

**Interim Financial Statements (unaudited)**  
For the six month periods ended June 30, 2023 and 2022

# Lysander-Canso Credit Opportunities Fund



**THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.**

Lysander Funds Limited., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2023.

# Lysander-Canso Credit Opportunities Fund

Interim Financial Statements Six-Month Periods Ended June 30, 2023 (unaudited)

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# Lysander-Canso Credit Opportunities Fund

## Interim Statements of Financial Position (unaudited)

As at	30-Jun-23	31-Dec-22
<b>Assets</b>		
Financial assets at fair value through profit or loss*	\$ 63,657,507	\$ 58,880,414
Cash and cash equivalents	402,665	4,212,118
Subscriptions receivable	447,314	3,907,833
Accrued interest	523,622	580,729
Reimbursements receivable	919	1,325
Dividends receivable	2,119	7,124
Receivable from forward exchange contracts	175,378	32,509
Prepaid distributions	94,900	-
<b>Total assets</b>	<b>\$ 65,304,424</b>	<b>\$ 67,622,052</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss	\$ 10,291,201	\$ 10,435,460
Redemptions payable	531,554	869,688
Accrued expenses	52,460	53,520
Distributions payable	86,162	-
<b>Total liabilities</b>	<b>\$ 10,961,377</b>	<b>\$ 11,358,668</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 54,343,047</b>	<b>\$ 56,263,384</b>
<b>Net assets attributable to holders of redeemable units, per series</b>		
Series A	\$ 3,444,369	\$ 3,612,923
Series C	2,468,856	2,434,339
Series F	48,429,822	50,216,122
<b>Total net assets</b>	<b>\$ 54,343,047</b>	<b>\$ 56,263,384</b>
<b>Number of redeemable units outstanding</b>		
Series A	302,376	314,068
Series C	180,718	176,420
Series F	4,796,517	4,924,179
<b>Net assets attributable to holders of redeemable units per unit</b>		
Series A	\$ 11.39	\$ 11.50
Series C	13.66	13.80
Series F	10.10	10.20
* Financial assets at fair value through profit or loss at cost	\$ 54,047,279	\$ 49,649,209

## Interim Statements of Comprehensive Income (Loss) (unaudited)

For the periods ended	30-Jun-23	30-Jun-22
<b>Income</b>		
Interest for distribution purposes	\$ 1,365,471	\$ 1,022,813
Dividend income	76,095	62,016
Other income	9,168	7,816
<b>Realized and unrealized gain (loss) on investments</b>		
Net realized gain (loss) on investments sold	(1,279,565)	1,942,356
Net realized gain (loss) on foreign currency	159,084	101,501
Change in unrealized appreciation (depreciation) on foreign currency	1,191	11,301
Change in unrealized appreciation (depreciation) on forward contracts	142,869	(412,982)
Change in unrealized appreciation (depreciation) on securities sold short	(181,604)	1,276,144
Change in unrealized appreciation (depreciation) on investments	711,026	(7,939,733)
<b>Total operating income (loss)</b>	<b>\$ 1,003,735</b>	<b>\$ (3,928,768)</b>
<b>Expenses</b>		
Management fees	\$ 238,755	\$ 270,781
Custodial fees	19,730	11,558
Bank charges	17,797	20,802
Filing fees	15,259	8,993
Fund administration fees	11,312	15,603
Transaction costs	6,140	5,586
Audit fees	2,635	1,948
Unitholder reporting expense	2,506	1,804
Legal fees	498	275
Regulatory fees expense	304	254
Independent review committee fees	169	162
<b>Total operating expenses</b>	<b>\$ 315,105</b>	<b>\$ 337,766</b>
<b>Total net operating expenses</b>	<b>\$ 315,105</b>	<b>\$ 337,766</b>
<b>Change in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 688,630</b>	<b>\$ (4,266,534)</b>
<b>Change in net assets attributable to holders of redeemable units from operations, per series</b>		
Series A	\$ 34,092	\$ (237,709)
Series C	34,517	(158,170)
Series F	620,021	(3,870,655)
<b>Change in total net assets</b>	<b>\$ 688,630</b>	<b>\$ (4,266,534)</b>
<b>Change in net assets attributable to holders of redeemable units from operations, per unit</b>		
Series A	\$ 0.11	\$ (0.83)
Series C	0.19	(0.99)
Series F	0.13	(0.72)

# Lysander-Canso Credit Opportunities Fund

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

### All Series

For the periods ended	30-Jun-23	30-Jun-22
Net assets attributable to holders of redeemable units, beginning of period	\$ 56,263,384	\$ 60,385,152
Change in net assets attributable to holders of redeemable units from operations	688,630	(4,266,534)
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (1,241,736)	\$ (381,306)
From management fee rebate income	(9,168)	(7,673)
<b>Total distributions</b>	<b>\$ (1,250,904)</b>	<b>\$ (388,979)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
Series A	\$ 44,699	\$ 1,457,053
Series F	2,343,200	10,897,464
<b>Total proceeds</b>	<b>\$ 2,387,899</b>	<b>\$ 12,354,517</b>
Cost of units redeemed		
Series A	\$ (241,949)	\$ (530,039)
Series F	(4,537,327)	(12,361,336)
<b>Total cost</b>	<b>\$ (4,779,276)</b>	<b>\$ (12,891,375)</b>
Reinvested distributions		
Series A	\$ 64,892	\$ 5,458
Series C	58,540	24,800
Series F	909,882	276,721
<b>Total reinvested</b>	<b>\$ 1,033,314</b>	<b>\$ 306,979</b>
Change in net assets attributable to holders of redeemable units for the period	\$ (1,920,337)	\$ (4,885,392)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 54,343,047</b>	<b>\$ 55,499,760</b>

### Series A

For the periods ended	30-Jun-23	30-Jun-22
Net assets attributable to holders of redeemable units, beginning of period	\$ 3,612,923	\$ 2,643,911
Change in net assets attributable to holders of redeemable units from operations	34,092	(237,709)
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (70,283)	\$ (5,984)
From management fee rebate income	(5)	-
<b>Total distributions</b>	<b>\$ (70,288)</b>	<b>\$ (5,984)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
	\$ 44,699	\$ 1,457,053
Cost of units redeemed	(241,949)	(530,039)
Reinvested distributions	64,892	5,458
<b>Total redeemable</b>	<b>\$ (132,358)</b>	<b>\$ 932,472</b>
Change in net assets attributable to holders of redeemable units for the period	\$ (168,554)	\$ 688,779
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 3,444,369</b>	<b>\$ 3,332,690</b>

### Series C

For the periods ended	30-Jun-23	30-Jun-22
Net assets attributable to holders of redeemable units, beginning of period	\$ 2,434,339	\$ 2,426,610
Change in net assets attributable to holders of redeemable units from operations	34,517	(158,170)
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (58,540)	\$ (24,800)
<b>Total distributions</b>	<b>\$ (58,540)</b>	<b>\$ (24,800)</b>
<b>Redeemable unit transactions</b>		
Reinvested distributions	\$ 58,540	\$ 24,800
<b>Total redeemable</b>	<b>\$ 58,540</b>	<b>\$ 24,800</b>
Change in net assets attributable to holders of redeemable units for the period	\$ 34,517	\$ (158,170)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 2,468,856</b>	<b>\$ 2,268,440</b>

# Lysander-Canso Credit Opportunities Fund

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

### Series F

For the periods ended	30-Jun-23	30-Jun-22
Net assets attributable to holders of redeemable units, beginning of period	\$ 50,216,122	\$ 55,314,631
Change in net assets attributable to holders of redeemable units from operations	620,021	(3,870,655)
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (1,112,913)	\$ (350,522)
From management fee rebate income	(9,163)	(7,673)
<b>Total distributions</b>	<b>\$ (1,122,076)</b>	<b>\$ (358,195)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	\$ 2,343,200	\$ 10,897,464
Cost of units redeemed	(4,537,327)	(12,361,336)
Reinvested distributions	909,882	276,721
<b>Total redeemable</b>	<b>\$ (1,284,245)</b>	<b>\$ (1,187,151)</b>
Change in net assets attributable to holders of redeemable units for the period	\$ (1,786,300)	\$ (5,416,001)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 48,429,822</b>	<b>\$ 49,898,630</b>

# Lysander-Canso Credit Opportunities Fund

## Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-23	30-Jun-22
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units from operations	\$ 688,630	\$ (4,266,534)
Adjustments for:		
Foreign exchange loss (gain) on cash and cash equivalents	1,202	11,512
Net realized loss (gain) on sales of investments	1,279,565	(1,942,356)
Change in unrealized depreciation (appreciation) on investments	(704,886)	7,945,319
Change in unrealized depreciation (appreciation) of investments sold short	181,604	(1,276,144)
Change in unrealized depreciation (appreciation) on foreign currency	(1,191)	(11,301)
Purchase of investments	(17,246,384)	(30,626,784)
Proceeds from sale and maturity of investments	11,568,749	12,759,858
Payable on forward exchange contracts	–	390,838
Prepaid distributions	(94,900)	–
Receivable from forward exchange contracts	(142,869)	22,144
Dividends receivable	5,005	(3,705)
Accrued expenses	(1,060)	(1,002,006)
Reimbursements receivable	406	51,085
Accrued interest	57,107	(77,625)
Due to investment dealers	–	4,967
<b>Net cash from (used in) operating activities</b>	<b>\$ (4,409,022)</b>	<b>\$ (18,020,732)</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (131,428)	\$ (82,000)
Proceeds from issuances of redeemable units	5,848,418	19,521,372
Amounts paid on redemption of redeemable units	(5,117,410)	(5,765,876)
<b>Net cash from (used in) financing activities</b>	<b>\$ 599,580</b>	<b>\$ 13,673,496</b>
Foreign exchange gain (loss) on cash and cash equivalents	\$ (11)	\$ (211)
Change in cash and cash equivalents during the period	(3,809,442)	(4,347,236)
Cash and cash equivalents, beginning of period	4,212,118	4,565,380
<b>Cash and cash equivalents, end of period</b>	<b>\$ 402,665</b>	<b>\$ 217,933</b>
<b>Supplementary disclosures on cash flow from operating activities</b>		
Interest received	\$ 1,422,578	\$ 945,187
Dividends received	69,489	58,311
Withholding tax	–	–
Interest paid	17,797	20,802

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Canadian Equities (0.9%)</b>			
329,896	Aegis Brands Inc.	\$ 160,000	\$ 138,556
10,643	Bird Construction Inc.	84,247	89,827
388	Bombardier Inc.	16,999	25,340
320	FLINT Corp	–	11
3,929	MDA Ltd.	55,006	32,100
3,315	NorthStar Gaming Holdings Inc (Escrow)	1,659	887
5,091	NorthStar Gaming Holdings Inc (Restricted + Delayed Release)	2,201	1,362
368	NorthStar Gaming Holdings Inc (Restricted)	184	99
533	Postmedia Network Canada	1,119	975
352	TC Fund I LP Class B	6,014	6,026
2,188	VerticalScope Holdings Inc	17,898	8,030
1,411	X-Spectrum 1 Inc.	–	381
1,872	X-Spectrum 2 Inc.	–	–
15,718	Yellow Pages Limited	191,090	196,003
<b>Total</b>		<b>\$ 536,417</b>	<b>\$ 499,597</b>
<b>Canadian Fixed Income (55.7%)</b>			
482,000	Air Canada 4% Jul 1, 2025 144A (USD)	\$ 743,661	\$ 884,546
5,126,000	Air Canada 4.625% Aug 15, 2029	4,943,609	4,646,505
38,000	Bell Canada 7.85% Apr 2, 2031	44,954	43,836
454,000	BNS (AT1) 3.7% Jul 27, 2026/2081	409,479	328,486
50,000	BNS FRN Aug 31, 2085 (SA LIBOR +12.5)(USD)	40,669	61,100
1,800,000	BNS FRN Aug 4, 2026 (CORRA+54)	1,800,000	1,776,153
445,000	Bombardier Inc. 7.35% Dec 22, 2026	340,637	437,255
535,000	Bombardier Inc. 7.45% May 1, 2034 REGS (USD)	654,759	809,157
20,000	Bombardier Inc. 7.50% March 15, 2025 144A (USD)	18,359	26,554
453,000	Bombardier Inc. 7.875% Apr 15, 2027 144A (USD)	447,986	598,981

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# Lysander-Canso Credit Opportunities Fund

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Canadian Fixed Income (55.7%)</b>							
<i>Cont'd</i>							
508,000	Canada 0.25% Apr 1, 2024	490,031	490,953	490,000	RBC 4.642% Jan 17, 2028	490,000	479,640
1,215,000	Canada 0.25% Aug 1, 2023	1,182,946	1,211,017	50,000	RBC FRN Jun 29, 2085(Q LIMEAN+25)(USD)	37,002	61,309
3,780,000	Canada 0.75% Feb 1, 2024	3,672,002	3,691,671	795,000	SNC Lavalin 7% Jun 12, 2026	795,000	808,912
200,000	Canada Housing Trust FRN Mar 15, 2026 (Q CDOR - 15.5)	200,326	200,720	50,000	Sobeys Inc. 6.06% Oct 29, 2035	51,500	51,594
30,000	CIBC FRN Aug 31, 2085 (S/A LIBOR+12.5)(USD)	23,862	35,132	701,000	Sunlife Financial Inc. (AT1) 3.6% Jun 30, 2026/2081	697,191	522,569
1,400,000	CIBC FRN Jul 15, 2026 (CORRA+58)	1,400,000	1,382,842	500,000	TD (AT1) 3.6% Oct 31, 2026/2081	486,000	367,871
605,000	Corus Entertainment Inc. 6% Feb 28, 2030 REGS	605,000	427,281	1,602,000	TD Bank 4.477% Jan 18, 2028	1,602,000	1,557,884
670,000	Enbridge Inc. 4.57% Mar 11, 2044	735,253	590,471	835,000	TD Bank CB FRN Jun 8, 2026 (CORRA+65)	835,000	835,810
139,690	FLINT Corp. 8% Mar 23, 2026	139,690	112,450	705,000	TransCanada Pipelines FRN May 15, 2067 (Q LIBOR+221) (USD)	741,399	725,023
329,000	GE Capital Canada 5.73% Oct 22, 2037	336,074	335,806	307,000	Videotron Ltee Sr Notes 5.625% Jun 15, 2025	307,661	304,957
639,000	Great West Life Co Inc. (AT1) 3.6% Dec 31, 2026/2081	635,000	472,335	<b>Total</b>		<b>\$ 32,396,286</b>	<b>\$ 30,320,786</b>
884,000	Loblaws 2.284% May 7, 2030	775,418	752,006	<b>Canadian Securities Sold Short (-14.9%)</b>			
1,244,000	Manulife Financial Corp (AT1) 3.375% Jun 19, 2026/2081	1,194,022	915,339	(2,565,000)	Air Canada 3.875% Aug 15, 2026 144A (USD)	\$ (3,191,299)	\$ (3,150,233)
2,138,000	Manulife Financial Corp (AT1) 4.1% Mar 19, 2027/2082	2,072,918	1,563,796	(844,000)	Canada 1.25% Jun 1, 2030	(873,490)	(734,008)
442,000	Nav Canada 2.924% Sep 29, 2051	480,394	334,184	(2,281,000)	Canada 2% Dec 1, 2051	(2,599,570)	(1,805,978)
1,300,000	Pembina Pipeline Corp 4.49% Dec 10, 2051	1,300,000	1,085,098	(1,244,000)	Canada 2.25% Jun 1, 2029	(1,200,704)	(1,168,059)
158,000	Pembina Pipeline Corp 4.74% Jan 21, 2047	152,108	139,164	(1,308,000)	Canada 2.75% Dec 1, 2048	(1,552,030)	(1,221,524)
806,000	Pembina Pipeline Corp 4.75% Mar 26, 2048	850,510	707,839	(10,000)	Canada 8% Jun 1, 2027	(15,293)	(11,549)
259,000	Pembina Pipeline Corp 4.81% Mar 25, 2044	252,232	231,739	<b>Total</b>		<b>\$ (9,432,386)</b>	<b>\$ (8,091,351)</b>
16,632	Postmedia Network Inc. 8.25% Feb 17, 2027	16,634	16,299	<b>Foreign Fixed Income (36.6%)</b>			
395,000	RBC (AT1) pref 4.2% (5y GoC + 271) Feb 24, 2027	395,000	296,502	896,000	AMC Entertainment Holdings 7.5% Feb 15, 2029 144A (USD)	\$ 1,085,537	\$ 835,369
				330,000	American Airlines Inc. 5.75% Apr 20, 2029 144A (USD)	418,553	424,570
				917,000	AT&T Inc. 4.85% May 25, 2047	966,309	820,803
				496,000	Avis Budget Car/Finance 4.75% Apr 1, 2028 144A (USD)	628,010	605,010

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# Lysander-Canso Credit Opportunities Fund

## Interim Schedule of Investment Portfolio as at June 30, 2023 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
<b>Foreign Fixed Income (36.6%)</b>									
<i>Cont'd</i>									
403,000	Avis Budget Car/Finance 5.375% Mar 1, 2029 144A (USD)		533,534	495,420	598,000	Natwest Group 7.472% Nov 10, 2025/26 144A (USD)		821,203	810,117
294,000	Avis Budget Car/Finance 5.75% Jul 15, 2027 (USD)		372,695	368,168	31,000	Navient Corp 5.625% Aug 1, 2033 (USD)		28,304	30,903
252,000	Avis Budget Car/Finance 5.75% Jul 15, 2027 144A (USD)		330,721	320,532	71,000	Occidental Petroleum Corp. 6.2% Mar 15, 2040 (USD)		74,739	92,756
166,000	Boeing Co 5.875% Feb 15, 2040 (USD)		231,450	221,396	1,789,000	Pacific Life Global Funding II FRN Feb 1, 2027 (Q CDOR+38)		1,789,000	1,752,154
9,000	Continental Resources 4.9% Jun 1, 2044 (USD)		5,629	9,269	5,000	Spirit Aerosystems Inc. 3.85% Jun 15, 2026 (USD)		6,583	6,158
270,000	Embraer S.A 5.4% Feb 1, 2027 (USD)		328,152	343,398	849,000	Spirit Aerosystems Inc. 4.6% Jun 15, 2028 (USD)		984,133	944,006
124,000	Gannett Holdings LLC 6.0% Nov 1, 2026 144A (USD)		155,970	138,443	969,000	Spirit Aerosystems Inc. 7.5% Apr 15, 2025 144A (USD)		1,283,602	1,269,192
737,000	Goldman Sachs FRN Apr 29, 2025 (CDOR+37)		730,364	731,091	726,000	UBS Group AG 3.091% May 14, 2031/32 144A (USD)		673,658	777,845
443,000	Hertz 5% Dec 1, 2029 144A (USD)		535,629	485,506	500,000	UBS Group AG 3.869% Jan 12, 2028/29 144A (USD)		493,750	598,948
335,000	Hertz Litigation, Hertz 5.5% Oct 15, 2024 (USD)		-	17,739	260,000	UBS Group AG 4.194% Apr 1, 2030/31 144A (USD)		271,365	306,527
200,000	Hertz Litigation, Hertz 6% Jan 15, 2028 (USD)		-	23,828	288,000	UBS Group AG 9.016% Nov 15, 2032/33 144A (USD)		387,566	457,271
71,000	Hertz Litigation, Hertz 6.25% Oct 15, 2022 (USD)		-	3,760	71,000	United Airlines Inc. 4.625% Apr 15, 2029 (USD)		88,883	85,725
60,000	Hertz Litigation, Hertz 7.125% Aug 1, 2026 (USD)		-	7,149	104,091	US TIPS 0.125% Apr 15, 2026 (USD)		128,968	129,237
6,000	Howmet Aerospace Inc. 6.875% May 1, 2025 (USD)		8,791	8,076	435,290	US TIPS 0.625% Jan 15, 2026 (USD)		561,348	549,560
850,000	JP Morgan Chase FRN Jan 10, 2025 (Q LIBOR+85)(USD)		1,096,938	1,125,653	2,781,000	US Treasury 1.625% Feb 15, 2026 (USD)		3,505,010	3,412,572
804,000	Latam Airlines Group SA 13.375% Oct 15, 2029 144A (USD)		1,028,508	1,152,620	<b>Total</b>		<b>\$ 20,057,946</b>	<b>\$ 19,865,167</b>	
44,000	Lehman Bros Hldg Inc. 4.85% Sep 3, 2013 (USD)		-	131	<b>Foreign Securities Sold Short (-4.0%)</b>				
420,000	MetLife Global Funding I FRN Jun 15, 2026 (CORRA+106)		420,000	420,897	(1,125,000)	US Treasury 1.375% Nov 15, 2031 (USD)		(1,295,461)	(1,228,392)
84,000	Morgan Stanley FRN Mar 21, 2025 (Q CDOR +33)		83,044	83,368	(119,000)	US Treasury 1.875% Feb 15, 2051 (USD)		(130,883)	(104,390)

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# Lysander-Canso Credit Opportunities Fund

## Foreign Exchange Contracts

Counterparty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Royal Bank of Canada <sup>1</sup>	2023-09-14	CAD	\$ 15,136,704	USD	\$ 11,307,000	0.747	0.756	\$ 175,188
Royal Bank of Canada <sup>1</sup>	2023-09-14	USD	556,000	CAD	735,513	0.756	0.756	190

### Notes

<sup>1</sup> Credit rating of counterparty is AA-

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## 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 Credit Opportunities Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by a declaration of trust dated August 14, 2008, which has been subsequently amended and restated into the master declaration of trust dated December 8, 2011, as the same was amended and/or consolidated from time to time. At the time it was formed, the Fund's name was "Canso Credit Opportunities Fund". On December 19, 2008, The Fund commenced operations and offered units pursuant to prospectus exemptions. On May 11, 2020, the Fund became a reporting issuer, with its units qualified for distribution under a simplified prospectus and its name changed to "Lysander-Canso Credit Opportunities Fund".

The Fund's investment 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.

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

## 2. Basis of Presentation

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

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

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## Financial assets and financial liabilities at amortized cost:

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

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

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

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

sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2023 and December 31, 2022, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of Level 3 fair value measurements for the periods ended June 30, 2023 and December 31, 2022, 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 period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income (loss).

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 (loss).

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

## Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

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

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

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

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

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

## Income recognition

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

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

## Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each 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 no net capital losses (December 31, 2021 - Nil) and no non-capital losses (December 31, 2021 - Nil).

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## 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:

### *Determination of Functional Currency*

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

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

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

## Future changes in accounting standards

As of June 30, 2023, 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 units, 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 periods ended June 30, 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

### Series A

For the periods ended	30-Jun-23	30-Jun-22
Units outstanding at beginning of period	314,068	212,520
Redeemable units issued	3,912	119,561
Redeemable units redeemed	(21,320)	(44,459)
Redeemable units issued on reinvestments	5,716	468
<b>Units outstanding at end of period</b>	<b>302,376</b>	<b>288,090</b>

### Series C

For the periods ended	30-Jun-23	30-Jun-22
Units outstanding at beginning of period	176,420	159,921
Redeemable units issued on reinvestments	4,298	1,752
<b>Units outstanding at end of period</b>	<b>180,718</b>	<b>161,673</b>

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

## Series F

For the periods ended	30-Jun-23	30-Jun-22
Units outstanding at beginning of period	4,924,179	5,047,372
Redeemable units issued	231,845	1,024,210
Redeemable units redeemed	(449,903)	(1,194,069)
Redeemable units issued on reinvestments	90,396	26,954
<b>Units outstanding at end of period</b>	<b>4,796,517</b>	<b>4,904,467</b>

## 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.

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.

## 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 June 30, 2023 and December 31, 2022:

As at June 30, 2023	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	493,190	\$	-	\$	6,407	\$ 499,597
Fixed income		-		61,358,673		13,000	61,371,673
Preferred shares		1,657,704		-		128,533	1,786,237
<b>Total</b>	<b>\$</b>	<b>2,150,894</b>	<b>\$</b>	<b>61,358,673</b>	<b>\$</b>	<b>147,940</b>	<b>\$ 63,657,507</b>
<b>Financial Liabilities</b>							
Fixed income sold short	\$	-	\$	10,291,201	\$	-	\$ 10,291,201
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>10,291,201</b>	<b>\$</b>	<b>-</b>	<b>\$ 10,291,201</b>

At June 30, 2023, 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 4.8% (December 31, 2022 - 4.6%).

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 1.25% on Series A units, 0.50% on Series C units, and up to 0.75% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

During the period ended June 30, 2023, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$101,250 (June 30, 2022 - \$115,521) for managing the portfolio of the Fund. As at June 30, 2023 the amount payable to the Portfolio Manager was \$16,500 (December 31, 2022 - \$16,585).

Performance Fees:

Subject to certain terms and conditions as described in the Fund's Prospectus, the Manager is entitled to receive a Performance Fee (the "Performance Fee") on Series A and F equal to 20% of the Fund's outperformance of the FTSE All Corporate Bond Index.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the period ended June 30, 2023, the Performance Fee accrued by the Fund was nil (December 31, 2022 - Nil).

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

As at December 31, 2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Equities	\$ 346,692	\$ -	\$ 24,886	\$ 371,578
Fixed income	-	54,592,357	272,200	54,864,557
Preferred shares	1,592,626	332,430	128,000	2,053,056
Options	1,591,223	-	-	1,591,223
<b>Total</b>	<b>\$ 3,530,541</b>	<b>\$ 54,924,787</b>	<b>\$ 425,086</b>	<b>\$ 58,880,414</b>
<b>Financial Liabilities</b>				
Fixed income sold short	\$ -	\$ 10,435,460	\$ -	\$ 10,435,460
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,435,460</b>	<b>\$ -</b>	<b>\$ 10,435,460</b>

As at	30-Jun-23	31-Dec-22
<b>Level 3 reconciliation</b>		
Balance, beginning of period	\$ 425,086	\$ 281,976
Purchases	15,841	-
Sales	(260,344)	-
Transfers In	-	160,000
Transfers Out	-	-
Realized gains and losses	34,515	-
Change in unrealized appreciation (depreciation)	(67,158)	(16,890)
<b>Balance, end of period</b>	<b>\$ 147,940</b>	<b>\$ 425,086</b>

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 periods ended June 30, 2023 and December 31, 2022, there were no transfers between levels.

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

## TC Fund I LP Class B

Net Asset Value per unit: \$17.12

Valuation Technique: Internally developed model.

Unobservable Inputs: The unobservable inputs for this security include the net asset value of the Class B shares, which are adjusted by amounts payable to other limited partners upon distribution of the partnership.

Change in input values: A reasonably possible change in the value of the investments could result in an increase or decrease of 50%, or an increase or decrease in the security price of \$8.56, or an increase or decrease in net assets of \$3,013.

## X-Spectrum 1 Inc.

Price: \$0.27

Valuation Technique: The relative value technique.

Unobservable Inputs: The primary unobservable inputs for this security were the expected sale prices of the spectrum assets.

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$0.11, or an increase or decrease in net assets of \$155.

## X-Spectrum 2

Price: \$0.00

Valuation Technique: The relative value technique.

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

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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.

FLINT Corp. Series 1 Preferred Share

Price: \$669.44

Valuation Technique: The relative value technique.

Unobservable Inputs: Clearstream Energy Services Senior Secured Bond Price (sourced from third party). FLINT Corp, the holding company of ClearStream.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$200.00, or an increase or decrease in net assets of \$36,800.

FLINT Corp. Series 2 Preferred Share

Price: \$669.44

Valuation Technique: The relative value technique.

Unobservable Inputs: Clearstream Energy Services Senior Secured Bond Price (sourced from third party). FLINT Corp, the holding company of ClearStream.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$200.00, or an increase or decrease in net assets of \$1,600.

Nordstar Capital LP. 10% Jul 31, 2023

Price: \$100.00

Valuation Technique: Cost

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

Change in input values: A reasonably possible change in the price of the security could result in an increase or decrease of 30% or an increase or decrease in the security price of \$30.00, or an increase or decrease in net assets of \$390,000.

## 8. Risk Management

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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 June 30, 2023 and December 31, 2022, the Fund had directly invested in debt instruments with the following credit ratings:

# Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

As a % of net assets		30-Jun-23	31-Dec-22
<b>Credit exposure</b>			
AAA	%	24.6	14.8
AA		4.0	3.1
A		23.2	13.5
BBB		19.1	21.4
BB		8.3	9.4
B		12.4	14.3
CCC		3.3	3.4
Not Rated		2.4	2.6

## Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2023 and December 31, 2022:

As at 30-Jun-2023	Less Than One Month	1-3 Months	3 Months – 1 Year
<b>Liquidity exposure</b>			
Fixed income sold short	\$	\$	\$ 10,291,201
Accrued expenses		52,460	
Distributions payable	86,162		
Redemptions payable	531,554		
<b>As at 31-Dec-2022</b>			
<b>Liquidity exposure</b>			
Fixed income sold short	\$	\$	\$ 10,435,460
Accrued expenses		53,520	
Redemptions payable	869,688		

## 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
<b>Interest rate exposure</b>			
June 30, 2023	\$ 6,243,006	\$ 33,327,808	\$ 11,509,527
December 31, 2022	4,893,864	27,185,269	12,656,506

If interest rates had increased or decreased by 1% at June 30, 2023, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$1,033,951 (December 31, 2022- \$953,325).

### 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

## Lysander-Canso Credit Opportunities Fund

Notes to the interim financial statements for the six-month period ended June 30, 2023 (unaudited)

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:

		30-Jun-23		31-Dec-22	
<b>Currency exposure</b>					
US Dollars	%	25.7	%	31.5	

As at June 30, 2023, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.3% (December 31, 2022 - 0.3%).

### *Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. If applicable, this risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis. As at June 30, 2023, approximately 4.2% (December 31, 2022 - 7.2%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at June 30, 2023 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$114,292 (December 31, 2022 - \$200,793).



3080 Yonge Street, Suite 3037  
Toronto, ON M4N 3N1  
[www.lysanderfunds.com](http://www.lysanderfunds.com)

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