

Financial Statements

December 31, 2022

Lysander-Canso Short Term and Floating Rate Fund



Independent Auditor's Report

To the Unitholders of Lysander-Canso Short Term and Floating Rate Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows a handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
March 28, 2023

Lysander-Canso Short Term and Floating Rate Fund

Financial Statements December 31, 2022

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Lysander-Canso Short Term and Floating Rate Fund

Statements of Financial Position

As at	31-Dec-22	31-Dec-21
Assets		
Financial assets at fair value through profit or loss*	\$ 362,422,450	\$ 533,217,030
Cash and cash equivalents	1,844,466	34,336,829
Accrued interest	2,936,176	1,982,823
Subscriptions receivable	1,830,160	3,832,641
Receivable from forward exchange contracts	171,501	–
Reimbursements receivable	30,033	–
Due from investment dealers	–	4,947
Dividends receivable	844	844
Total assets	\$ 369,235,630	\$ 573,375,114
Liabilities		
Payable on forward exchange contracts	\$ –	\$ 30,024
Redemptions payable	311,105	1,737,219
Accrued expenses	288,015	377,523
Total liabilities	\$ 599,120	\$ 2,144,766
Net assets attributable to holders of redeemable units	\$ 368,636,510	\$ 571,230,348
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 52,637,646	\$ 93,559,608
Series F	311,330,882	471,407,486
Series O	4,667,982	6,263,254
Total net assets	\$ 368,636,510	\$ 571,230,348
Number of redeemable units outstanding		
Series A	5,320,014	8,933,832
Series F	31,085,446	44,453,555
Series O	493,305	630,261
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 9.89	\$ 10.47
Series F	10.02	10.6
Series O	9.46	9.94
* Financial assets at fair value through profit or loss at cost	\$ 380,039,652	\$ 533,695,044

Statements of Comprehensive Income (Loss)

For the years ended	31-Dec-22	31-Dec-21
Income		
Interest for distribution purposes	\$ 13,763,965	\$ 7,309,963
Dividend income	23,890	10,125
Other income	124,418	61,753
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	(7,530,006)	1,472,887
Net realized loss on foreign currency	(5,958,987)	(219,705)
Change in unrealized depreciation (appreciation) on foreign currency	1,066	(1,112)
Change in appreciation (depreciation) unrealized on forward contracts	201,525	(343,778)
Change in (depreciation) appreciation unrealized on investments	(17,139,188)	(2,903,685)
Total operating income (loss)	\$ (16,513,317)	\$ 5,386,448
Expenses		
Management fees	\$ 3,346,357	\$ 2,665,081
Fund administration fees	224,309	189,471
Filing fees	85,741	46,220
Audit fees	50,069	15,200
Unitholder reporting expense	27,495	6,285
Custodial fees	12,000	12,504
Regulatory fees expense	6,286	4,332
Legal fees	5,652	1,674
Bank charges	3,322	54
Independent review committee fees	3,201	1,837
Blended HST expense	(48,717)	(10,344)
Total operating expenses	\$ 3,715,715	\$ 2,932,314
Change in net assets attributable to holders of redeemable units from operations	\$ (20,229,032)	\$ 2,454,134
Change in net assets attributable to holders of redeemable units from operations per Series		
Series A	\$ (3,380,792)	\$ 172,355
Series F	(16,622,747)	2,268,525
Series O	(225,493)	13,254
Change in total net assets	\$ (20,229,032)	\$ 2,454,134
Change in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ (0.47)	\$ 0.03
Series F	(0.43)	0.08
Series O	(0.27)	0.05

Lysander-Canso Short Term and Floating Rate Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Series

For the years ended	31-Dec-22	31-Dec-21
Net assets attributable to holders of redeemable units, beginning of year	\$ 571,230,348	\$ 161,714,606
Change in net assets attributable to holders of redeemable units from operations	(20,229,032)	2,454,134
Distributions to unitholders of redeemable units		
From net investment income	\$ (9,794,855)	\$ (4,356,922)
From management fee rebate income	(92,519)	(59,398)
From net capital gains	-	(1,238,779)
Total distributions	\$ (9,887,374)	\$ (5,655,099)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 11,614,901	\$ 90,245,317
Series F	270,099,335	508,603,292
Series O	3,670,000	6,250,000
Total proceeds	\$ 285,384,236	\$ 605,098,609
Cost of units redeemed		
Series A	\$ (48,849,945)	\$ (35,679,290)
Series F	(410,409,360)	(160,358,535)
Series O	(5,039,779)	-
Total cost	\$ (464,299,084)	\$ (196,037,825)
Reinvested distributions		
Series A	\$ 825,179	\$ 420,526
Series F	5,420,770	3,146,686
Series O	191,467	88,711
Total reinvested	\$ 6,437,416	\$ 3,655,923
Change in net assets attributable to holders of redeemable units for the year	\$ (202,593,838)	\$ 409,515,742
Net assets attributable to holders of redeemable units, end of year	\$ 368,636,510	\$ 571,230,348

Series A

For the years ended	31-Dec-22	31-Dec-21
Net assets attributable to holders of redeemable units, beginning of year	\$ 93,559,608	\$ 38,980,488
Change in net assets attributable to holders of redeemable units from operations	(3,380,792)	172,355
Distributions to unitholders of redeemable units		
From net investment income	\$ (1,116,384)	\$ (365,308)
From management fee rebate income	(14,921)	(9,640)
From net capital gains	-	(204,840)
Total distributions	\$ (1,131,305)	\$ (579,788)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 11,614,901	\$ 90,245,317
Cost of units redeemed	(48,849,945)	(35,679,290)
Reinvested distributions	825,179	420,526
Total redeemable	\$ (36,409,865)	\$ 54,986,553
Change in net assets attributable to holders of redeemable units for the year	\$ (40,921,962)	\$ 54,579,120
Net assets attributable to holders of redeemable units, end of year	\$ 52,637,646	\$ 93,559,608

Series F

For the years ended	31-Dec-22	31-Dec-21
Net assets attributable to holders of redeemable units, beginning of year	\$ 471,407,486	\$ 122,734,118
Change in net assets attributable to holders of redeemable units from operations	(16,622,747)	2,268,525
Distributions to unitholders of redeemable units		
From net investment income	\$ (8,487,004)	\$ (3,916,614)
From management fee rebate income	(77,598)	(49,758)
From net capital gains	-	(1,020,228)
Total distributions	\$ (8,564,602)	\$ (4,986,600)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series F	\$ 270,099,335	\$ 508,603,292
Cost of units redeemed	(410,409,360)	(160,358,535)
Reinvested distributions	5,420,770	3,146,686
Total redeemable	\$ (134,889,255)	\$ 351,391,443
Change in net assets attributable to holders of redeemable units for the year	\$ (160,076,604)	\$ 348,673,368
Net assets attributable to holders of redeemable units, end of year	\$ 311,330,882	\$ 471,407,486

Lysander-Canso Short Term and Floating Rate Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

Series O

For the years ended	31-Dec-22	31-Dec-21
Net assets attributable to holders of redeemable units, beginning of year	\$ 6,263,254	\$ -
Change in net assets attributable to holders of redeemable units from operations	(225,493)	13,254
Distributions to unitholders of redeemable units		
From net investment income	\$ (191,467)	\$ (75,000)
From net capital gains	-	(13,711)
Total distributions	\$ (191,467)	\$ (88,711)
Redeemable unit transactions		
Proceeds from redeemable units issued	\$ 3,670,000	\$ 6,250,000
Cost of units redeemed	(5,039,779)	-
Reinvested distributions	191,467	88,711
Total redeemable	\$ (1,178,312)	\$ 6,338,711
Change in net assets attributable to holders of redeemable units for the year	\$ (1,595,272)	\$ 6,263,254
Net assets attributable to holders of redeemable units, end of year	\$ 4,667,982	\$ 6,263,254

Lysander-Canso Short Term and Floating Rate Fund

Statements of Cash Flows

For the years ended	31-Dec-22	31-Dec-21
Cash flows (used in) from operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ (20,229,032)	\$ 2,454,134
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	1,821	709
Net realized (gain) loss on investments sold	7,530,006	(1,472,887)
Change in unrealized depreciation (appreciation) on investments	17,139,188	2,903,685
Change in unrealized depreciation (appreciation) on foreign currency	(1,066)	1,112
Purchase of investments	(367,761,765)	(475,926,982)
Proceeds from sale and maturity of investments	513,887,151	96,889,600
Payable on forward exchange contracts	(30,024)	30,024
Redemptions payable	-	1,616,623
Receivable from forward exchange contracts	(171,501)	313,754
Accrued expenses	(89,508)	245,683
Accrued interest	(953,353)	(1,186,465)
Subscriptions receivable	-	(1,824,604)
Due from investment dealers	4,947	(4,947)
Reimbursements receivable	(30,033)	-
Net cash from (used in) operating activities	\$ 149,296,831	\$ (375,960,561)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (3,449,958)	\$ (1,999,176)
Proceeds from issuances of redeemable units	287,386,717	605,098,609
Amounts paid on redemption of redeemable units	(465,725,198)	(196,037,825)
Net cash from (used in) financing activities	\$ (181,788,439)	\$ 407,061,608
Foreign exchange (loss) gain on cash and cash equivalents	\$ (755)	\$ (1,821)
Change in cash and cash equivalents during the year	(32,491,608)	31,101,047
Cash and cash equivalents, beginning of year	34,336,829	3,237,603
Cash and cash equivalents, end of year	\$ 1,844,466	\$ 34,336,829
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 12,810,612	\$ 6,123,498
Dividends received	23,890	10,125
Interest paid	3,322	54

Schedule of Investment Portfolio as at December 31, 2022

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)	
Canadian Equities (0.1%)			
25,961	Bird Construction Inc.	\$ 518,511	\$ 210,803
6,555	Postmedia Network Canada	13,766	9,243
2,942	X-Spectrum 2	4,207	-
2,217	X-Spectrum 1 Inc.	10,862	10,862
Total		\$ 547,346	\$ 230,908
Canadian Fixed Income (54.0%)			
1,704,000	Air Canada 4% Jul 1, 2025 144A (USD)	\$ 2,721,588	\$ 2,760,845
11,400,000	Air Canada 4.625% Aug 15, 2029	11,400,000	10,050,882
11,215,000	Bell Canada 3.35% Mar 12, 2025	10,818,322	10,836,219
6,000,000	BNS (AT1) 4.65% Perpetual (USD)	7,419,471	7,590,519
10,117,000	BNS FRN Aug 4, 2026 (CORRA+54)	10,109,918	9,785,570
19,000	Bombardier Inc. 7.50% March 15, 2025 144A (USD)	18,690	25,525
4,057,000	Bombardier Inc. 7.875% Apr 15, 2027 144A (USD)	4,756,243	5,338,501
30,390,000	Canada 1% Jun 1, 2027	27,349,481	27,505,798
32,393,000	Canada 2% Jun 1, 2028	30,566,084	30,358,674
1,932,000	Corus Entertainment Inc. 5% May 11, 2028 REGS	1,948,905	1,485,225
4,120,000	Enbridge Inc. 5.70% Nov 9, 2027	4,118,393	4,228,125
7,683,000	Ford Credit Canada Co. FRN Mar 21, 2024 (Q CDOR+314)	7,869,667	7,833,864
12,354,000	Great West Life Co Inc. (AT1) 3.6% Dec 31, 2026/2081	12,353,100	9,267,919
3,630,000	Loblaw Cos Ltd 3.918% June 10, 2024	3,610,906	3,573,990
11,338,000	Manulife Financial Corp (AT1) 3.375% Jun 19, 2026/2081	11,290,076	8,529,888
4,732,000	Manulife Financial Corp (AT1) 4.1% Mar 19, 2027/2082	4,732,000	3,582,463
9,612,000	Nav Canada 0.555% Feb 9, 2024	9,470,796	9,189,658
5,000,000	Pembina Pipeline Corp 2.56% Jun 1, 2023	5,169,200	4,944,609

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Lysander-Canso Short Term and Floating Rate Fund

Schedule of Investment Portfolio as at December 31, 2022

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income (54.0%)							
<i>Cont'd</i>							
345,615	Postmedia Network Inc. 8.25% Feb 17, 2027	345,648	338,703	1,249,000	Credit Suisse Group AG 2.193% Jun 5, 2025/26 144A (USD)	1,438,960	1,445,472
5,000,000	RBC (AT1) 3.65% Nov 24, 2026/2081	4,973,973	3,780,393	430,000	Credit Suisse Group AG 6.442% Aug 11, 2028 (USD)	541,543	530,974
7,716,000	RBC CB 4.109% Dec 22, 2025	7,716,000	7,635,531	846,000	Gannett Holdings LLC 6.0% Nov 1, 2026 144A (USD)	1,061,309	934,844
4,117,000	SNC Lavalin 3.235% Mar 2, 2023	4,195,223	4,101,005	650,000	GE Capital Corp FRN May 5, 2026 (Q LIBOR+38)(USD)	806,437	845,309
5,515,000	Sunlife Financial Inc. (AT1) 3.6% Jun 30, 2026/2081	5,473,705	4,159,641	19,929,000	Goldman Sachs FRN Apr 29, 2025 (CDOR+37)	19,956,996	19,521,890
4,750,000	Telus Corp 2.75% Jul 8, 2026	4,478,917	4,417,353	1,376,000	Heathrow Funding Limited 3.25% May 21, 2025	1,373,399	1,311,430
13,640,000	TransCanada Pipelines FRN Jun 9, 2024 (Q CDOR+29)	13,633,197	13,538,932	2,623,000	Heathrow Funding Limited 3.4% Mar 8, 2028	2,627,669	2,406,871
3,933,000	TransCanada Pipelines FRN May 15, 2027 (Q LIBOR+221) (USD)	4,635,243	4,192,986	1,911,000	Hertz 5% Dec 1, 2029 144A (USD)	2,401,465	1,965,845
Total		\$ 211,174,746	\$ 199,052,818	1,776,000	Latam Airlines Group SA 13.375% Oct 15, 2027 144A (USD)	2,304,140	2,443,454
Foreign Fixed Income (34.6%)							
3,133,000	AMC Entertainment Holdings 7.5% Feb 15, 2029 144A (USD)	\$ 3,976,394	\$ 2,284,775	629,000	Maxar Technologies Inc. 7.54% Dec 31, 2027 (USD)	833,773	884,936
1,933,000	American Airlines Inc. 11.75% Jul 15, 2025 144A (USD)	2,760,343	2,812,570	13,204,000	Morgan Stanley FRN Mar 21, 2025 (Q CDOR +33)	13,208,924	12,921,786
1,500,000	American Airlines Inc. 5.5% Apr 20, 2026 144A (USD)	1,963,450	1,956,278	5,601,000	Natwest Group PLC FRN Jun 25, 2024 (Q LIBOR+155)(USD)	7,183,564	7,585,162
1,000,000	Avis Budget Car/Finance 4.75% Apr 1, 2028 144A (USD)	1,259,560	1,142,332	4,588,000	Occidental Petroleum Corp. 5.875% Sep 1, 2025 (USD)	5,922,894	6,198,546
4,663,000	Avis Budget Car/Finance 5.75% Jul 15, 2027 144A (USD)	6,136,866	5,735,360	27,698,000	Pacific Life Global Funding II FRN Feb 1, 2027 (Q CDOR+38)	27,698,000	27,101,853
13,087,000	Bank of America Corp FRN Sep 15, 2027 (Q CDOR+60)	13,087,000	12,461,587	609,000	Spirit Aerosystems Inc. 3.85% Jun 15, 2026 (USD)	799,410	747,382
1,102,000	Boeing Co 2.196% Feb 4, 2026 (USD)	1,386,304	1,357,053	392,000	Spirit Aerosystems Inc. 4.6% Jun 15, 2028 (USD)	415,253	429,323
17,000	Continental Resources 4.5% Apr 15, 2023 (USD)	16,381	23,011	5,714,000	Spirit Aerosystems Inc. 7.5% Apr 15, 2025 144A (USD)	7,674,820	7,660,259
1,150,000	Credit Suisse Group AG 1.305% Feb 2, 2026/27 (USD)	1,251,706	1,247,274	2,860,465	US TIPS 0.625% Jan 15, 2026 (USD)	3,745,088	3,718,053
Total		\$ 131,831,648	\$ 127,673,629				

Lysander-Canso Short Term and Floating Rate Fund

Schedule of Investment Portfolio as at December 31, 2022

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Mortgage Backed Securities (2.5%)			
5,027,456	First National NHA MBS (97511981) 2.39% Jul 1, 2023	\$ 4,976,277	\$ 4,969,478
3,904,860	First National NHA MBS (97517998) 0.65% Oct 1, 2025	3,894,200	3,604,293
708,767	Peoples Trust NHA MBS (99000134) 2.16% Sep 1, 2024	735,970	686,390
Total		\$ 9,606,447	\$ 9,260,161
Private Placements (7.0%)			
817,939	Bankers Hall LP (amort) 4.377% Nov 20, 2023	\$ 850,837	\$ 802,857
1,806,000	Honda Canada Finance Inc. FRN Feb 26, 2024 (Q CDOR+9)	1,805,459	1,792,729
12,320,000	Honda Canada Finance Inc. FRN Sep 27, 2024 (Q CDOR+20)	12,324,085	12,200,809
1,580,000	Toyota Credit Canada Inc. 2.11% Feb 26, 2025	1,497,334	1,488,166
4,737,000	Toyota Credit Canada Inc. 2.31% Oct 23, 2024	4,755,883	4,512,309
3,613,000	WTH Car Rental ULC (AVIS) 2.781% Jul 22, 2024	3,643,151	3,479,830
1,660,000	WTH Car Rental ULC (AVIS) 3.279% Jul 20, 2023	1,716,266	1,647,288
Total		\$ 26,593,015	\$ 25,923,988
Zero Coupon Bonds (0.1%)			
98,400	Shaw Communications Inc. CPN May 9, 2023	\$ 97,282	\$ 96,552
98,000	Shaw Communications Inc. CPN May 9, 2024	93,947	91,074
97,800	Shaw Communications Inc. CPN Nov 9, 2023	95,221	93,320
Total		\$ 286,450	\$ 280,946
Total investment portfolio (98.3%)		\$ 380,039,652	\$ 362,422,450
	Cash and Cash Equivalents (0.5%)	\$	\$ 1,844,466
	Other Assets less Liabilities (1.2%)		4,369,594
Net assets		\$	\$ 368,636,510

Lysander-Canso Short Term and Floating Rate Fund

Foreign Exchange Contracts

Counterparty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Canadian Imperial Bank of Commerce ¹	2023-03-08	CAD \$	75,484,563	USD \$	55,656,000	0.737	0.739	\$ 171,501

Notes

¹ Credit rating of counterparty is A+.

Lysander-Canso Short Term and Floating Rate Fund

Notes to the financial statements for December 31, 2022 and 2021

1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Canso Short Term and Floating Rate Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by an amendment dated September 16, 2013 to a master declaration of trust dated December 8, 2011, as the same was amended and/or consolidated from time to time. On September 18, 2013, the Fund commenced operations and became a reporting issuer, with its units qualified for distribution under a simplified prospectus.

The Fund's investment objective is to provide total returns consisting principally of interest income by investing primarily in short term fixed income and floating rate debt securities of Canadian and foreign issuers.

The portfolio manager of the Fund is Canso Investment Counsel, ("Portfolio Manager"), a company under common control as the Manager.

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") effective as at December 31, 2022.

The financial statements were authorized for issue by Lysander's board of directors on March 17, 2023.

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.

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

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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 December 31, 2022 and 2021, 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 years ended December 31, 2022 and 2021, 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 (loss).

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 year 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 gains 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 trading on the year-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

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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 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.

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The interest income for distribution purposes shown on the statement of comprehensive income (loss) 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series 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 (loss). 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, 2022, the Fund had \$6,716,012 net capital losses (December 31, 2021 - Nil) and no non-capital losses (December 31, 2021 - Nil).

Distributions

The Fund makes distributions of net income quarterly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

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:

Lysander-Canso Short Term and Floating Rate Fund

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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 December 31, 2022, the Fund has determined there are no new IFRS standards that are issued, but not yet effective, that could materially impact the Fund's financial statements.

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 (loss) on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 0.50% per annum on the Series A, exclusive of any applicable taxes.

5. 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.

During the years ended December 31, 2022 and 2021, the number of units issued, redeemed and outstanding were as follows:

Series A

For the years ended	31-Dec-22	31-Dec-21
Units outstanding at beginning of year	8,933,832	3,712,384
Redeemable units issued	1,133,682	8,574,470
Redeemable units redeemed	(4,830,287)	(3,393,131)
Redeemable units issued on reinvestments	82,787	40,109
Units outstanding at end of year	5,320,014	8,933,832

Series F

For the years ended	31-Dec-22	31-Dec-21
Units outstanding at beginning of year	44,453,555	11,527,569
Redeemable units issued	26,206,907	47,680,764
Redeemable units redeemed	(40,111,348)	(15,050,848)
Redeemable units issued on reinvestments	536,332	296,070
Units outstanding at end of year	31,085,446	44,453,555

Series O

For the years ended	31-Dec-22	31-Dec-21
Units outstanding at beginning of year	630,261	-
Redeemable units issued	377,386	621,356
Redeemable units redeemed	(534,560)	-
Redeemable units issued on reinvestments	20,218	8,905
Units outstanding at end of year	493,305	630,261

6. 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 the investment management services and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

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The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At December 31, 2022, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 0.0% (December 31, 2021 - 0.1%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 1.05% on Series A units and up to 0.55% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series. Series O has no management fees because investors pay a negotiated management fee directly to the Manager.

During the year ended December 31, 2022, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$1,300,217 (December 31, 2021- \$1,007,406) for managing the portfolio of the Fund. As at December 31, 2022, the amount payable to the Portfolio Manager was \$83,662 (December 31, 2021 - \$128,900).

7. 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 December 31, 2022 and 2021:

As at December 31, 2022	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	220,046	\$	-	\$	10,862	\$ 230,908
Fixed income		-		362,191,542		-	362,191,542
Total	\$	220,046	\$	362,191,542	\$	10,862	\$ 362,422,450
<hr/>							
As at December 31, 2021	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	254,937	\$	-	\$	14,216	\$ 269,153
Fixed income		-		532,947,877		-	532,947,877
Total	\$	254,937	\$	532,947,877	\$	14,216	\$ 533,217,030

As at	31-Dec-22		31-Dec-21	
Level 3 reconciliation				
Balance, beginning of year		\$ 14,216	\$	18,623
Purchases		-		-
Sales		-		(4,799)
Transfers In		-		-
Transfers Out		-		-
Realized gains and losses		-		1,245
Change in unrealized appreciation (depreciation)		(3,354)		(853)
Balance, end of year	\$	10,862	\$	14,216

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 years ended December 31, 2022 and 2021, there were no transfers between levels.

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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.

X-Spectrum 2

Price: \$0.00

Valuation Technique: The relative value technique.

Unobservable Inputs: Company is being wound up and with all assets being liquidated. The liquidation value is likely to be zero as we believe that the liquidation value of assets will likely be less than the amount of liabilities. The primary unobservable input is the liquidation value of assets.

Change in input values: The portfolio manager believes it is highly unlikely that the salvage value of assets will exceed the company's liabilities and therefore believe the possibility of any recovery on this security is remote.

X-Spectrum 1 Inc.

Price: \$4.90

Valuation Technique: The relative value technique.

Unobservable Inputs: The investment is recorded at the original valuation (which represents cost) confirmed by Xplornet for the securities. The Fund uses the most recent unaudited financial statements provided by the underlying investee company to ascertain if the valuation is still appropriate.

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, or an increase or decrease in net assets of \$4,345.

8. 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 investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

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 December 31, 2022 and 2021, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		31-Dec-22		31-Dec-21
Credit exposure				
AAA	%	22.7	%	18.4
AA		7.4		4.6
A		28.5		30.3
BBB		21.6		25.4
BB		8.8		7.6
B		7.4		5.1
CCC		1.3		1.5
Not Rated		0.7		0.4

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

Lysander-Canso Short Term and Floating Rate Fund

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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 December 31, 2022 and 2021:

As at 31-Dec-2022	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Redemptions Payable	\$ 311,105	\$ -	\$ -
Accrued expenses	-	288,015	-
As at 31-Dec-2021	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Redemptions Payable	\$ 1,737,219	\$ -	\$ -
Accrued expenses	-	377,523	-
Payable on forward exchange contracts	-	30,024	-

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.

	Less than 1 year	1-5 years	More than 5 years
December 31, 2022	\$ 16,678,120	\$ 283,075,016	\$ 62,438,406
December 31, 2021	62,866,945	415,686,679	69,389,903

If interest rates had increased or decreased by 1% at December 31, 2022 with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$7,371,595 (December 31, 2021 - \$7,483,118).

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 (before hedging, if any) to currency risk as at:

	31-Dec-22	31-Dec-21
Currency exposure		
US Dollars	% 19.5	% 21.8

As at December 31, 2022, if the CAD had strengthened or weakened by 1% in relation to the above currency, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.2% (December 31, 2021 - 0.2%).

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.

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Notes to the financial statements for December 31, 2022 and 2021

As at December 31, 2022, approximately 0.1% (December 31, 2021 - 0.1%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at December 31, 2022 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$11,545 (December 31, 2021 - \$13,458).

9. Libor Transition

Certain of the fund's investments, including its investments in derivatives (if any), as well as any debt issued by the fund and other contractual arrangements of the fund may be based on reference interest rates such as the London Interbank Offered Rate ("LIBOR"). In 2017, the regulatory authority that oversees financial services firms in the United Kingdom announced plans to transition away from LIBOR by the end of 2021. In March 2021, the administrator of LIBOR announced the extension of the publication of the more commonly used U.S. dollar LIBOR settings to the end of June 2023.

Although the full impacts of the transition away from LIBOR are not fully known, the transition may result in, among other things, an increase in volatility or illiquidity of the markets for instruments that currently rely on LIBOR to determine interest rates and this could have an adverse impact on the fund's performance. Management is actively preparing for the cessation of LIBOR and the transition to one or more alternative references rates, including the Secured Overnight Financing Rate (SOFR) and the Sterling Overnight Index Average (SONIA). In order to facilitate a successful LIBOR transition, management has established a cross-functional LIBOR transition working group which has addressed any necessary changes to processes and systems as well as any tax and accounting implications. The working group has completed a comprehensive review of the fund's LIBOR related exposures, including any contractual interest rate fallback language, and has established investment rules to limit the addition to the fund's portfolio of any securities tied to LIBOR that mature after the applicable cessation date.

With respect to the fund's accounting for investments, including its investments in derivatives (if any), as well as any debt issued by the fund and other contractual arrangements of the fund that undergo reference rate-related modifications as a result of the transition, management will rely upon the relief provided by the amendments to IFRS 9, IAS 39: Financial Instruments – Recognition and Measurement and IFRS 7: Financial Instruments – Disclosures under the IASB's Interest Rate Benchmark Reform – Phase 2. The guidance in those amendments permits the fund to disregard the IFRS accounting requirements around certain contract modifications resulting from the LIBOR transition such that for contracts considered in scope, the fund can account for those modified contracts as a continuation of the existing contracts.

The cessation of the one-week and two-month U.S. dollar LIBOR tenors along with certain other non-U.S. dollar denominated LIBOR settings at December 31, 2021 did not have a material impact on the fund. Although still evaluating the impact of the June 30, 2023 planned discontinuation for the remaining LIBOR settings, management believes that the impact will not be material to the fund. As at December 31, 2022, the fund held \$12,623,457 in variable rate bonds linked to U.S. dollar LIBOR settings.



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