

**Semi-Annual Management Report of Fund Performance**  
As at June 30, 2022

Lysander-Canso U.S. Credit Fund



# Lysander-Canso U.S. Credit Fund

Semi-Annual Management Report of Fund Performance as at June 30, 2022

## 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.

## About This Report

This semi-annual Management Report of Fund Performance of Lysander-Canso U.S. Credit Fund (the “Fund”) contains financial highlights for the period ended June 30, 2022 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the period ended June 30, 2022. 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 Lysander Funds Limited, 3080 Yonge St., Suite 3037, Toronto, Ontario, M4N 3N1, by visiting our website at [www.lysanderfunds.com](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact Lysander Funds Limited using one of these methods to obtain a copy of the investment Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Investment objective

The Fund’s objective is to achieve long term capital growth of returns consisting of income and some capital gains primarily through investments in U.S. debt and money market securities either denominated in U.S. dollars or hedged to U.S. dollars using forward currency contracts.

## Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”), a company under common control as the Manager. The Fund’s portfolio positions will primarily be invested in fixed income securities, including those

of foreign issues. The Fund will not be leveraged. More details are contained in the Fund’s simplified prospectus.

During the period Canso employed its bottom-up process to buy and sell securities for the Fund.

Unless otherwise noted, all dollar amounts and returns in this document are expressed in USD.

## Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus.

## Results of Operations

During the period Canso employed its bottom-up process to buy and sell securities for the Fund. The Fund’s positioning and performance is consistent with the Fund’s fundamental investment objective and strategies.

The Fund returns for the period were -8.13% for Series A, -7.87% for Series F and -7.48% for Series O.

The net assets of the Fund were approximately \$175.3 million at June 30, 2022 from \$209.3 million at the beginning of the period. There were net redemptions of over \$17.2 million during the period.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes or market conditions that

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affected performance beyond what would be reasonably expected or have been described below.

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

## Recent Developments

The aggressive tightening of monetary policy around the world marks a complete turnaround from central bank policies of only a year ago. Policies put in place to support economies during the pandemic have now turned out to be major contributors to very high inflation. The year-over-year inflation numbers in North America and elsewhere are the highest in decades and central banks are moving to slow it down through interest rate hikes and a reversal of quantitative easing (QE).

QE involves the central banks buying their own country's government bonds to push down yields and put money directly into people's hands. QE is not a new approach to monetary policy but its scale reached records during the pandemic. It is not clear what will happen as central banks stop reinvesting maturing bonds and possibly start selling bonds they hold.

In this environment of high inflation, rising interest rates, and reduced liquidity, financial assets have not performed well. The big question is how much further the monetary and fiscal authorities have to go to get inflation under control. The risk of an economic recession continues to become more likely. This will be negative for unemployment and credit markets.

Canso is positioning the Fund increasingly conservatively. This helps to preserve capital in a market decline and makes it easier to take advantage of future investment opportunities

The Fund reduced credit risk during the period and increased its position in short dated, liquid government securities as both credit and interest rate risks remained elevated. The weight in BB and below securities decreased to 35.5% from 44.4%. with 28.2% of the Fund invested in securities rated AA and above. The higher quality, liquid positions will allow the Fund to take advantage of future market opportunities. The Fund continues to only take on duration when it believes it's being compensated for the incremental interest rate and credit risk. The duration of the Fund was 2.0 years at the end of the period, meaningfully below the benchmark duration.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. 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 USD \$868,480 (including HST) in management fees to the Manager for the period ended June 30, 2022 (June 30, 2021- USD \$501,713).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services are included in the management fee.

The Manager paid CAD \$521,391 (including HST) to the Portfolio Manager for the period ended June 30, 2022 (June 30, 2021 - CAD \$315,084).

The Manager relied, or may rely on standing instructions from the IRC in respect of securities traded amongst mutual funds, closed end funds, managed accounts or pooled funds managed by the Manager or an affiliate of the Manager. In such cases the Manager is required to comply with the Manager's written policies and procedures presented to the IRC and provide periodic reports to the IRC in accordance with National Instrument 81-107.

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## Financial Highlights

### Series A

Period ended	30-Jun-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)	31-Dec-2017 (USD)
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40	\$ 9.78	\$ 9.59
Operations:						
Total revenue	0.22	0.46	0.49	0.37	0.32	0.36
Total expenses	(0.08)	(0.18)	(0.16)	(0.15)	(0.15)	(0.16)
Realized gains (losses)	0.05	0.60	0.10	(0.04)	0.06	0.09
Unrealized gains (losses)	(1.14)	(0.13)	1.66	0.54	(0.42)	0.08
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.95)</b>	<b>\$ 0.75</b>	<b>\$ 2.09</b>	<b>\$ 0.72</b>	<b>\$ (0.19)</b>	<b>\$ 0.36</b>
Distributions:						
From income (excluding dividends)	\$ (0.13)	\$ (0.26)	\$ (0.31)	\$ (0.27)	\$ (0.22)	\$ (0.18)
From dividends	(0.01)	(0.04)	(0.01)	-	-	-
From capital gains	-	(0.53)	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.14)</b>	<b>\$ (0.83)</b>	<b>\$ (0.32)</b>	<b>\$ (0.27)</b>	<b>\$ (0.22)</b>	<b>\$ (0.18)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 10.73</b>	<b>\$ 11.83</b>	<b>\$ 11.53</b>	<b>\$ 9.88</b>	<b>\$ 9.40</b>	<b>\$ 9.78</b>
<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 18,796,683	\$ 22,011,234	\$ 8,483,661	\$ 3,683,051	\$ 2,526,963	\$ 2,821,663
Units outstanding	1,751,417	1,860,127	735,635	372,651	268,691	288,432
Management expense ratio <sup>5</sup>	% 1.49	% 1.50	% 1.53	% 1.56	% 1.51	% 1.66
Management expense ratio before waivers or absorption	1.49	1.50	1.53	1.56	1.51	1.66
Portfolio turnover rate <sup>6</sup>	30.53	28.50	85.23	44.97	63.67	53
Trading expense ratio <sup>7</sup>	-	0.01	0.02	-	-	-
Net asset value per unit, end of period	\$ 10.73	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40	\$ 9.78

### Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from 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.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- 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.
- 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.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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## Series F

Period ended	30-Jun-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)	31-Dec-2017 (USD)
<b>Net assets per unit<sup>1</sup></b>						
Net assets, beginning of period	\$ 11.84	\$ 11.5	\$ 9.85	\$ 9.33	\$ 9.66	\$ 9.47
<b>Operations:</b>						
Total revenue	0.22	0.46	0.48	0.37	0.32	0.35
Total expenses	(0.05)	(0.11)	(0.10)	(0.10)	(0.09)	(0.11)
Realized gains (losses)	0.06	0.61	0.10	(0.03)	0.06	0.09
Unrealized gains (losses)	(1.15)	(0.15)	1.6	0.54	(0.41)	0.06
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ (0.92)</b>	<b>\$ 0.81</b>	<b>\$ 2.08</b>	<b>\$ 0.78</b>	<b>\$ (0.12)</b>	<b>\$ 0.39</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$ (0.16)	\$ (0.30)	\$ (0.35)	\$ (0.27)	\$ (0.22)	\$ (0.24)
From dividends	(0.01)	(0.04)	(0.01)	-	-	-
From capital gains	-	(0.49)	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.17)</b>	<b>\$ (0.83)</b>	<b>\$ (0.36)</b>	<b>\$ (0.27)</b>	<b>\$ (0.22)</b>	<b>\$ (0.24)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 10.73</b>	<b>\$ 11.84</b>	<b>\$ 11.5</b>	<b>\$ 9.85</b>	<b>\$ 9.33</b>	<b>\$ 9.66</b>
<b>Ratios and supplemental data</b>						
Net asset value <sup>4</sup>	\$ 153,259,997	\$ 182,445,386	\$ 61,070,481	\$ 32,612,431	\$ 25,642,093	\$ 25,484,068
Units outstanding	14,277,642	15,412,945	5,309,423	3,311,921	2,749,678	2,637,839
Management expense ratio <sup>5</sup>	% 0.93	% 0.93	% 0.97	% 1.00	% 0.97	% 1.09
Management expense ratio before waivers or absorption	0.93	0.93	0.97	1.00	0.97	1.09
Portfolio turnover rate <sup>6</sup>	30.53	28.5	85.23	44.97	63.67	53
Trading expense ratio <sup>7</sup>	-	0.01	0.02	-	-	-
Net asset value per unit, end of period	\$ 10.73	\$ 11.84	\$ 11.5	\$ 9.85	\$ 9.33	\$ 9.66

## Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
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## Series O\*

Period ended	30-Jun-2022 (USD)		31-Dec-2020 (USD)	
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of period	\$	9.64	\$	10.00
Operations:				
Total revenue		0.18		0.23
Total expenses		-		(0.01)
Realized gains (losses)		0.06		0.28
Unrealized gains (losses)		(0.91)		(0.23)
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$</b>	<b>(0.67)</b>	<b>\$</b>	<b>0.27</b>
Distributions:				
From income (excluding dividends)	\$	(0.15)	\$	(0.33)
From dividends		(0.01)		(0.03)
From capital gains		-		(0.47)
<b>Total distributions<sup>2 3</sup></b>	<b>\$</b>	<b>(0.16)</b>	<b>\$</b>	<b>(0.83)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$</b>	<b>8.74</b>	<b>\$</b>	<b>9.64</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$	3,253,185	\$	4,901,575
Units outstanding		372,344		508,562
Management expense ratio <sup>5</sup>	%	0.08	%	0.09
Management expense ratio before waivers or absorption		0.08		0.09
Portfolio turnover rate <sup>6</sup>		30.53		28.5
Trading expense ratio <sup>7</sup>		-		0.01
Net asset value per unit, end of period	\$	8.74	\$	9.64

## Notes

\* Series O commenced operations on May 18, 2021

**1** The information is derived from the Fund's unaudited semi-annual and/or audited 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) from 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

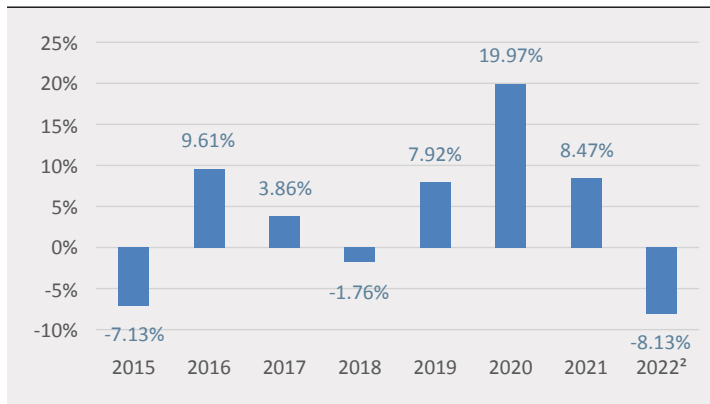
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 1.25% per annum for Series A units and 0.75 % per annum for Series F units. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

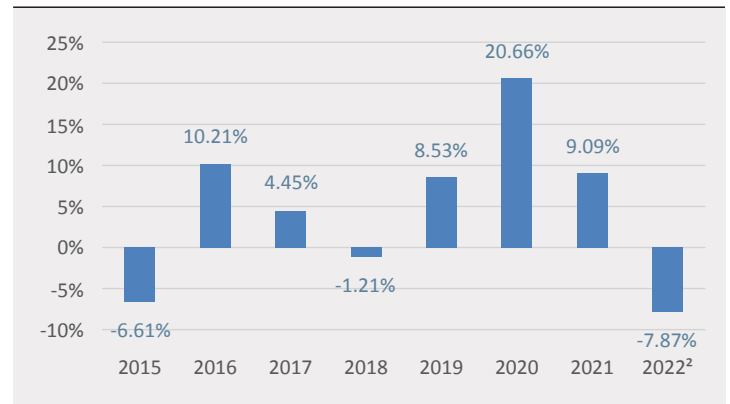
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises 40% of the management fee of Series A units.

## Year-by-Year Returns

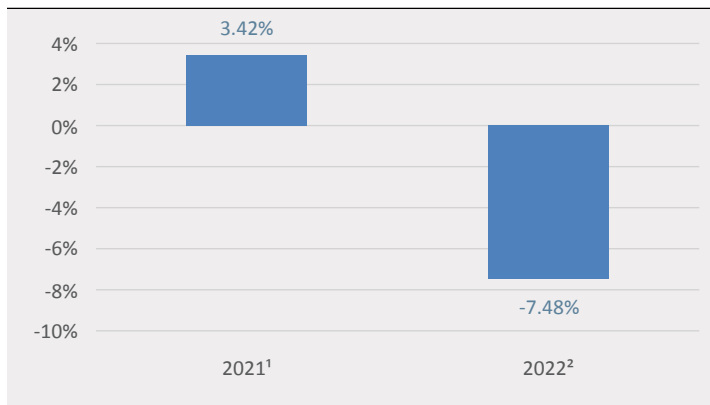
### Series A



### Series F



### Series O



1 For the period May 18 to December 31, 2 For the period January 1 to June 30

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## Summary of Investment Portfolio

	% of NAV		% of NAV
<b>Top 25 Issuers</b>		<b>Asset Mix</b>	
U.S. Treasury Bond	10.8	U.S. Fixed Income	41.2
Air Canada	7.1	Canadian Equities	0.1
Spirit Aerosystems Inc	5.1	Canadian Fixed Income	48.7
American Airlines Inc.	4.4	Cash and Cash Equivalents	0.1
Manulife Financial Corporation	4.2	Foreign Fixed Income	3.6
Bank of Nova Scotia	4.0	Preferred Shares	4.6
Met Life Global Funding I	3.8	Other Assets less Liabilities	1.7
Pacific Mutual Holding Company	3.5	<b>Total</b>	<b>100.0</b>
Avis Budget Group, Inc.	3.4	<b>Sector</b>	
Bombardier Inc	2.9	Cash and Cash Equivalents	0.1
Royal Bank of Canada	2.9	Communication Services	1.9
Delta Air Lines Inc	2.8	Consumer Discretionary	2.9
Honda Canada Finance Inc	2.8	Energy	4.6
Scotia Capital Inc. NHA MBS (98005098)	2.6	Federal	20.9
Ford Credit Canada Company	2.3	Financials	37.7
Great-West Lifeco Inc	2.3	Industrials	29.6
Canadian Imperial Bank of Commerce	2.1	Information Technology	0.6
Boeing Co.	1.8	Other Assets less Liabilities	1.7
Scotia Capital Inc. NHA MBS (98100013)	1.7	<b>Total</b>	<b>100.0</b>
Merrill Lynch NHA MBS (98005105)	1.7		
AMC Entertainment Holdings Inc.	1.7		
Hertz Global Holdings Inc.	1.6		
JP Morgan Chase & Co	1.5		
Transcanada Pipelines	1.4		
Canada Housing Trust	1.4		
<b>Total</b>	<b>79.8</b>		





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