

Lysander-Triasima Balanced Income Fund

Semi-annual Management Report of Fund Performance

June 30, 2016

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Lysander-Triasima Balanced Income 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.

Lysander-Triasima Balanced Income Fund

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Management Report of Fund Performance

As at June 30, 2016

This semi-annual Management Report of Fund Performance of Lysander-Triasima Balanced 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 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 generate returns consisting of income and capital gains by investing primarily in a portfolio of fixed income securities and equities of companies anywhere in the world.

Investment Strategies

The Fund’s portfolio manager is Triasima Portfolio Management Inc. (“Portfolio Manager” or “Triasima”). The Fund’s portfolio positions will be primarily in money market instruments and bonds, as well as income trust, preferred shares and Canadian, American and international equities including American Depositary Receipts and Global Depositary Receipts. The Fund will not be leveraged. The Fund may invest up to 100% 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.

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Management Discussion of Fund Performance - continued

Results of Operations

Low interest rates, in the case of bonds, and weak equity markets outside Canada gave support to a measured deployment of cash over the period. Equities were gradually introduced throughout the period, diversified among North and South America, and Asia. Conspicuously absent are equities from Europe, Japan, and China where poor growth conditions dominate. Instead, a large Latin America and Emerging theme is present. The Fund selects securities highly ranked according to the Three Pillar Methodology of the Portfolio Manager, which currently favors both emerging markets and high yield themes.

The investment performance was impacted by a number of factors. With regards to the Fund's portfolio structure, a positive contribution was obtained through an underweight in American and International equities as these two asset classes pulled back over the first half of 2016. This was offset by a large bond asset class underweight since bonds performed well in a declining interest rate environment.

As for the contribution from security selection, Canadian equities added value with a strong performance from overweight positions in income trusts and utility companies. One notable stand-out was Chartwell Retirement Residences, which operates senior residences. International equities, particularly emerging countries also contributed to performance. Notable outperformers were Grupo Financiero Galicia, an Argentinian Bank, as well as Telekomunikasi Indonesia, an Indonesian Telecommunications company. In contrast, the Fund's American equity holdings lagged, mainly due to Tesoro Corp., a Texas based refiner, whose margins shrank early in the year due to rising oil prices.

The net assets of the Fund increased to \$427 thousand at the end of the period from \$155 thousand. This was mainly due to subscriptions of \$258 thousand.

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.

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

Recent Developments

World economic growth has been relatively stable in the first half of 2016, sputtering along, although somewhat below its historical pace. The United States has shown some weakness, the Eurozone gently accelerated from a low base, and in Asia, from Japan to China to India, growth remained below historical averages, but was otherwise steady. Most broader themes were also unchanged: an overly leveraged financial and real estate sector in China, weak final demand in the Eurozone, improving conditions for American households, but low expectations in the industrial sector, and, above all, continuation of the aggressive monetary easing theme by central bankers throughout advanced countries.

More specifically, in the United States, retail sales pulled back during the first months of 2016 only to rebound later in the period. The labour situation is good with steady job creation, rising household income, and a low unemployment rate.

Late in June 2016, the United Kingdom voted to leave the European Union. This Brexit vote was unexpected. It surprised financial markets and the value of risk assets came off sharply. Uncertainty rose and the vote triggered a rush to safe havens such as the American dollar, the Japanese yen, and gold. Worldwide, equity and bond markets quickly recovered subsequently, but not so in the UK. Actually, British residents are being hit by a perfect storm of a lower currency, lower equity prices, and softer housing values. The long-term ramifications of the Brexit vote are not clear, and may even turn out to be positive since the current arrangement for the UK and the management of the Eurozone can certainly stand improvements. Meanwhile, a tangible risk is contagion whereby fringe right-wing parties in some European countries may find their questioning of the validity of a European Union further validated.

Japan is more than ever in a conundrum. The economy remains weak and inflation expectations continue to decline leading to more stimulus. Brexit has complicated matters as investors sought out the Yen as a safe haven currency and countered the Bank of Japan's Quantitative Easing policy.

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Management Discussion of Fund Performance - continued

In Canada, the economy remains surprisingly resilient in the face of global economic uncertainty and lower oil prices. However, growth is well below average with the GDP expected to grow at an annualized pace of only 0.6% over the half of 2016, mainly driven by consumption, residential investment, and a small uptick in net exports helped along by the weak Canadian dollar.

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 \$1,394 (including HST) in management fees to the Manager for the period ended June 30, 2016. (June 30, 2015: Nil).

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 \$919 (including HST) to the Portfolio Manager for the period ended June 30, 2016 (June 30, 2015: Nil).

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 for Series A and F and is intended to help you understand the Series' financial performance.

Series A* Period ended	June 30, 2016
Series Net assets Per Unit ¹	
Net assets, beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	0.13
Total expenses	(0.10)
Realized gains (losses)	(0.03)
Unrealized gains (losses)	0.17
Total increase (decrease) from operations ²	\$0.17
Distributions:	
From income (excluding dividends)	-
From dividends	(0.02)
From capital gains	-
Total Distributions^{2,3}	(0.02)
Net assets, end of period ^{2,3}	\$10.16
Ratios and Supplemental Data	
Net asset value ⁴	5,087
Units outstanding ⁴	501
Management expense ratio ⁵	1.95%
Management expense ratio before waivers or absorption ⁵	7.60%
Portfolio turnover rate ⁶	5.0%
Trading expense ratio ⁷	0.2%
Net asset value per unit, end of period	\$10.16

*Series A commenced operations on December 31, 2015 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-Triasima Balanced Income Fund

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Series F* Period ended	June 30, 2016
Series Net assets Per Unit ¹	
Net assets, beginning of period	\$10.00
Increase (decrease) from operations:	
Total revenue	0.16
Total expenses	(0.06)
Realized gains (losses)	(0.05)
Unrealized gains (losses)	0.38
Total increase (decrease) from operations ²	\$0.43
Distributions:	
From income (excluding dividends)	-
From dividends	(0.06)
From capital gains	-
Total Distributions^{2,3}	(0.06)
Net assets, end of period ^{2,3}	\$10.05
Ratios and Supplemental Data	
Net asset value ⁴	421,922
Units outstanding ⁴	41,999
Management expense ratio ⁵	1.14%
Management expense ratio before waivers or absorption ⁵	5.15%
Portfolio turnover rate ⁶	5.0%
Trading expense ratio ⁷	0.2%
Net asset value per unit, end of period	\$10.05

*Series F commenced operations on December 31, 2015 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 1.5% per annum for Series A units and 0.75% per annum for Series F units.

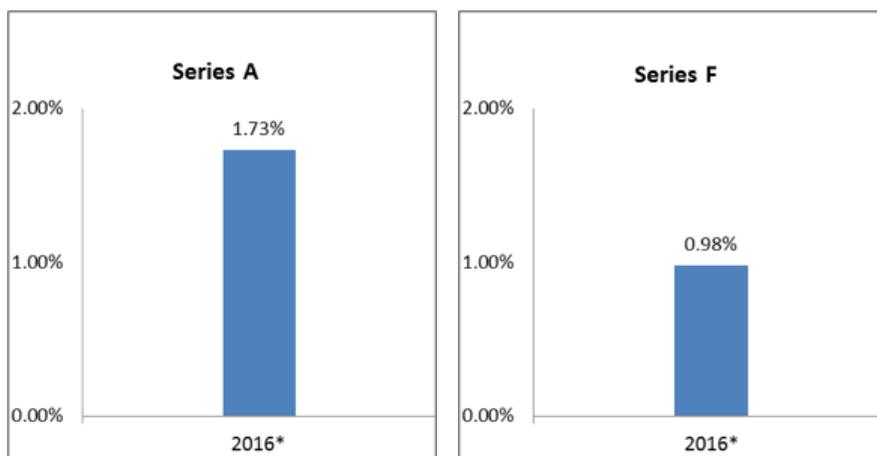
Service fees or trailing commissions of a maximum of 0.75% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

Past Performance

The commencement of operations as a reporting issuer for Series A and Series F was December 31, 2015. 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.

Period – by – Period 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
Premium Brands Holding (Equity)	3.8	Canadian Equities	39.8
Coca-Cola FEMSA (Equity)	3.8	Foreign Equities	42.6
Telekomunikasi Indonesia (Equity)	3.7	Fixed Income	14.5
Grupo Financiero Galicia SA (Argentina) (Equity)	3.7	Cash and cash equivalents	2.1
Eversource Energy (Equity)	3.6	Other assets less liabilities	1.0
Campell Soup Co. (Equity)	3.5	Total	100.0%
TransCanada Pipelines (Equity)	3.4		
Chartwell Retirement Residences (Equity)	3.3		
Bemis Co Inc (Equity)	3.1	Sector Mix	% of NAV
Xinyuan Real Estate Co Ltd (Equity)	3.0	Consumer Discretionary	12.2
Valener Inc. (Equity)	2.9	Consumer Staples	12.3
Sovran Self Storage Inc (Equity)	2.9	Electrical Equipment	2.4
Brookfield Renewable Power (Equity)	2.8	Energy	10.8
Whistler Blackcomb Holdings (Equity)	2.8	Federal Bond	2.6
Algonquin Power & Utilities Corp. (Equity)	2.8	Financials	15.8
Gerdau S.A. (Equity)	2.8	Health Care	3.3
Paychex Inc. (Equity)	2.7	Industrials	5.1
Innergex Renewable Energy Inc. (Equity)	2.7	Information Technology	2.9
Granite Oil Corp (Equity)	2.6	Metals & Minerals	2.8
Northland Power Inc. (Equity)	2.6	Municipal Bond	2.4
Government of Canada (Equity)	2.6	Telecommunication Services	6.2
Canadian Real Estate Invest Trust (Equity)	2.5	Utilities	18.1
Clorox Co. (Equity)	2.5	Cash and cash equivalents	2.1
Plaza Retail Properties Ltd. (Equity)	2.5	Other assets less liabilities	1.0
Rogers Communications (Equity)	2.4	Total	100.0%
Total	75.0%		

Lysander Funds®

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