

Financial Statements of

**Canso Credit Opportunities
Fund**

December 31, 2012 (Audited)

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Canso Credit Opportunities Fund

We have audited the accompanying financial statements of Canso Credit Opportunities Fund which comprise the statements of net assets as at December 31, 2012 and 2011, the statement of investment portfolio as at December 31, 2012 and the statements of investment operations and changes in net assets for the years then ended, and the related notes which comprise a summary of significant accounting policies and other explanatory information.

The Fund Manager's Responsibility for the Financial Statements

The Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Fund Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canso Credit Opportunities Fund as at December 31, 2012 and 2011, its investments as at December 31, 2012 and its results of operations and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Richmond Hill, Canada
March 13, 2013

Hennick Herman, LLP
CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

Canso Credit Opportunities Fund

December 31, 2012 (Audited)

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Canso Credit Opportunities Fund

Statement of Net Assets

As at December 31st

	2012	2011
	\$	\$
Assets		
Investments at fair value (cost - \$1,003,756; 2011 - \$973,907) (Proceeds of Investments sold short - \$572,866; 2011 - \$576,925)	1,170,363	1,056,443
Cash	615	1,895
Accrued interest and dividends	9,593	9,160
Due from broker	-	-
	<u>1,180,572</u>	<u>1,067,498</u>
Liabilities		
Market Value of Investments sold short	633,932	645,807
Due to broker	-	-
Accrued expenses	431	495
	<u>634,363</u>	<u>646,302</u>
Total net assets	<u>546,209</u>	<u>421,196</u>
Number of Units Outstanding (Note 7)		
	55,777	52,022
Net assets per unit	9.79	8.10

Signed on behalf of Canso Fund Management Ltd., as Manager and Trustee



Director



Director

The accompanying notes form an integral part of the financial statements

Canso Credit Opportunities Fund

Statement of Investment Operations

For the year ended December 31st

	2012	2011
	\$	\$
Investment income		
Interest	31,476	25,007
Dividend	-	-
	<u>31,476</u>	<u>25,007</u>
Foreign taxes withheld	-	-
	<u>31,476</u>	<u>25,007</u>
Expenses		
Audit fees	95	43
Management fees (Note 3)	2,646	2,251
Fund-administration fees	529	450
Bank Charges	-	-
Transaction costs	-	-
IRC fees	18	30
Custodial fees	2,391	2,148
	<u>5,680</u>	<u>4,922</u>
Net investment income (loss)	<u>25,797</u>	<u>20,084</u>
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	4,107	1,989
Net realized gain (loss) on foreign currency	4,051	(3,069)
Change in unrealized appreciation (depreciation) on investments	90,395	(52,714)
	<u>98,553</u>	<u>(53,795)</u>
Increase (decrease) in net assets from operations	<u>124,350</u>	<u>(33,711)</u>
Increase (decrease) in net assets from operations per unit	<u>2.23</u>	<u>(0.65)</u>

The accompanying notes form an integral part of the financial statements

Canso Credit Opportunities Fund

Statement of Changes in Net Assets

For the year ended December 31st

	2012	2011
	\$	\$
Increase (decrease) in net assets from operations	124,350	(33,711)
Distributions to unitholders from:		
Net investment income	(25,797)	(20,084)
Net capital gains	(7,076)	-
	<u>(32,873)</u>	<u>(20,084)</u>
Fund unit transactions:		
Proceeds from the sale of units	25,000	36,000
Cost of units redeemed	(24,337)	-
Net assets issued to unitholders on reinvestments in distributions	32,873	20,084
	<u>33,536</u>	<u>56,084</u>
Increase (decrease) in net assets for the period	125,013	2,289
Net assets, beginning of period	421,196	418,907
Net assets, end of period	<u>546,209</u>	<u>421,196</u>

The accompanying notes form an integral part of the financial statements

Canso Credit Opportunities Fund

Statement of Investment Portfolio

As at December 31st, 2012

Par Value / # of Shares	Average Cost (\$)	Fair Value (\$)
CURRENCY FORWARDS		
-63,000 FX Forward - Buy CA Sell US (USCA130320AJ)	-	-439
Total Currency Forwards	-	-439
BONDS		
7,000 AON Finance N.S. 1,ULC 4.76% March 8, 2018	6,997	7,502
26,000 BAC Canada Finance Corp FRN Feb 21, 2014 (Q CDOR +143)	26,015	26,054
38,000 Bell Canada 7.85% Apr 2, 2031	44,954	52,764
40,000 Cogeco Cable 5.15% Nov 16, 2020	39,664	42,410
38,000 Ford Credit Canada Ltd. 7.5% Aug 18, 2015	41,183	42,526
45,000 GE Capital Canada 5.73% Oct 22, 2037	45,334	55,526
44,000 Loblaws 6.45% Mar, 1, 2039	45,223	51,198
48,000 Manufacturers Life Insurance FF 4.21% Nov 18, 2016/21	48,212	50,237
27,000 Nortel Networks Ltd 10.75% July 15, 2016 (USD)	16,037	30,824
19,000 Postmedia Network Inc. 8.25% Aug 16, 2017	19,000	19,095
46,000 Rogers Communication Inc. 6.56% Mar 22, 2041	46,000	57,217
30,000 Royal Bank of Canada FRN June 29, 2085(USD)(Q LIMEAN+25)	20,899	21,341
45,000 Shaw Communications Inc 6.75% Nov 9, 2039	43,955	49,968
18,000 Sun Life Financial 4.95% Jun 1, 2016/2036	18,375	19,033
3,000 Trans-Canada Pipelines FF 6.35% May 15, 2067(USD)	1,866	3,194
1,001 Tuckamore Capital Management Inc. 3.624% Mar 23 2014	-	235
6,000 Tuckamore Capital Management Inc. 8% Mar 23 2016	1,928	3,744
22,000 Videotron Ltee Sr Notes 7.125% Jan 15, 2020	23,250	24,040
6,000 Viterra Inc. 6.406% Feb 16, 2021	6,000	6,604
931 YPG Financing Inc. 8.0% Nov 30, 2022	900	745
7,223 YPG Financing Inc. 9.25% Nov 30, 2018	6,971	7,188
Total Bonds	502,762	571,447
SECURITIES SOLD SHORT		
-65,000 Canada 2.5% Jun 1, 2015	-65,281	-67,079
-6,000 Canada 3.5% Jun 1, 2020	-6,022	-6,783
-65,000 Canada 3.75% June 1, 2019	-68,127	-73,715
-44,000 Canada 4% Jun 1, 2041	-45,085	-58,868
-79,000 Canada 4.0% June 1, 2016	-86,592	-86,130
-17,000 Canada 4.0% June 1, 2017	-18,241	-18,915
-30,000 Canada 4.25 Jun 1, 2018	-32,616	-34,390
-48,000 Canada 5.0% Jun 1, 2037	-58,348	-71,085
-39,000 Canada 5.75% Jun 1, 2029	-49,031	-57,992
-60,000 Canada 8% Jun 1, 2027	-91,757	-103,770
-26,000 Canada 8.0% Jun 1, 2023	-38,758	-41,064
-13,000 Genworth MI Canada 5.68% Jun 15, 2020	-13,008	-14,142
Total Securities Sold Short	-572,866	-633,932
ASSET-BACKED SECURITIES		
9,000 Score Trust 5.629% Feb 20, 2014	8,734	9,267
Total Asset-Backed Securities	8,734	9,267

Canso Credit Opportunities Fund

Statement of Investment Portfolio

As at December 31st, 2012

Par Value / # of Shares	Average Cost (\$)	Fair Value (\$)
PRIVATE PLACEMENTS		
21,000 Access Justice Durham 5.015% Aug 31, 2039	19,452	22,832
14,000 Health Montreal Collective LP(CHUM) 6.721% Sep 30, 2049	14,000	16,999
23,000 Honda Canada Finance Inc FRN Feb 23, 2015(Q CDOR +95)	23,000	23,193
17,000 Plenary Health Bridgepoint LP 7.246% Aug 31, 2042	20,451	23,927
16,201 Strait Crossing Dev.(SINK) Inc. 6.17% Sept 15, 2031	16,239	16,185
16 Xplornet Comm Inc. Warrants May 15, 2017 144A	-	0
7 Xplornet Comm Inc. Warrants Series B May 15, 2017 144A	-	0
16,972 Xplornet Communications Inc. 144A 13.0% May 15,2017	15,981	18,712
7,119 Xplornet Communications Inc.144A Series B 13.0% May 15, 2017	7,000	7,778
Total Private Placements	116,122	129,626
FOREIGN FIXED INCOME		
42,000 Commerzbank AG Sub-debt FRN Dec 15, 2016 (Q CDOR +88)	34,980	36,120
28,000 Depfa ACS Bank 4.90% Aug 24, 2035	19,936	19,766
3,000 Depfa ACS Bank 5.25% Mar 31, 2025	2,433	2,495
20,000 Dexia Municipal Agency 5.0% Mar 9, 2020	19,410	19,932
36,000 Goldman Sachs 5.0% May 3, 2018	33,840	38,349
9,000 Heathrow Funding Limited FF 4.0% Jul 3, 2019/2021	8,943	9,300
90,000 Kaupthing Bank 4.7% Feb 15, 2010	5,500	21,825
25,000 Kimco North Trust III 5.99% April 13, 2018	26,973	27,803
44,000 Lehman Bros Hldg Inc 4.85% Sep 3, 2013	611	9,240
30,000 Lloyds TSB Bank PLC 10.125% December 16, 2016/2021	28,500	34,275
13,000 Lloyds TSB Bank PLC 4.57% Oct 13, 2015	12,800	13,554
25,000 Met Life FRN Jun 17, 2014 (Q CDOR +90)	24,938	25,044
40,000 Morgan Stanley 4.90% Feb 23, 2017	40,116	41,938
30,000 Royal Bank of Scotland 5.37% May 12, 2016	13,958	24,641
33,000 Royal Bank of Scotland Tier 1 6.666% Oct 5, 2017	10,707	29,205
7,000 Sallie Mae 6.0% Jan 25, 2017(USD)	7,223	7,539
Total Foreign Fixed Income	290,866	361,025
MORTGAGE BACKED SECURITIES		
4,000 MLFA 2006-CA19 B 5.06% Jun 12, 2016/39	3,930	4,095
32,000 MLFA 2007-CA21 A2 4.745% Jan 12, 2017/2040	29,629	34,468
7,000 REALT 2004-1 E1 6.1475% Oct 12, 2014	6,090	7,170
Total Mortgage Backed Securities	39,650	45,732
CANADIAN EQUITIES		
214 Yellow Media Ltd.	1,461	1,406
Total Income Trusts	1,461	1,406
INCOME TRUSTS		
5,000 Canso Credit Income Fund Class F	44,168	52,299
Total Income Trusts	44,168	52,299
Transaction Costs	(6)	-
Total Investments	430,890	536,432
Other assets, less liabilities		9,777
Total Net Assets		546,209

**Canso Credit Opportunities Fund
Notes to Financial Statements
December 31, 2012 (Audited)**

1. Formation of Fund

Canso Credit Opportunities Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by a declaration of trust dated August 14, 2008. The Fund is a no-load investment fund, which commenced operations on December 19, 2008.

The Fund seeks to achieve above average income returns through a diversified portfolio (the "Portfolio") composed primarily of debt and money market securities.

Canso Fund Management Ltd. (the "Manager") is the Investment Fund Manager and Trustee of the Fund and is responsible for providing or arranging 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 portfolio manager ("Portfolio Manager") of the Fund is Canso Investment Counsel Ltd.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The significant accounting policies of the Fund are as follows:

Financial Instruments

The Fund's financial instruments include cash, investments (long and short), receivables for accrued interest, and accrued expenses. Cash and cash equivalents and investments (long and short) are classified as held for trading and carried at fair value with changes in fair value being presented in the statement of operations. Receivables for accrued interest are designated as loans and receivables and reported at amortized cost. Accrued expenses are designated as financial liabilities and reported at amortized cost. Due to their short term nature, the carrying value of these financial assets and liabilities approximates fair value.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy has the following levels (Refer to Note 9 for the Fair Value Measurements):

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	Inputs for the asset or liability that are not based on observable market data. Additional quantitative disclosures are required for Level 3 securities.

**Canso Credit Opportunities Fund
Notes to Financial Statements
December 31, 2012 (Audited)**

2. Significant Accounting Policies (cont'd)

Investments

The securities in the Fund's Portfolio are held for trading and are presented at fair value. The fair value of investments is determined as follows:

- (a) Investments held that are traded in an active market through recognized public stock exchanges or over-the-counter markets are valued at their bid prices for investments held long and at their ask prices for investments sold short. Bonds and short-term fixed income securities are valued at the bid quotation from recognized investment dealers. The difference between fair value and average cost of Portfolio securities is recorded as unrealized appreciation/depreciation of investments.
- (b) Investments for which reliable quotations are not readily available or for which there is no bid price are valued at its fair value determined by the Manager using appropriate and accepted industry valuation techniques and observable market inputs on such basis and such manner as established by the Manager.
- (c) Investments held in other investment funds are valued at the published Net Asset Value of those funds as these values reflect active and regularly occurring market transactions on a non-arm's length basis.

Investment Transactions and Income Recognition

Investment transactions are accounted for on a trade date basis. Interest income is recorded on an accrual basis. Dividend income is recognized on the ex-dividend date. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of operations. Distributions received from the underlying funds are recognized in the same form they are received, i.e. interest income, dividend income or realized gains (losses) on sale of investments, as appropriate.

Transaction costs related to purchases and sales of investments are expensed and included in the Statement of Operations as Transaction costs. Transactions costs are expenses that are directly attributable to investment transactions which include fees and commissions paid to brokers and dealers.

Transactions in Underlying Funds

The Fund may invest a portion of its assets in Canso Retirement & Savings Fund, Canso Corporate Securities Fund, Canso Corporate Value Fund, Canso Corporate Bond Fund, The Canso Fund, Canso Catalina Fund, Canso Reconnaissance Fund, Canso Inflation Linked Fund, Canso Income Fund, Canso Private Debt Fund, Canso Canadian Equity Fund, Canso Harrier Fund, Canso Preservation Fund, Canso Long Short Fund, Canso Hurricane Fund or in any other pooled funds or public mutual funds created and managed or advised by the Manager from time to time (the "Underlying Funds"). The Fund will invest in units of the Underlying Funds, to help achieve the Fund's objectives.

Accounting Estimates

The preparation of these financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts reported in the financial statements and accompanying notes. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

**Canso Credit Opportunities Fund
Notes to Financial Statements
December 31, 2012 (Audited)**

2. Significant Accounting Policies (cont'd)

Net Asset Value

The net asset value per unit of each series of units of each Fund is computed by dividing the net asset value of a series of units by the total number of units of the series outstanding at the time.

For financial statement reporting, Canadian GAAP requires that the fair value of investments traded in active markets be measured using the closing bid price (the "Net Assets"). The Fund continues to use the close or mid or last trade price as fair value of investments to determine the daily transactional Net Asset Value for purchases and redemptions by its unitholders (the "Net Asset Value"). A reconciliation between the Fund's GAAP Net Assets and the Fund's Net Asset Value for purposes other than financial reporting is given in Note 12.

Foreign Exchange

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign Currency Forward Contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on investments in the Statement of Operations. Forward currency contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Future Changes in Accounting Standards

International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which include investment funds and other reporting issuers. Under the general transition rules for publicly accountable enterprises the Fund would adopt IFRS for fiscal periods beginning January 1, 2014. The Fund's first set of financial statements prepared in accordance with IFRS will be for the year ended December 31, 2014, providing corresponding comparative financial information for fiscal 2013. Based on the current evaluation of the differences between Canadian GAAP and IFRS, the Fund does not expect that the net asset value per unit will be impacted by the changeover to IFRS. The expected impact of IFRS on the Fund's financial statements will be in the form of additional disclosures and presentation differences.

3. Management Fees

In consideration for management and advisory services performed in its capacity as Manager of the Fund, the Manager is entitled to receive from the Fund a management fee which is payable monthly at an annualized rate of up to 0.50%, based on the net asset value of the Fund.

Canso Credit Opportunities Fund
Notes to Financial Statements
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4. Expenses of the Fund

The Fund is responsible for the payment of all direct expenses related to its operations, such as audit fees, Independent Review Committee fees, fund administration fees, and custodian fees plus harmonized sales tax.

5. Taxation of the Fund

The Fund is a unit trust within the meaning of the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

6. Distributions of the Fund

Distributions of net income and net realized capital gains are made at least annually to unitholders on the last valuation date in the year.

Distributions are automatically reinvested in units of the Fund unless a unitholder has requested in writing that his or her distribution be made in cash. Unitholders may elect to receive distributions in cash by notifying the Manager in writing.

7. Unitholders' Equity

Issuance and Redemption of Units

The Fund may issue an unlimited number of units. All units are fully paid when issued and are not transferable. Units are redeemable at the option of the unitholder.

Units of a Fund are issued and redeemed at the net asset value per unit. The net asset value per unit is calculated by dividing the total value of the net assets of the Fund by the total number of units outstanding for the Fund on such valuation date.

	<u>2012</u>	<u>2011</u>
Units outstanding at beginning of period	52,022	45,666
Units sold	2,782	3,893
Units redeemed	(2,364)	-
Units issued to unitholders on reinvestment of distributions	<u>3,337</u>	<u>2,463</u>
Units outstanding at end of period	<u>55,777</u>	<u>52,022</u>

Canso Credit Opportunities Fund
Notes to Financial Statements
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8. Related Party Transactions

At December 31, 2012, the shareholders of the Manager and Portfolio Manager, together with certain immediate family members of such shareholders had an ownership interest in the Fund amounting to 100.00%.

The Manager paid the Portfolio Manager, an affiliate of the Manager, \$1,058 for managing the investment portfolio of the fund.

9. Fair Value Hierarchy

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy as disclosed in Note 2. The following fair value hierarchy table presents information about the Fund's assets measured at fair value as at December 31, 2012. There have been no transfers between levels during the year.

Financial Assets at Fair Value as at December 31, 2012				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	53,705	-	-	53,705
Short-Term Investments	-	(439)	-	(439)
Fixed Income	-	483,166	-	483,166
	<u>53,705</u>	<u>482,727</u>	<u>-</u>	<u>536,432</u>

Financial Assets at Fair Value as at December 31, 2011				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Equities	43,977	-	-	43,977
Short-Term Investments	-	1,496	-	1,496
Fixed Income	-	366,659	-	366,659
	<u>43,977</u>	<u>368,156</u>	<u>-</u>	<u>412,133</u>

10. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the fund are discussed below.

Canso Credit Opportunities Fund
Notes to Financial Statements
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10. Risk Management (cont'd)

Credit Risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from brokers or subscriptions receivable. To manage this risk, the Manager monitors the Fund's credit exposure and counterparty ratings. As at December 31, 2012 and December 31, 2011, the Fund had directly invested in debt instruments with the following credit ratings (the lowest of DBRS, Moody's, and Standard & Poor's is used):

	As a % of Net Assets	
	December 31, 2012	December 31, 2011
AAA	-106.8%	-136.0%
AA	9.0%	18.0%
A	62.6%	54.0%
BBB	74.7%	102.3%
BB	28.7%	23.3%
B	3.6%	3.2%
C	4.0%	5.1%
D	-	14.5%

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current Net Asset Value per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

Market Risk

Interest Rate Risk:

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the fund. The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments.

Canso Credit Opportunities Fund
Notes to Financial Statements
December 31, 2012 (Audited)

10. Risk Management (cont'd)

		Less than 1 year (\$)	1-5 Years (\$)	More than 5 years (\$)	Total (\$)
Interest Rate					
Exposure	December 31, 2012	-	336,623	115,478	452,101
	December 31, 2011	72,060	(12,906)	163,764	222,918

If interest rates had increased or decreased by 1% at December 31, 2012, with all other variables remaining constant, net assets would have decreased or increased by approximately \$11,755 or 2.6%. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk:

Currency risk arises when the value of investments denominated in currencies other than Canadian dollars fluctuate due to changes in exchange rates. The Fund normally enters into a forward currency transaction that largely insulates the Fund from price changes due to changes in exchange rates.

Price Risk:

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. This risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio.

11. Capital Management

The Fund's capital consists of the Unitholder's equity. The Manager is responsible for managing the Fund's Portfolio in line with its mandate and the affairs of the Fund, including the receipt of revenues and the payment of distributions to the Unitholders.

12. Reconciliation of Transactional NAV to GAAP NAV

December 31, 2012			
Net Asset Value per Unit (\$)		Net Asset Value (\$)	
Transactional NAV	GAAP NAV	Transactional NAV	GAAP NAV
9.85	9.79	549,521	546,209

**Canso Credit Opportunities Fund
Notes to Financial Statements
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13. Statement of Portfolio Transactions

In accordance with Regulations under the Securities Act (Ontario), Statement of Portfolio Transactions for the period ended December 31, 2012 will be provided without charge by writing to the Manager at:

Canso Fund Management Ltd.
100 York Boulevard
Suite 550
Richmond Hill, Ontario
L4B 1J8

The Manager has an exemption from the requirement to file the Pooled Fund financial statements on SEDAR, the Ontario Securities Commission document website. Additional copies of the financial statements can be obtained directly from the Manager.