadian Utilities Series BB.

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 \$227,957 (including HST) in management fees to the Manager for the period ended December 31, 2015. (June 30, 2015: \$53,117).

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 is included in the management fee.

The Manager paid approximately \$95,869 (including HST) to the Portfolio Manager for the period ended June 30, 2016 (June 30, 2015: \$19,371).

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

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Financial Highlights

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

Series A* Period ended	June 30, 2016	December 31, 2015	December 31, 2014
Series Net assets Per Unit ¹			
Net assets, beginning of period	\$8.95	\$10.00	-
Increase (decrease) from operations:			
Total revenue	0.22	0.43	-
Total expenses	(0.07)	(0.15)	-
Realized gains (losses)	(0.58)	(0.23)	-
Unrealized gains (losses)	0.30	(0.88)	-
Total increase (decrease) from operations ²	\$(0.13)	\$(0.83)	-
Distributions:			
From income (excluding dividends)	(0.01)	-	-
From dividends	(0.12)	(0.19)	-
From capital gains	-	-	-
Total Distributions^{2,3}	(0.13)	(0.19)	-
Net assets, end of period ^{2,3}	\$8.63	\$8.95	-
Ratios and Supplemental Data			
Net asset value ⁴	14,256,636	\$12,855,142	-
Units outstanding ⁴	1,651,323	1,436,244	-
Management expense ratio ⁵	1.56%	1.61%	-
Management expense ratio before waivers or absorption ⁵	1.56%	1.61%	-
Portfolio turnover rate ⁶	73%	73%	-
Trading expense ratio ⁷	0.22%	0.5%	-
Net asset value per unit, end of period	\$8.63	\$8.95	-

*Series A 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.
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.

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Series F* Period ended	June 30, 2016	December 31, 2015	December 31, 2014
Series Net assets Per Unit ¹			
Net assets, beginning of period	\$8.97	\$10.00	-
Increase (decrease) from operations:			
Total revenue	0.22	0.43	-
Total expenses	(0.04)	(0.10)	-
Realized gains (losses)	(0.59)	(0.24)	-
Unrealized gains (losses)	0.34	(0.81)	-
Total increase (decrease) from operations ²	\$(0.07)	\$(0.72)	-
Distributions:			
From income (excluding dividends)	(0.01)	-	-
From dividends	(0.15)	(0.24)	-
From capital gains	-	-	-
Total Distributions^{2,3}	(0.16)	(0.24)	-
Net assets, end of period ^{2,3}	\$8.64	\$8.97	-
Ratios and Supplemental Data			
Net asset value ⁴	\$35,247,594	\$30,243,779	-
Units outstanding ⁴	4,078,091	3,373,082	-
Management expense ratio ⁵	1.00%	1.05%	-
Management expense ratio before waivers or absorption ⁵	1.00%	1.05%	-
Portfolio turnover rate ⁶	73%	73%	-
Trading expense ratio ⁷	0.22%	0.5%	-
Net asset value per unit, end of period	\$8.64	\$8.97	-

*Series F 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.
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.

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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 1.25% per annum for Series A units and 0.75 % per annum for Series F units.

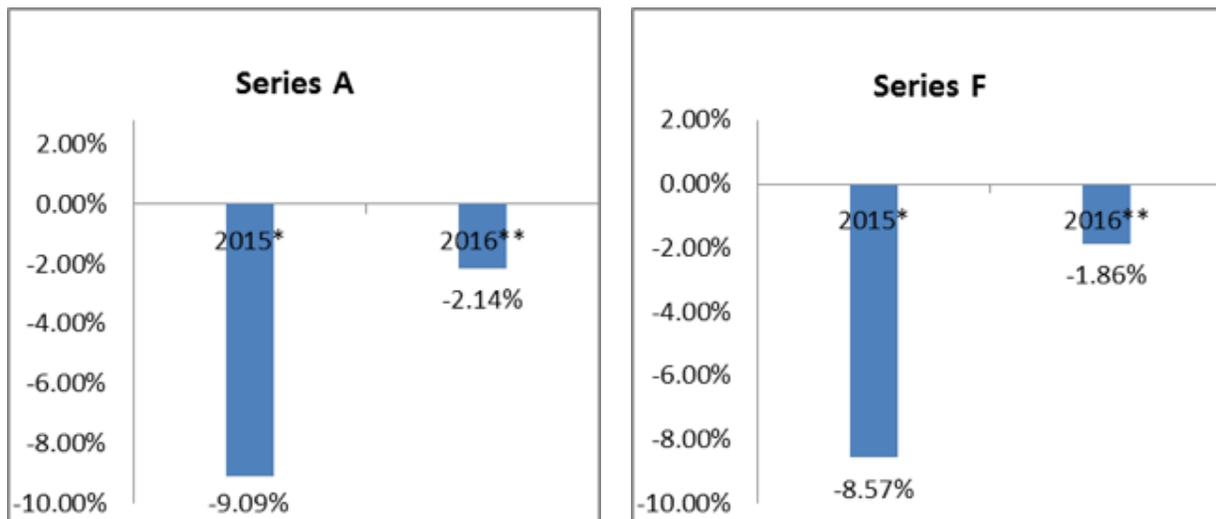
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Past Performance

The commencement of operations as a reporting issuer for Series A and Series F 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 June 30*

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Summary of Investment Portfolio

As at June 30, 2016

Top 25 Issuers	% of NAV	Asset Mix	% of NAV
Canadian Utilities Limited	11.4	Equities	98.6
Bank of Nova Scotia	9.8	Cash and cash equivalents	2.6
Power Financial	9.4	Other assets less liabilities	-1.2
Royal Bank of Canada	8.3	Total	100.0%
Sun Life Financial	8.1		
Bank of Montreal	5.7		
BCE Inc.	5.4		
George Weston	4.6		
Manulife Financial	3.9		
Toronto Dominion Bank	3.8		
Enbridge Inc	3.6	Sector Mix	% of NAV
TransCanada Corporation	3.5	Basic Materials	3.9
Cash and cash equivalents	2.6	Consumer Staples	7.1
National Bank	2.6	Energy	4.0
Great West Lifeco	2.4	Financials	63.1
Power Corp	2.3	Telecommunication Services	5.4
Fortis Inc	2.1	Utilities	15.1
Canadian Imperial Bank of Commerce	2.1	Cash and cash equivalents	2.6
Fairfax Financial	2.0	Other assets less liabilities	-1.2
Co-operators General Insurance	1.5	Total	100.0%
Emera Inc.	1.2		
Laurentian Bank of Canada	1.2		
Brookfield Properties	1.2		
Brookfield Office Properties	0.8		
Bonterra Energy Corp.	0.5		
Total	100.0%		

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