

Interim Financial Statements (unaudited)
For the six month periods ended June 30, 2021 and 2020

Canso Credit Income Fund



Canso Credit Income Fund

Interim Financial Statements Six-Month Period Ended June 30, 2021 (unaudited)

Table of Contents

3	Statements of Financial Position
3	Statements of Comprehensive Income (Loss)
4	Statements of Changes in Net Assets Attributed to Holders of Redeemable Units
5	Statements of Cash Flows
5	Schedule of Investment Portfolio
10	Notes to the Financial Statements

Canso Credit Income Fund

Interim Statements of Financial Position (unaudited)

As at	30-Jun-21	31-Dec-20
Assets		
Financial assets at fair value through profit or loss*	\$ 224,977,184	\$ 247,907,207
Cash and cash equivalents	6,128,712	–
Due from investment dealers	9,876	–
Accrued Interest	1,655,275	2,227,440
Dividends receivable	29,499	29,499
Options contracts	–	45,187
Receivable on forward exchange contracts	–	525,667
Other receivables	26,016	–
Total assets	\$ 232,826,562	\$ 250,735,000
Liabilities		
Financial liabilities at fair value through profit or loss at inception*	\$ 65,207,808	\$ 81,190,583
Bank overdraft	–	19,366,038
Due to investment dealers	112,500	–
Redemptions payable	579,713	–
Accrued management fees	96,973	89,835
Other accrued expenses	6,846,213	5,512,861
Distributions payable to holders of redeemable units	435,635	435,590
Payable on foreign currency forward contracts	2,244,840	–
Total liabilities	\$ 75,523,682	\$ 106,594,907
Net assets attributable to holders of redeemable units	\$ 157,302,880	\$ 144,140,093
Net assets attributable to holders of redeemable units, per class		
Class A	\$ 145,734,578	\$ 132,886,368
Class F	11,568,302	11,253,725
Total net assets	\$ 157,302,880	\$ 144,140,093
Number of redeemable units outstanding		
Class A	9,718,514	9,706,083
Class F	702,942	749,740
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 15.00	\$ 13.69
Class F	16.46	15.01
* Financial assets at fair value through profit or loss at cost	\$ 137,136,934	\$ 154,783,377

Interim Statements of Comprehensive Income (Loss) (unaudited)

For the periods ended	30-Jun-21	30-Jun-20
Income		
Interest for distribution purposes	\$ 5,290,698	\$ 5,752,328
Dividend Income	436,386	658,290
Derivative income	5,039,535	1,097,015
Other Income	–	81,228
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	6,646,362	8,496,847
Net realized gain (loss) on options	(124,005)	(6,525)
Net realized gain (loss) on foreign currency	(265,667)	1,434,542
Net other gain (loss)	96,615	(529,260)
Change in (depreciation) unrealized on investments	7,883,501	(10,518,685)
Total operating income	\$ 25,003,425	\$ 6,465,780
Expenses		
Performance fees	\$ 6,045,310	\$ –
Interest expense, short positions	918,776	1,380,218
Harmonized sales tax	857,790	63,506
Management fees	567,039	552,216
Stock borrow costs	118,249	182,369
Other expenses	55,532	24,220
Fund valuation fees	24,448	25,680
Administration fees	12,744	16,069
Regulatory and listing expense	10,612	10,846
Registration and other filing fees	8,529	16,740
Legal fees	7,347	21,250
Transfer agent	6,645	6,283
Audit fees	6,049	5,784
Commissions and other portfolio transaction costs	4,606	4,119
Trustee fees	2,728	2,743
Independent review committee fees	793	1,097
Service expense	–	259,606
Dividend expense, short positions	–	222,640
Total operating expenses	\$ 8,647,197	\$ 2,795,386
Change in net assets attributable to holders of redeemable units from operations	\$ 16,356,228	\$ 3,670,394
Change in net assets attributable to holders of redeemable units, per class		
Class A	\$ 15,099,724	\$ 3,379,788
Class F	1,256,504	290,606
Change in net assets attributable to holders of redeemable units per unit		
Class A	\$ 1.55	\$ 0.27
Class F	1.69	0.27

Canso Credit Income Fund

Interim Statements of Changes in Net Assets Attributed to Holders of Redeemable Units (unaudited)

All Classes

For the periods ended	30-Jun-21	30-Jun-20
Net assets attributable to holders of redeemable units, beginning of period	\$ 144,140,093	\$ 156,616,164
Change in net assets attributable to holders of redeemable units from operations	16,356,228	3,670,394
Distributions to unitholders of redeemable units		
From net investment income	\$ (2,613,728)	\$ (3,292,475)
	\$ (2,613,728)	\$ (3,292,475)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Class A	\$ 178,100	\$ 384,163
Class F	-	-
Cost of units redeemed		
Class A	(1,296)	(33,276,824)
Class F	(756,517)	(4,391,530)
Change in net assets attributable to holders of redeemable units for the period	13,162,787	(36,906,272)
Net assets attributable to holders of redeemable units, end of period	\$ 157,302,880	\$ 119,709,892

Class A

For the periods ended	30-Jun-21	30-Jun-20
Net assets attributable to holders of redeemable units, beginning of period	\$ 132,886,368	\$ 142,866,229
Change in net assets attributable to holders of redeemable units from operations	15,099,724	3,379,788
Distributions to unitholders of redeemable units		
From net investment income	\$ (2,428,318)	\$ (3,032,999)
	\$ (2,428,318)	\$ (3,032,999)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A		
	\$ 178,100	\$ 384,163
Cost of units redeemed	(1,296)	(33,276,824)
	\$ 176,804	\$ (32,892,661)
Change in net assets attributable to holders of redeemable units for the period	\$ 12,848,210	\$ (32,545,872)
Net assets attributable to holders of redeemable units, end of period	\$ 145,734,578	\$ 110,320,357

Class F

For the periods ended	30-Jun-21	30-Jun-20
Net assets attributable to holders of redeemable units, beginning of period	\$ 11,253,725	\$ 13,749,935
Change in net assets attributable to holders of redeemable units from operations	1,256,504	290,606
Distributions to unitholders of redeemable units		
From net investment income	\$ (185,410)	\$ (259,476)
	\$ (185,410)	\$ (259,476)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A		
	\$ (178,100)	\$ (384,163)
Cost of units redeemed	(578,417)	(4,007,367)
	\$ (756,517)	\$ (4,391,530)
Change in net assets attributable to holders of redeemable units for the period	\$ 314,577	\$ (4,360,400)
Net assets attributable to holders of redeemable units, end of period	\$ 11,568,302	\$ 9,389,535

Canso Credit Income Fund

Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-21	30-Jun-20
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	\$ 16,356,228	\$ 3,670,394
Adjustments for:		
Foreign exchange (gain) loss on cash	265,667	(1,434,542)
Net realized (gain) loss on sale of investments and derivatives	(6,646,362)	(8,496,847)
Net realized (gain) loss on sale of options	124,005	6,525
Net change in unrealized (appreciation) depreciation of investments and derivatives	(7,883,501)	10,518,685
Purchase of investments	(57,327,116)	(192,353,893)
Proceeds from the sale of investments	81,598,540	166,163,928
Interest receivable	572,165	(678,280)
Dividends receivable	-	10,212
Other receivables	(26,016)	-
Other liabilities	1,340,490	(27,264)
Net cash from (used in) operating activities	\$ 28,374,100	\$ (22,621,082)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units	\$ (2,613,683)	\$ (3,428,218)
Net cash from (used in) financing activities	\$ (2,613,683)	\$ (3,428,218)
Foreign exchange (loss) on cash and cash equivalents	\$ (265,667)	\$ 1,434,542
(Decrease) Increase in cash and cash equivalents during the period	25,760,417	(26,049,300)
Cash and cash equivalents, beginning of period	(19,366,038)	1,299,961
Cash and cash equivalents (Bank overdraft), end of period	\$ 6,128,712	\$ (23,314,797)
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 5,862,863	\$ 5,075,502
Interest expense, short positions	918,776	1,380,218
Dividends received	436,386	668,503
Dividend expense, short positions	-	222,640

Interim Schedule of Investment Portfolio as at June 30, 2021 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)	
Bonds held long			
765,000	Air Canada, Convertible, 4.00%, 2025/07/01	\$ 1,052,717	\$ 1,471,535
8,102,000	Air Canada, Restricted, Callable, 9.00%, 2024/06/22	7,939,959	8,648,884
1,529,000	AMC Entertainment Holdings Inc., Callable, 10.50%, 2025/04/15	2,081,249	2,058,083
1,275,000	AMC Entertainment Holdings Inc., Callable, 10.50%, 2026/04/24	1,631,167	1,718,954
3,750,000	American Airlines Inc., 11.75%, 2025/07/15	5,012,445	5,833,554
710,000	American Airlines Inc. / AAdvantage Loyalty IP Ltd., Sinkable, 5.75%, 2029/04/20	900,211	950,267
5,870,000	AT&T Inc., Callable, 4.85%, 2047/05/25	6,000,375	6,538,309
1,356,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 5.75%, 2027/07/15	1,689,991	1,753,646
3,464,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 4.75%, 2028/04/01	4,386,547	4,409,791
3,250,000	Bank of Nova Scotia, Series '1', Variable Rate, Callable, 3.70%, 2081/07/27	3,250,000	3,255,610
3,460,000	Bank of Nova Scotia, Variable Rate, 0.33%, 2085/08/31	2,981,588	3,717,038
182,845	Bell Canada, Zero Coupon, 2023/06/15	171,523	177,890
182,845	Bell Canada, Zero Coupon, 2026/06/15	148,786	165,126
182,845	Bell Canada, Zero Coupon, 2026/12/15	145,092	162,257
182,845	Bell Canada, Zero Coupon, 2027/06/15	140,734	158,995
182,845	Bell Canada, Zero Coupon, 2027/12/15	136,045	155,660

Continued on next page ...

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2021 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Bonds held long							
<i>Cont'd</i>							
182,845	Bell Canada, Zero Coupon, 2028/06/15	132,692	152,031	2,324,000	Continental Resources Inc., Callable, 4.38%, 2028/01/15	2,081,423	3,183,379
182,845	Bell Canada, Zero Coupon, 2028/12/15	125,253	149,490	1,114,000	Continental Resources Inc., Callable, 4.90%, 2044/06/01	975,495	1,564,004
2,247,971	Black Press Group Ltd., Callable, 12.00%, 2024/03/31	2,247,971	1,798,377	1,400,000	Embraer Netherlands Finance BV, 5.40%, 2027/02/01	1,701,132	1,849,582
1,534,000	Boeing Co. (The), 5.88%, 2040/02/15	2,140,861	2,455,282	197,000	Embraer Overseas Ltd., 5.70%, 2023/09/16	250,637	260,875
600,000	Boeing Co. (The), Callable, 2.25%, 2026/06/15	572,311	759,699	4,221,000	Enbridge Inc., Callable, 4.57%, 2044/03/11	4,389,545	4,550,705
4,256,000	Boeing Co. (The), Callable, 3.25%, 2028/03/01	5,738,593	5,543,764	5,871,000	GE Capital Canada Funding Co., 5.73%, 2037/10/22	5,997,227	7,155,422
300,000	Bombardier Inc., 7.35%, 2026/12/22	279,375	286,313	119,000	Hertz Corp. (The), Callable, 6.25%, 2022/10/15	57,798	148,646
277,000	Bombardier Inc., Callable, 6.00%, 2022/10/15	314,997	344,139	970,000	Hertz Corp. (The), Callable, 5.50%, 2024/10/15	479,248	1,212,148
109,000	Bombardier Inc., Callable, 7.50%, 2024/12/01	104,783	141,218	350,000	Hertz Corp. (The), Callable, 7.13%, 2026/08/01	171,752	465,587
470,000	Bombardier Inc., Callable, 7.50%, 2025/03/15	467,515	599,825	2,650,000	Hertz Corp. (The), Callable, 6.00%, 2028/01/15	1,468,082	3,534,187
1,250,000	Bombardier Inc., Callable, 7.13%, 2026/06/15	1,513,688	1,615,595	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/02/17	118,737	124,947
6,018,000	Bombardier Inc., Callable, 7.88%, 2027/04/15	6,041,317	7,740,932	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/08/17	116,339	123,338
1,561,000	Bombardier Inc., Callable, 7.45%, 2034/05/01	1,919,322	2,078,405	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/02/17	113,713	121,419
1,405,000	Canada Housing Trust No. 1, 1.15%, 2021/12/15	1,414,035	1,411,221	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/08/17	110,797	120,508
600,000	Canada Housing Trust No. 1, Floating Rate, 0.60%, 2022/03/15	602,298	601,743	130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/02/17	107,900	117,555
733,000	Cenovus Energy Inc., 6.75%, 2039/11/15	868,964	1,236,120	130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	105,196	115,117
900,000	Cenovus Energy Inc., Callable, 4.25%, 2027/04/15	599,581	1,247,022	130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/02/17	102,438	112,609
55,000	Cenovus Energy Inc., Callable, 5.25%, 2037/06/15	35,228	81,689	130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/08/17	100,961	109,333
3,772,000	Cenovus Energy Inc., Callable, 5.40%, 2047/06/15	3,767,824	5,796,197	130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/02/17	96,760	106,916
4,003,434	ClearStream Energy Services Inc., 8.00%, 2026/03/23	4,003,434	3,002,576	130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/08/17	93,652	101,090

Continued on next page ...

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2021 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
Bonds held long									
<i>Cont'd</i>									
1,487,000	Loblaw Cos. Ltd., Zero Coupon, 2033/02/17		829,698	853,270	124,000	Ovintiv Exploration Inc., 5.63%, 2024/07/01		138,123	171,065
3,745,000	Manulife Financial Corp., Series '1', Variable Rate, Callable, 3.38%, 2081/06/19		3,745,000	3,728,559	18,000	Ovintiv Exploration Inc., Callable, 5.38%, 2026/01/01		16,589	25,151
1,513,000	Maxar Technologies Inc., Callable, 7.54%, 2027/12/31		2,007,251	2,028,116	7,273,000	Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26		7,221,787	7,836,207
241,000	MPLX L.P., Series 'B', Variable Rate, Perpetual, 6.88%, 2023/02/15		284,051	305,473	2,470,776	Postmedia Network Inc., Callable, 8.25%, 2023/07/15		2,468,445	2,223,698
1,420,000	NAV Canada, Callable, 2.92%, 2051/09/29		1,420,000	1,404,063	3,610,000	Royal Bank of Canada, Floating Rate, Callable, 0.40%, 2085/06/29		3,215,425	3,879,428
726,000	Navigent Corp., Series 'A', 5.63%, 2033/08/01		742,638	870,278	4,440,000	Royal Bank of Canada, Series '1', Variable Rate, Callable, 4.50%, 2080/11/24		4,507,429	4,727,135
2,188,000	Neptune Acquisition Inc., Callable, 10.0%, 2027/04/08		2,138,770	2,264,580	3,248,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09		3,967,360	4,376,278
1,222,000	NordStar Capital L.P., Callable 10.0%, 2025/08/05		1,222,000	1,222,000	901,000	Spirit AeroSystems Inc., Callable, 3.95%, 2023/06/15		1,026,312	1,124,076
494,000	Occidental Petroleum Corp., 7.88%, 2031/09/15		549,683	787,890	980,000	Spirit AeroSystems Inc., Callable, 5.50%, 2025/01/15		1,320,772	1,293,081
1,000,000	Occidental Petroleum Corp., 6.20%, 2040/03/15		694,147	1,402,821	1,641,000	Spirit AeroSystems Inc., Callable, 7.50%, 2025/04/15		2,299,924	2,175,076
760,000	Occidental Petroleum Corp., Callable, 6.63%, 2030/09/01		1,005,746	1,138,562	137,000	Spirit AeroSystems Inc., Callable, 3.85%, 2026/06/15		180,420	177,445
343,000	Occidental Petroleum Corp., Callable, 4.30%, 2039/08/15		197,384	406,473	2,263,000	Spirit AeroSystems Inc., Callable, 4.60%, 2028/06/15		2,592,677	2,753,303
311,000	Occidental Petroleum Corp., Callable, 4.50%, 2044/07/15		189,799	372,068	2,657,000	SSL Robotics LLC, Callable, 9.75%, 2023/12/31		3,450,001	3,643,757
425,000	Occidental Petroleum Corp., Callable, 6.60%, 2046/03/15		298,537	626,670	8,898,992	Strait Crossing Development Inc., 6.17%, 2031/09/15		9,369,026	9,854,424
2,589,000	Occidental Petroleum Corp., Callable, 4.40%, 2046/04/15		1,700,189	3,083,347	2,628,000	Sun Life Financial Inc., Series '21-1', Variable Rate, Callable, 3.60%, 2081/06/30		2,628,998	2,634,728
1,433,000	Occidental Petroleum Corp., Callable, 4.10%, 2047/02/15		1,478,403	1,651,033	3,259,000	TransCanada PipeLines Ltd., Callable, 4.34%, 2049/10/15		3,296,707	3,437,220
12,000	Occidental Petroleum Corp., Callable, 4.20%, 2048/03/15		8,085	13,963					

Continued on next page ...

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2021 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Bonds held long				Equities held Long			
<i>Cont'd</i>							
1,600,000	TransCanada PipeLines Ltd., Floating Rate, 0.73%, 2024/06/09	1,600,000	1,601,566	306,500	BCE Inc., Preferred, Series 'AE', Floating Rate, Perpetual	\$ 4,887,971	\$ 5,575,234
3,159,000	TransCanada PipeLines Ltd., Variable Rate, Callable, 2.40%, 2067/05/15	3,705,139	3,502,054	58,300	BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	699,809	1,034,825
427,000	United Airlines Inc., Callable, 4.63%, 2029/04/15	535,373	547,921	137,324	Bird Construction Inc.	1,557,700	1,212,571
4,032,000	Videotron Ltd., Callable, 5.63%, 2025/06/15	4,146,240	4,478,460	474,700	Bombardier Inc., Class 'B'	951,452	555,399
Total bonds held long		\$ 165,395,431	\$ 185,915,843	90,000	Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	931,500	928,800
Bonds held short				363,100	Cenovus Energy Inc., Warrants, 2026/01/01	1,310,219	2,432,770
(9,805,000)	Government of Canada, 1.50%, 2023/06/01	\$ (9,753,132)	\$ (10,001,909)	190,321	ClearStream Energy Services Inc.	65,661	15,226
(1,644,000)	Government of Canada, 8.00%, 2027/06/01	(2,706,072)	(2,291,688)	3,760	ClearStream Energy Services Inc., Preferred	3,760,300	2,632,000
(4,406,000)	Government of Canada, 5.75%, 2029/06/01	(6,357,343)	(5,896,130)	296	ClearStream Energy Services Inc., Preferred, Restricted	296,000	207,200
(17,859,000)	Government of Canada, 2.75%, 2048/12/01	(20,476,535)	(21,435,374)	8,100	Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	136,485	163,782
(3,121,000)	Government of Canada, 2.00%, 2051/12/01	(3,839,133)	(3,235,868)	121,134	M Split Corp., 7.50%, Preferred, Class 'I', Series 'B'	669,871	657,758
(870,000)	United States Treasury Bond, 1.13%, 2025/02/28	(1,203,305)	(1,097,479)	28,000	Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	625,240	668,360
(7,870,000)	United States Treasury Bond, 1.50%, 2030/02/15	(10,096,595)	(9,850,489)	2,200	Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	37,091	50,600
(5,953,000)	United States Treasury Bond, 2.38%, 2049/11/15	(10,387,357)	(7,856,225)	2,300	Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	42,849	57,477
(2,518,000)	United States Treasury Bond, 1.25%, 2050/05/15	(2,640,181)	(2,548,632)	43,214	MDA Ltd.	605,000	702,228
(840,000)	United States Treasury Bond, 1.88%, 2051/02/15	(959,284)	(994,014)	41,542	NordStar Capital L.P., Class 'B'	42	1,130,598
Total bonds held short		\$ (68,418,937)	\$ (65,207,808)	2,300	Shaw Communications Inc., Preferred, Series 'A', Variable Rate, Perpetual	46,607	57,454
Total of bonds (76.7%)		\$ 96,976,494	\$ 120,708,035				
Term Loans							
851,188	Asterix Inc, Term Loan, 2023/03/31	\$ 850,326	\$ 851,188				
4,731,668	Gannett Holdings LLC, Term Loan, 2026/01/29	5,923,579	5,917,816				
Total of Term Loans (4.3%)		\$ 6,773,905	\$ 6,769,004				

Continued on next page ...

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2021 (unaudited)

Par Value/Number of Shares Average Cost (\$) Fair Value (\$)

Equities held Long

Cont'd

2,200	Shaw Communications Inc., Preferred, Series 'B', Floating Rate, Perpetual	44,282	54,989
2,700	TC Energy Corp., Preferred, Series '4', Floating Rate, Convertible, Perpetual	27,621	35,546
3,000	TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	44,340	61,710
270,300	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	3,584,087	3,984,222
124,321	Xplornet Mobile Inc.	177,779	177,779
93,676	Xplornet Wireless Inc.	459,013	459,013
641,959	Yellow Pages Ltd.	12,447,586	9,436,796
Total equities held long		\$ 33,408,505	\$ 32,292,337
Total of equities (20.6%)		\$ 33,408,505	\$ 32,292,337
		\$	\$
Transaction costs			
	Transaction costs	\$ (21,970)	\$
Total transaction costs		\$ (21,970)	\$
Total investment portfolio (101.6%)		\$ 137,136,934	\$ 159,769,376
	Cash and cash equivalents (3.9%)	\$	\$ 6,128,712
	Other assets less liabilities (-5.5%)		(8,595,208)
Net assets attributable to holders of redeemable units		\$	\$ 157,302,880

Foreign Exchange Contracts

Counterparty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Canadian Imperial Bank of Commerce	9/15/2021	CAD	\$ 82,977,031	USD	\$ 68,820,000	0.829	0.808	\$ (2,244,840)

Notes

1 Credit rating of counterparty is A+.

The accompanying notes form an integral part of the financial statements.

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

1. Formation of Fund

The address of the Canso Credit Income Fund's (the "Fund") registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager 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 ("NAV") of the Fund and its classes, preparing all offering documents, unitholder recordkeeping and other administrative services.

The Fund is a closed-end investment fund established under the laws of the Province of Ontario on June 28, 2010 pursuant to a declaration of trust. The Manager is an affiliate of the portfolio manager, Canso Investment Counsel Limited, ("Portfolio Manager" or "Canso"), a company under common control as the Manager.

On June 28, 2010, the Fund was settled and issued an initial Class A Unit to the Manager for cash consideration of \$10.00.

An initial public offering of 11,395,678 Class A Units and 2,604,322 Class F Units (collectively, the "Units") at a price of \$10.00 per Unit was completed on July 16, 2010. The Class A Units commenced trading on the Toronto Stock Exchange on July 16, 2010 under the symbol PBY.UN. The Class F Units are designed for fee-based and/or institutional accounts and are not listed on a stock exchange, but are convertible into Class A Units on a monthly basis.

The Fund's objective is to (i) maximize total returns for unitholders while reducing risk and (ii) provide unitholders with monthly cash distributions by taking long and short positions in a portfolio of primarily of corporate bonds and other income securities.

2. Basis of Presentation

These interim financial statements (the "financial statements") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The financial statements were authorized for issue by Lysander's board of directors on August 23, 2021.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 requires the expected credit loss model ("ECL") as the impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material or considered impaired.

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.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent

sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2021 and December 31, 2020, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended June 30, 2021 and December 31, 2020, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. 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 comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's portfolio are measured at FVTPL. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

trading on the period-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, the Fund is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the periods of the revision and future periods, if the revision affects both current and future periods.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each class representing an equal and rateable share in the assets allocated to each class. The management fee rates are different for each of the classes. Please refer to Note 7 for discussion of management fee rates. The redeemable units are

classified as financial liabilities and are measured at the redemption amounts.

Net asset value per unit

The net asset value per unit of each class of units of the Fund is computed by dividing the NAV of a class of units by the total number of units of the class outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, 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 forwards in the statement of comprehensive income. Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). 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.

As at December 31, 2020, the Fund has no net capital losses (December 31, 2019 - \$1,148,491) and no non-capital losses (December 31, 2019 - Nil).

Distributions

The Fund makes distributions monthly, please refer to the Fund's Prospectus. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then the Fund uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, the Fund has determined that the functional currency of the Fund is CAD unless noted otherwise.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

Future changes in accounting standards

As of June 30, 2021, there are no future standards that could have a material or significant impact on the Fund.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

5. Forward Agreement

The forward purchase and sale agreement dated July 16, 2010 entered into between the Fund and the Counterparty (the "Forward Agreement") was settled on its scheduled termination date of June 30, 2015 (the "Termination Date") in accordance with its terms and the Fund did not enter into a new forward agreement.

6. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

Class A Units are listed on the Toronto Stock Exchange ("TSX") and investors may buy and sell these units on the TSX. Investors may incur customary brokerage commissions in buying and selling units.

The Class F units are designed for fee-based and/or institutional accounts and differ from the Class A units in the following ways: (i) the Class F units are not listed on a stock exchange; (ii) the agents' fees paid on the issuance of Class F units are lower than those paid on the issuance of Class A units; and (iii) the management fee payable in respect of Class F units is lower than the management fee payable in respect of the Class A units by an amount equal to the service fee. Effective July 1, 2020 the service fee for Class A was discontinued.

In accordance with the Fund's most current Annual Information Form unitholders are entitled to redeem their units outstanding on the last business day in June of each year. Unitholders are entitled to receive a redemption price equal to the NAV per Class A unit or Class F unit, as applicable. In addition to the annual redemption, units may be surrendered at any time for a monthly redemption by the Fund.

A holder of Class F units may convert Class F units into Class A units in any month in accordance with the Fund's most current Annual Information Form.

The Fund received approval from the TSX for a normal course issuer bid for the period from July 17, 2020 to July 16, 2021. Pursuant to the issuer bid, the Fund was permitted to purchase up to 970,608 units for cancellation. The Fund may only repurchase units when the NAV per unit exceeds its trading price on the TSX.

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

During the periods ended June 30, 2021 and 2020, the number of units redeemed and outstanding was as follows:

Class A

For the periods ended	30-Jun-21	30-Jun-20
Units outstanding at beginning of period	9,706,083	12,603,943
Units converted from Class F to Class A	12,518	37,965
Units redeemed	(87)	(2,938,909)
Units outstanding at end of period	9,718,514	9,702,999

Class F

For the periods ended	30-Jun-21	30-Jun-20
Units outstanding at beginning of period	749,740	1,109,959
Units converted from Class F to Class A	(11,426)	(34,690)
Units redeemed	(35,372)	(322,718)
Units outstanding at end of period	702,942	752,551

7. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for certain investment management services and provides certain administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

The Manager receives management fee from the Fund equal to an annualized rate of 0.75% on Class A and F Units which is

8. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at June 30, 2021 and December 31, 2020:

As at June 30, 2021	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed income	\$ -	\$ 191,462,847	\$ 1,222,000	\$ 192,684,847
Equities	27,685,747	-	4,606,590	32,292,337
Total	\$ 27,685,747	\$ 191,462,847	\$ 5,828,590	\$ 224,977,184
Financial Liabilities				
Fixed income sold short	\$ -	\$ 65,207,808	\$ -	\$ 65,207,808
Payable on currency forward contracts	-	2,244,840	-	2,244,840
Total	\$ -	\$ 67,452,648	\$ -	\$ 67,452,648

calculated daily and payable monthly in arrears, plus applicable taxes. In addition, the Fund pays a service fee amount which is a trailer fee and is calculated daily and paid after the end of each calendar quarter at an annualized rate of 0.40% per annum of the net asset value attributable to the Class A Units. The service fee for Class A units was discontinued effective July 1, 2020.

The total management fees earned by the Manager for the period ended June 30, 2021 was \$567,039 (June 30, 2020 - \$552,216), of which \$96,973 (December 31, 2020 - \$89,635) was payable at June 30, 2021.

Performance Fees:

Subject to certain terms and conditions as described in the Fund's Annual Information Form, the Manager is entitled to receive a Performance Fee (the "Performance Fee") equal to 20% of the Fund's outperformance of the FTSE Canada All Corporate Bond Index as described in the Fund's Annual Information Form.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the period ended June 30, 2021, the Performance Fee accrued by the Fund was \$6,045,310 (December 31, 2020 - \$4,855,870).

During the period ended June 30, 2021, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$264,618 (June 30, 2020 - \$257,701) for managing the portfolio of the Fund. As at June 30, 2021, the amount payable to the Portfolio Manager was \$45,264 (December 31, 2020 - \$3,926,620).

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed income	\$ -	\$ 222,974,256	\$ 1,478,000	\$ 224,452,256
Equities	19,512,257	-	3,942,694	23,454,951
Options	45,187	-	-	45,187
Receivable on currency forward contracts	-	525,667	-	525,667
Total	\$ 19,557,444	\$ 223,499,923	\$ 5,420,694	\$ 248,478,061
Financial Liabilities				
Fixed income sold short	\$ -	\$ 81,190,583	\$ -	\$ 81,190,583
Total	\$ -	\$ 81,190,583	\$ -	\$ 81,190,583

As at	30-Jun-21	31-Dec-20
Level 3 reconciliation		
Balance, beginning of year	\$ 5,420,694	\$ 12,899,903
Purchases	-	3,349,993
Sales	(1,112,990.93)	(7,835,000)
Transfers In	-	-
Transfers Out	-	-
Realized gains and losses	431,830.871	2,174,761
Change in unrealized appreciation (depreciation)	1,089,056.059	(5,168,963)
Balance, end of period	\$ 5,828,590	\$ 5,420,694

The Portfolio Manager's internal valuation team is comprised of individuals from across the functional areas of the firm (Trading, Settlements, Research, Portfolio Management, Compliance, and Fund Administration) who have broad and deep experience in the fair value techniques for debt and equity investments. The team reports to the Chief Investment Officer of the Portfolio Manager and the internal valuation team's valuation processes and results are reviewed by the Portfolio Manager's management on an ongoing basis. Security valuations are discussed on a case-by-case basis with a view to establish the most suitable valuation method. During the period ended June 30, 2021, there were no transfers between levels.

The following sections provides information regarding Level 3 securities. It includes a summary of the valuation techniques used and the sensitivity of the fair value of these securities to changes in input values.

ClearStream Energy Services Inc., Preferred

Price: \$700.00

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The last transacted price unless there is a material event that warrants a review. The preferred shares series 2 were issued on June 27, 2019 at \$1,000.00. On March 31, 2020, the Pricing Committee reviewed and agreed that the steep drop in oil prices along with the COVID-19 pandemic were material events which would impact the price. As a result, the Pricing Committee wrote down the price from \$1,000.00 to \$700.00. Despite the fact that oil prices have recovered, Exploration and Production producers are delaying their capital expenditure which directly impacts ClearStream's revenues. The Pricing Committee concluded that maintaining the price of \$700.00 is reasonable.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$210.00

ClearStream Energy Services Inc., Preferred, Restricted

Price: \$700.00

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The last transacted price unless there is a material subsequent event that warrants a review. The preferred shares series 2 were issued on June 27, 2019 at \$1,000.00. On March 31, 2020, the Pricing Committee reviewed and agreed the steep drop in oil prices along with the COVID-19 pandemic were material events which would impact the price. As a result, the

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

Pricing Committee wrote down the price from \$1,000.00 to \$700.00. Despite the fact that oil prices have recovered, Exploration and Production producers are delaying their capital expenditure which directly impacts ClearStream's revenues. The Pricing Committee concluded that maintaining the price of \$700.00 is reasonable.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$210.00

NordStar Capital L.P., Class 'B'

Price: \$27.45

Valuation Technique: Internally developed model.

Unobservable Inputs: The primary unobservable inputs for this security include NordStar's financial statements, its ownership in VerticalScope Holdings Inc., and outstanding units, and the public market price of VerticalScope Holdings Inc.

Change in input values: A reasonably possible change to the value of VerticalScope Holdings Inc. could result in an increase or decrease of 50%, or an increase or decrease in the security price of \$13.73.

NordStar Capital L.P., Callable 10.0%, 2025/08/05

Price: \$100.00

Valuation Technique: Cost

Unobservable Inputs: The primary unobservable input for this security is the last price that the security was purchased.

Change in input values: A reasonably possible change in the price of the security could result in an increase or decrease of 30% or an increase or decrease in the security price of \$30.00.

Xplore Mobile Inc.

Price: \$1.43

Valuation Technique: The relative value technique.

Unobservable Inputs: The primary unobservable inputs for this security were taken from financial data provided by the company's management and government publications.

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$0.57.

Xplornet Wireless Inc.

Price: \$4.90

Valuation Technique: The relative value technique.

Unobservable Inputs: The primary unobservable inputs for this security were taken from financial data provided by the company's management and government publications.

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$1.96.

9. 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.

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 Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at June 30, 2021 and December 31, 2020, the Fund had directly invested in debt instruments with the following credit ratings (on long debt instruments):

As a % of net assets		30-Jun-21	31-Dec-20
Credit exposure			
AAA	%	1.3	–
AA		6.3	8.4
A		3.3	0.4
BBB		49.3	77.0
Below BBB		56.5	63.3
Not Rated		5.8	6.6

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 NAV 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.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2021 and December 31, 2020:

As at 30-Jun-2021	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Fixed income sold short	\$ –	\$ –	\$ 65,207,808
Due to investment dealers	112,500	–	–
Redemptions payable	579,713	–	–
Accrued management fees	96,973	–	–
Other accrued expenses	–	6,846,213	–
Distributions payable to holders of redeemable units	435,635	–	–
Payable on forward exchange contracts	2,244,840	–	–

As at 31-Dec-2020	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Fixed income sold short	\$ –	\$ –	\$ 81,190,583
Bank overdraft	19,366,038	–	–
Accrued management fees	89,835	–	–
Other accrued expenses	–	5,512,861	–
Distributions payable to holders of redeemable units	435,590	–	–

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. If applicable, to manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments:

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2021 (unaudited)

	Less than 1 year		1-3 years		3-5 years		> 5 years		Total
Interest rate exposure									
Fixed income and term loans									
June 30, 2021 - Long	\$	2,012,964	\$	21,253,516	\$	34,521,226	\$	134,897,141	\$ 192,684,847
June 30, 2021 - Short		-		10,001,909		1,097,479		54,108,420	65,207,808
Interest rate exposure									
Fixed income and term loans									
December 31, 2020 - Long	\$	414,521	\$	15,266,985	\$	42,810,947	\$	165,959,803	\$ 224,452,256
December 31, 2020 - Short		-		10,108,270		606,757		70,475,556	81,190,583

If interest rates had increased or decreased by 1% at June 30, 2021, with all other variables remaining constant, net assets of the interest bearing financial instruments of the Fund would have decreased or increased by approximately \$7,369,790 (December 31, 2020 - \$8,626,461).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (after hedging, if there are any) to currency risk as at:

	30-Jun-21		31-Dec-20		
Currency exposure					
US Dollars		%	0.7	%	1.4

As at June 30, 2021, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net asset may have decreased or increased by 0.01% (December 31, 2020 - 0.01%).

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. If applicable, 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. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

As at June 30, 2021, approximately 21% (December 31, 2020 - 16%) of the Fund's net assets were invested in these asset types. If prices of these investments had increased or decreased by 5% with all other factors remaining constant, net assets would have increased or decreased, by approximately \$1,614,617 (December 31, 2020 - \$1,172,748).



3080 Yonge Street, Suite 3037
Toronto, ON M4N 3N1
www.lysanderfunds.com

® Lysander Funds is a registered trademark of Lysander Funds Limited