

Annual Management Report of Fund Performance

As at December 31, 2022

Lysander-Canso Credit Opportunities Fund



Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

A Note About Forward Looking Statements

This 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 annual Management Report of Fund Performance of Lysander-Canso Credit Opportunities Fund (the “Fund”) contains financial highlights for the year ended December 31, 2022 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 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 or at SEDAR at www.sedar.com.

Unitholders may also contact Lysander Funds Limited using one of these methods to obtain a copy of the 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 by investing in, or gaining exposure to, a diversified portfolio composed primarily of debt and money market securities. The Fund will use alternative investment strategies such as engaging in short sales and purchasing securities on margin or with borrowed funds.

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 will seek to achieve returns

through a portfolio that primarily invests in, or has exposure to, corporate bonds of Canadian and foreign issuers. Portfolio investments may include higher risk securities and the Fund may take large portfolio exposures to specific countries, market sectors, market movements or other investment insights. The Fund may invest up to 100% of its net assets in foreign securities. More details are contained in the Fund’s simplified prospectus.

Risks

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

Results of Operations

During the year, 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 year were -0.45% for Series A, 0.32% for Series C, and 0.10% for Series F.

The net assets of the Fund were approximately \$56.3 million at December 31, 2022 from \$60.4 million at the beginning of the year. There were net redemptions of \$2.8 million during the year.

On February 20, 2020, the trustee and investment fund manager of the Fund changed from Canso Fund Management Ltd., an affiliate of the Manager, to the Manager. Prior to May 11, 2020, securities of the Fund were offered only on a private placement basis. On May 11, 2020, the Fund became a reporting issuer by

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

filing a prospectus with securities regulatory authorities in each province and territory in Canada. While these were fundamental changes that occurred to the Fund, neither the Manager nor the Portfolio Manager are of the view that these changes affected the Fund's investment strategies in any material fashion.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected or as described below.

The Fund did not borrow money during the year 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 maintains a weight in short dated, liquid securities as both credit and interest rate risks remained elevated. The Fund increased its weight in BB & Below rated securities from 25.1% to 29.7% in the period. Canso continue to only take on duration when they believe they are being compensated for the incremental interest rate risk or where they are able to effectively hedge by shorting government securities. Floating rate exposure allows them to mitigate interest rate risk while still being able to benefit from credit spread tightening. The

Fund finished the period with a -12.7% short position in government securities, which are offset by corresponding long corporate bond positions and a positive cash balance. Fund duration is 1.9 years.

The Fund continues to only take on duration when it believes it's being compensated for the incremental interest rate and credit risk. Duration of the Fund was 1.9 years at the end of the year, 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 involving the Fund.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

Related Party Transactions

The Manager provides or arranges to provide 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 \$505,851 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021 - \$291,318).

The Manager is also entitled to receive a performance fee from Series A and F units of the Fund (the "Performance Fee") under certain conditions as described in the Fund's most recently filed Prospectus. For the year ended December 31, 2022, the Performance Fee accrued and payable by the Fund was nil (including HST) (December 31, 2021 - \$1,011,486).

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. Portfolio management fees for the Portfolio Manager's services are paid from the management fee. The Manager will also pay the Portfolio Manager a percentage of any Performance Fee that the Manager receives from the Fund, such percentage to be agreed upon between the Manager and the Portfolio Manager from time to time.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

The Manager paid \$243,357 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - \$141,316).

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.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Financial Highlights

Series A*

Year ended	31-Dec-2022		31-Dec-2021		31-Dec-2020	
Net assets per unit¹						
Net assets, beginning of year	\$	12.44	\$	11.74	\$	-
Operations:						
Total revenue		0.49		0.53		0.42
Total expenses		(0.19)		(0.58)		(0.27)
Realized gains (losses)		0.65		0.68		0.32
Unrealized gains (losses)		(0.99)		0.51		2.03
Total increase (decrease) from operations²	\$	(0.04)	\$	1.14	\$	2.50
Distributions:						
From income (excluding dividends)	\$	(0.17)	\$	(0.37)	\$	(0.58)
From dividends		(0.04)		(0.05)		(0.05)
From capital gains		(0.66)		(0.32)		(0.75)
Total distributions^{2 3}	\$	(0.87)	\$	(0.74)	\$	(1.38)
Net assets, end of year^{2 3}	\$	11.50	\$	12.44	\$	11.74
Ratios and supplemental data						
Net asset value ⁴	\$	3,612,923	\$	2,643,911	\$	988,854
Units outstanding		314,068		212,520		84,203
Management expense ratio ⁵	%	1.63	%	4.68	%	3.75
Management expense ratio before waivers or absorption		1.63		4.82		4.13
Portfolio turnover rate ⁶		93.03		43.80		32.31
Trading expense ratio ⁷		0.07		-		0.02
Net asset value per unit, end of year	\$	11.50	\$	12.44	\$	11.74

Notes

* Series A commenced operations on May 11, 2020.

- The information is derived from the Fund's 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.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Series C*

Year ended	31-Dec-2022		31-Dec-2021		31-Dec-2020	
Net assets per unit¹						
Net assets, beginning of year	\$	15.17	\$	13.68	\$	12.14
Operations:						
Total revenue		0.59		0.66		0.72
Total expenses		(0.12)		(0.13)		(0.10)
Realized gains (losses)		0.81		0.81		1.06
Unrealized gains (losses)		(1.23)		0.84		3.17
Total increase (decrease) from operations²	\$	0.05	\$	2.18	\$	4.85
Distributions:						
From income (excluding dividends)	\$	(0.27)	\$	(0.39)	\$	(0.35)
From dividends		(0.06)		(0.04)		(0.03)
From capital gains		(1.06)		(0.27)		(0.33)
Total distributions^{2 3}	\$	(1.39)	\$	(0.70)	\$	(0.71)
Net assets, end of year^{2 3}	\$	13.80	\$	15.17	\$	13.68
Ratios and supplemental data						
Net asset value ⁴	\$	2,434,339	\$	2,426,610	\$	2,090,691
Units outstanding		176,420		159,921		152,830
Management expense ratio ⁵	%	0.79	%	0.85	%	0.86
Management expense ratio before waivers or absorption		0.79		1.04		1.43
Portfolio turnover rate ⁶		93.03		43.80		32.31
Trading expense ratio ⁷		0.07		-		0.02
Net asset value per unit, end of year	\$	13.80	\$	15.17	\$	13.68

Notes

* The Fund became a reporting issuer on May 11, 2020; however, Series C units started on December 19, 2008 and were issued pursuant to prospectus exemptions. The information provided is for the full calendar year.

1 The information is derived from the Fund's 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.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Series F*

Year ended	31-Dec-2022		31-Dec-2021		31-Dec-2020	
Net assets per unit¹						
Net assets, beginning of year	\$	10.96	\$	10.22	\$	9.47
Operations:						
Total revenue		0.42		0.47		0.58
Total expenses		(0.11)		(0.47)		(0.47)
Realized gains (losses)		0.59		0.55		0.39
Unrealized gains (losses)		(1.01)		0.50		1.92
Total increase (decrease) from operations²	\$	(0.11)	\$	1.05	\$	2.42
Distributions:						
From income (excluding dividends)	\$	(0.15)	\$	(0.24)	\$	(0.42)
From dividends		(0.03)		(0.04)		(0.04)
From capital gains		(0.57)		(0.29)		(0.56)
Total distributions^{2 3}	\$	(0.75)	\$	(0.57)	\$	(1.02)
Net assets, end of year^{2 3}	\$	10.20	\$	10.96	\$	10.22
Ratios and supplemental data						
Net asset value ⁴	\$	50,216,122	\$	55,314,631	\$	19,745,200
Units outstanding		4,924,179		5,047,372		1,932,671
Management expense ratio ⁵	%	1.08	%	4.32	%	4.91
Management expense ratio before waivers or absorption		1.08		4.47		5.40
Portfolio turnover rate ⁶		93.03		43.80		32.31
Trading expense ratio ⁷		0.07		-		0.02
Net asset value per unit, end of year	\$	10.20	\$	10.96	\$	10.22

Notes

* The Fund became a reporting issuer on May 11, 2020 and Series F units have been qualified for distribution under a prospectus commencing on that date; however, Series F units started on March 31, 2014 and were issued pursuant to prospectus exemptions. The information provided is for the full calendar year.

1 The information is derived from the Fund's 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.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Management Fees

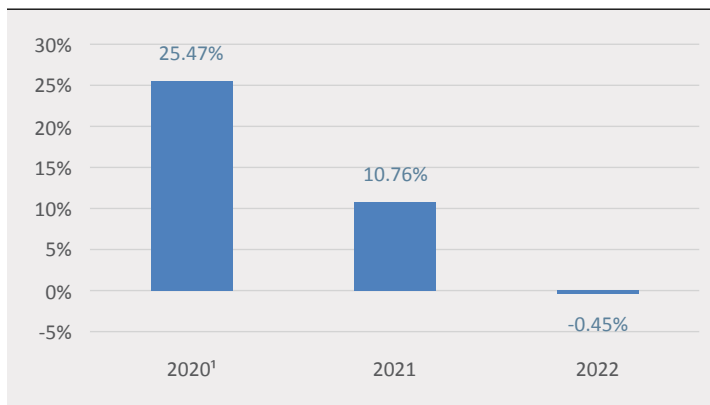
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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. Effective May 11, 2020, the Fund paid a management fee at a rate of 1.25% per annum for Series A units, at a rate of 0.50% per annum for Series C and at a rate of 0.75% per annum for Series F units.

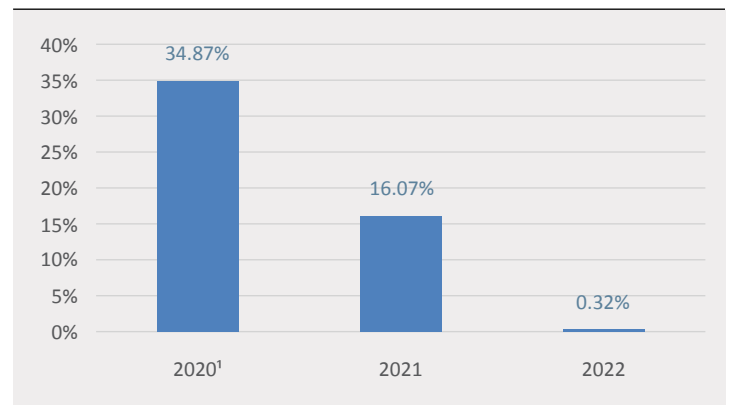
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Year-by-Year Returns

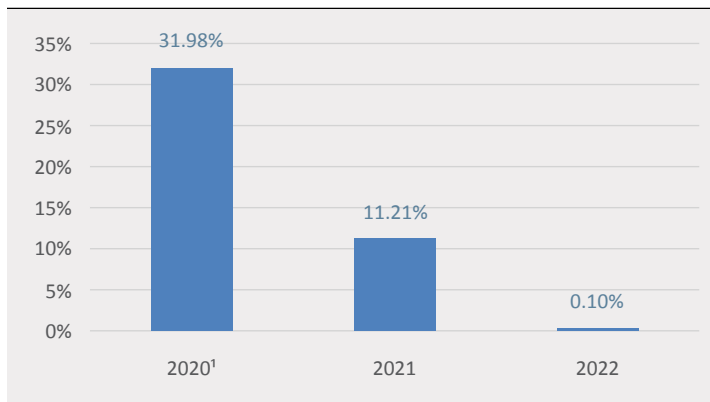
Series A



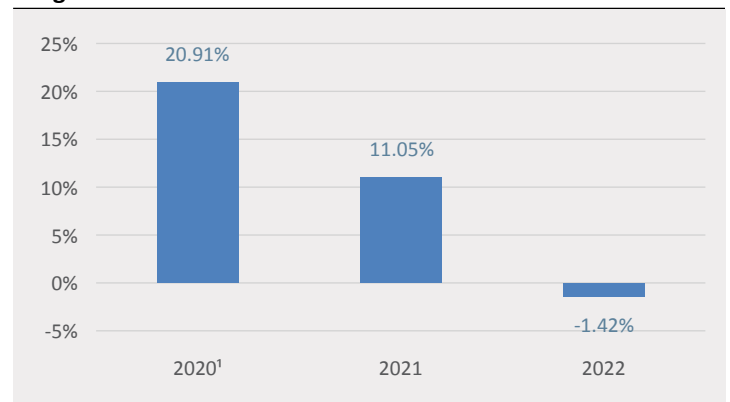
Series C



Series F



Long Portfolio



Past Performance

The Fund became a reporting issuer on May 11, 2020. Accordingly, returns are shown for the relevant period/years as indicated below.

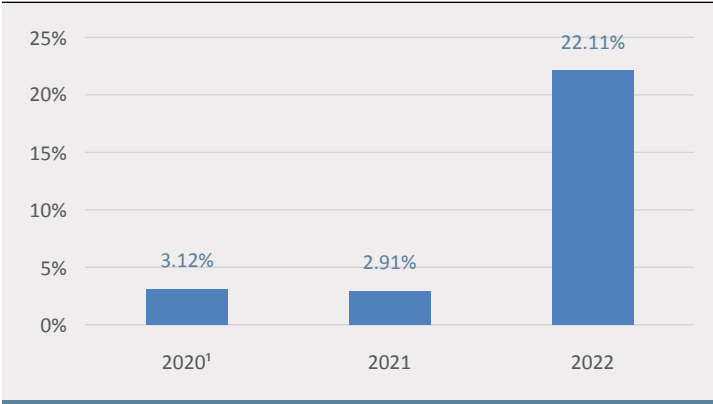
The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

¹ For the period May 11 to December 31

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Short Portfolio



¹ For the period May 11 to December 31

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the FTSE Canada All Corporate Bond Index (the "Index"). The Index is divided into sub-indices based on credit rating: a combined AAA/AA sector, a single A sector, and a BBB sector. The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2022		1 Year		Since Inception ²	
Annual Compound Return					
Series A ¹	%	(0.45)	%	13.09	%
Series C ¹		0.32		18.67	C since inception return is from May 11 2020 (source performance explorer)
Series F ¹		0.10		15.70	F since inception return is from May 11 2020 (source performance explorer)
Long Portfolio		(1.42)		9.96	
Short Portfolio		22.11		10.65	
FTSE Canada All Corporate Bond Index ³	%	(9.87)	%	(2.28)	%
					Index since inception return is from May 11 2020

Notes

¹ Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.

² Period starting from May 11, 2020. Since inception returns are annualized.

³ Copyright © 2022 FTSE Global Debt Capital Markets Inc. All rights reserved. FTSE Global Debt Capital Markets Inc ("FTDCM"), FTSE International Limited ("FTSE") or the London Stock Exchange Group companies (the "Exchange" and, together with FTDCM and FTSE, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Canada Indices ("the Indices") and/or the figure at which the said Indices stand at any particular time on any particular day or otherwise. The Indices are compiled and calculated by FTDCM and all copyright in the Indices values and constituent lists vests in FTDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Indices and the Licensor Parties shall not be under any obligation to advise any person of any error therein. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTDCM under licence. "FTSE®" is a trade mark of the FTSE International Limited and is used by FTDCM under license.

Lysander-Canso Credit Opportunities Fund

Annual Management Report of Fund Performance as at December 31, 2022

Summary of Investment Portfolio

			% of NAV				% of NAV
Top 25 Issuers				Asset Mix			
Long positions:				Canadian Equities			0.7
Cash and Cash Equivalents	%	7.5		Canadian Fixed Income			57.5
Manulife Financial Corp (Debt)		4.5		Cash and Cash Equivalents			7.5
Merrill Lynch (Debt)		4.2		Fixed Income - Short			(18.6)
Bank Of Nova Scotia (Debt)		4.0		Foreign Fixed Income			35.8
Spirit Aerosystems Inc (Debt)		4.0		Preferred Shares			3.7
Air Canada (Debt)		3.9		Private Placements			4.2
American Airlines Inc. (Debt)		3.8		Other Assets less Liabilities			6.4
Pembina Pipeline Corp (Debt)		3.7		Options			2.8
US Government (Debt)		3.5		Total	%	100.0	
Bombardier Inc. (Debt)		3.2		Sector			
Pacific Life Gf li (Debt)		3.1		Cash and Cash Equivalents			7.5
Home Trust Co (Debt)		3.1		Communication Services			5.7
Avis Budget Car/Finance (Debt)		3.0		Consumer Discretionary			13.3
Ishares (Equity)		2.8		Consumer Staples			5.1
Canadian Imperial Bank of Commerce (Debt)		2.5		Energy			8.6
Credit Suisse Group Ag (Debt)		2.3		Financials			40.1
JP Morgan Chase & Co. (Debt)		2.0		Government			1.8
Latam Airlines Group Sa (Debt)		2.0		Industrials			11.5
Wth Car Rental Ulc (Debt)		1.9		Other Assets less Liabilities			6.4
Scotia Capital (Debt)		1.7		Total	%	100.0	
Natwest Group Plc (Debt)		1.5					
First National (Debt)		1.4					
Snc-Lavalin Group Inc (Debt)		1.4					
At&T Inc (Debt)		1.4					
Short positions:							
Government of Canada		(1.7)					
Total	%	70.7					
Total Portfolio Long Positions	%	118.6					
Total Portfolio Short Positions		(18.6)					



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

® Lysander Funds is a registered trademark of Lysander Funds Limited