

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

Lysander-Canso U.S. Credit Fund



Lysander-Canso U.S. Credit Fund

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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 U.S. Credit 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 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 issuers. The Fund will not be leveraged. More details are contained in the Fund’s simplified prospectus.

During the year 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 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 -6.36% for Series A, -5.83% for Series F and -5.03% for Series O.

The net assets of the Fund were approximately \$164.7 million at December 31, 2022 from \$209.3 million at the beginning of the year. There were net redemptions of over \$29.5 million during the year.

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 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 a year ago. Policies put in place to support economies during the pandemic have turned out to be major contributors to 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.

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

The Fund continues to barbell credit risk with 27.7% in securities rated AA and above and 38.7% in securities rated BB and below. The Fund took advantage of market conditions during the final months of the year to add two new issuers. LATAM Airlines which was purchased on new issue as it emerged from bankruptcy and Credit Suisse and its spreads widened significantly during the second half of the year. These purchases were funded by selling some of the Fund's high quality, liquid names.

The Fund will continue to take on duration when it's being compensated for the incremental interest rate and credit risk. The Fund's duration was 2.3 years at year end, which is slightly up from mid-year but remains 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 USD \$1,645,347 (including HST) in management fees to the Manager for the year ended December 31, 2022 (December 31, 2021- USD \$1,380,664).

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. Portfolio management fees for the Portfolio Manager's services are paid from the management fee.

The Manager paid USD \$773,350 (including HST) to the Portfolio Manager for the year ended December 31, 2022 (December 31, 2021 - CAD \$855,203).

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

Year ended	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)
Net assets per unit¹					
Net assets, beginning of year	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40	\$ 9.78
Operations:					
Total revenue	0.46	0.46	0.49	0.37	0.32
Total expenses	(0.17)	(0.18)	(0.16)	(0.15)	(0.15)
Realized gains (losses)	0.25	0.60	0.10	(0.04)	0.06
Unrealized gains (losses)	(1.36)	(0.13)	1.66	0.54	(0.42)
Total increase (decrease) from operations²	\$ (0.82)	\$ 0.75	\$ 2.09	\$ 0.72	\$ (0.19)
Distributions:					
From income (excluding dividends)	\$ (0.31)	\$ (0.26)	\$ (0.31)	\$ (0.27)	\$ (0.22)
From dividends	(0.02)	(0.04)	(0.01)	-	-
From capital gains	(0.30)	(0.53)	-	-	-
Total distributions^{2 3}	\$ (0.63)	\$ (0.83)	\$ (0.32)	\$ (0.27)	\$ (0.22)
Net assets, end of year^{2 3}	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40

Ratios and supplemental data					
Net asset value ⁴	\$ 16,591,584	\$ 22,011,234	\$ 8,483,661	\$ 3,683,051	\$ 2,526,963
Units outstanding	1,587,787	1,860,127	735,635	372,651	268,691
Management expense ratio ⁵	% 1.50	% 1.50	% 1.53	% 1.56	% 1.51
Management expense ratio before waivers or absorption	1.50	1.50	1.53	1.56	1.51
Portfolio turnover rate ⁶	65.86	28.50	85.23	44.97	63.67
Trading expense ratio ⁷	-	0.01	0.02	-	-
Net asset value per unit, end of year	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40

Notes

- 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.

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Series F

Year ended	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)
Net assets per unit¹					
Net assets, beginning of year	\$ 11.84	\$ 11.5	\$ 9.85	\$ 9.33	\$ 9.66
Operations:					
Total revenue	0.46	0.46	0.48	0.37	0.32
Total expenses	(0.10)	(0.11)	(0.10)	(0.10)	(0.09)
Realized gains (losses)	0.33	0.61	0.10	(0.03)	0.06
Unrealized gains (losses)	(1.42)	(0.15)	1.6	0.54	(0.41)
Total increase (decrease) from operations²	\$ (0.73)	\$ 0.81	\$ 2.08	\$ 0.78	\$ (0.12)
Distributions:					
From income (excluding dividends)	\$ (0.35)	\$ (0.3)	\$ (0.35)	\$ (0.27)	\$ (0.22)
From dividends	(0.02)	(0.04)	(0.01)	-	-
From capital gains	(0.34)	(0.49)	-	-	-
Total distributions^{2 3}	\$ (0.71)	\$ (0.83)	\$ (0.36)	\$ (0.27)	\$ (0.22)
Net assets, end of year^{2 3}	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85	\$ 9.33
Ratios and supplemental data					
Net asset value ⁴	\$ 144,842,082	\$ 182,445,386	\$ 61,070,481	\$ 32,612,431	\$ 25,642,093
Units outstanding	13,882,612	15,412,945	5,309,423	3,311,921	2,749,678
Management expense ratio ⁵	% 0.93	% 0.93	% 0.97	% 1.00	% 0.97
Management expense ratio before waivers or absorption	0.93	0.93	0.97	1.00	0.97
Portfolio turnover rate ⁶	65.86	28.5	85.23	44.97	63.67
Trading expense ratio ⁷	-	0.01	0.02	-	-
Net asset value per unit, end of year	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85	\$ 9.33

Notes

- 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.
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Series O*

Year ended	31-Dec-2022 (USD)		31-Dec-2021 (USD)	
Net assets per unit¹				
Net assets, beginning of year	\$	9.64	\$	10.00
Operations:				
Total revenue		0.39		0.23
Total expenses		(0.01)		(0.01)
Realized gains (losses)		0.03		0.28
Unrealized gains (losses)		(1.00)		(0.23)
Total increase (decrease) from operations²	\$	(0.59)	\$	0.27
Distributions:				
From income (excluding dividends)	\$	(0.32)	\$	(0.33)
From dividends		(0.02)		(0.03)
From capital gains		(0.31)		(0.47)
Total distributions^{2 3}	\$	(0.65)	\$	(0.83)
Net assets, end of year^{2 3}	\$	8.50	\$	9.64
Ratios and supplemental data				
Net asset value ⁴	\$	3,355,625	\$	4,901,575
Units outstanding		394,688		508,562
Management expense ratio ⁵	%	0.09	%	0.09
Management expense ratio before waivers or absorption		0.09		0.09
Portfolio turnover rate ⁶		65.86		28.5
Trading expense ratio ⁷		-		0.01
Net asset value per unit, end of year	\$	8.50	\$	9.64

Notes

* Series O commenced operations on May 18, 2021.

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.

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Management Fees

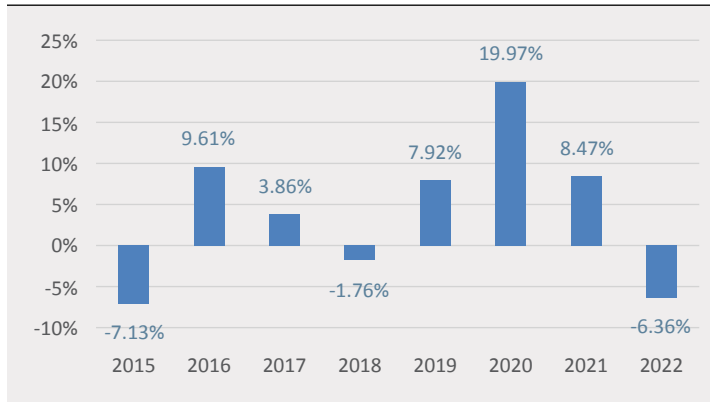
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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 at a rate of 1.25% per annum for Series A units and at a rate of 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.

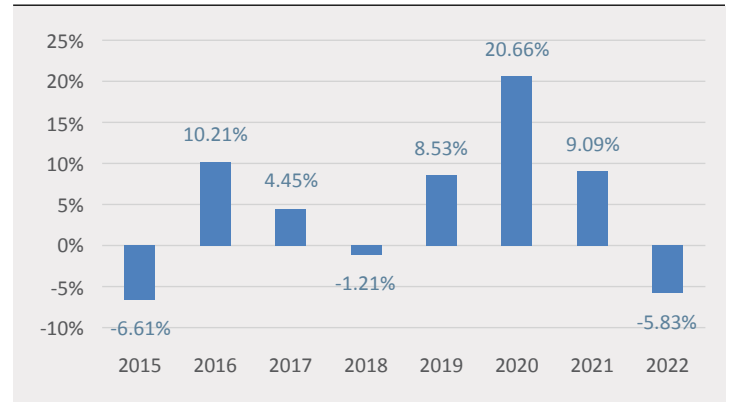
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises 40% of the management fee of Series A units.

Year-by-Year Returns

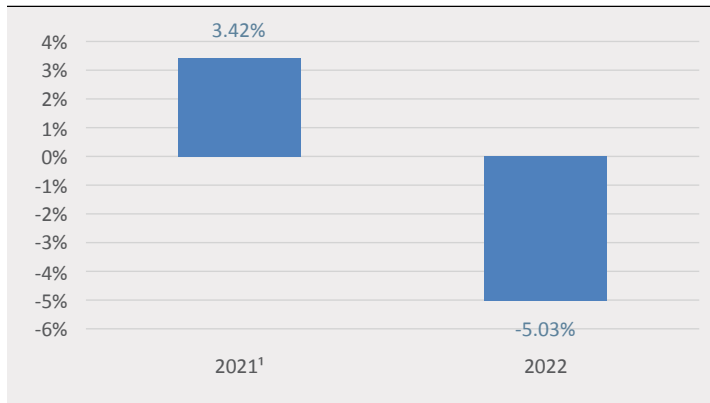
Series A



Series F



Series O



Past Performance

The commencement date of being distributed under a prospectus for Series A and Series F was December 30, 2014. 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 18 to December 31

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Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the ICE BofA US Corporate Master-Total Return Index. 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		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	(6.36)	%	6.81	%	5.26	%	3.97
Series F ¹		(5.83)		7.42		5.85		4.56
Series O ¹		(5.03)		-		-		(1.10)
ICE BofA US Corporate Master-Total Return Index ³	%	(15.44)	%	(2.75)	%	0.53	%	1.78

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 Compound period returns are annualized.

3 Series A and Series F period starting from December 30, 2014. Series O period starting from May 18, 2021. Since inception returns are annualized.

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Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
US Government	%	13.5	Canadian Equities	%	0.1
Air Canada		8.0	Canadian Fixed Income		35.7
Scotia Capital		6.0	Cash and Cash Equivalents		0.4
American Airlines Inc.		4.8	Foreign Bank Loans		3.5
Manulife Financial Corp		3.8	Foreign Fixed Income		46.1
Bombardier Inc.		3.7	Mortgage Backed Securities		7.7
Avis Budget Car/Finance		3.7	Other Assets less Liabilities		0.9
Bank Of Nova Scotia		3.6	Preferred Shares		3.6
Transcanada Pipelines		3.5	Private Placements		2.0
Pacific Life Gf li		3.5	Total	%	100.0
Spirit Aerosystems Inc		3.1	Sector		
Natwest Group Plc		3.1	Cash and Cash Equivalents	%	0.4
Met Life Glob Funding I		3.1	Communication Services		3.0
Credit Suisse Group Ag		2.7	Consumer Discretionary		22.6
Skymiles Ip Ltd		2.5	Consumer Staples		5.4
Ford Credit Canada Co		2.4	Energy		6.3
Latam Airlines Group Sa		2.2	Financials		36.7
Great-West Lifeco Inc		2.1	Government		13.5
Royal Bank Of Canada		2.1	Industrials		11.2
Honda Canada Finance Inc		1.8	Other Assets less Liabilities		0.9
Hertz Corp		1.8	Total	%	100.0
AMC Entertainment Holdings		1.3			
Boeing Co.		1.2			
Sun Life Financial Inc		1.1			
SnC-Lavalin Group Inc		1.1			
Total	%	85.7			



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