

Semi-Annual Management Report of Fund Performance
As at June 30, 2023

Canso Credit Income Fund



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A Note About Forward Looking Statements

This semi-annual Management Report of Fund Performance includes certain statements that are “forward looking statements”. All statements, other than statements of historical fact, included in this Management Report of Fund Performance that address activities, events or developments that the Fund expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective” and similar expressions are intended to identify forward looking statements.

These forward looking statements are subject to various risks and uncertainties, including the risks described in the simplified prospectus of the Fund, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed.

Readers are cautioned not to place undue reliance on these forward looking statements. All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

The Fund has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

About This Report

This semi-annual Management Report of Fund Performance of Canso Credit Income Fund (the “Fund”) contains financial highlights for the period ended June 30, 2023 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the period ended June 30, 2023. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 3037, Toronto, Ontario, M4N 3N1, by visiting our website at www.lysanderfunds.com or at SEDAR at www.sedar.com.

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

Investment objective

The Fund's investment objective is to (i) maximize total returns for unitholders while reducing risk and (ii) provide unitholders with monthly cash distributions by taking long and short positions primarily in corporate bonds and other income securities.

Investment Strategies

The Fund's portfolio manager is Canso Investment Counsel Ltd. (“Canso” or “Portfolio Manager”), a company under common control as the Manager. The Fund's holdings are not restricted by credit ratings. In addition, Canso engages in short selling of securities primarily to hedge credit and interest rate risk. This

allows the Fund's portfolio to be positioned more defensively in both rising interest rate environments and credit downturns.

Risks

The risks of this Fund remain as discussed in the Fund’s most recently filed public disclosure documents.

Results of Operations

The Fund returns for the six-month period ended June 30, 2023 were 1.53% for Class A units and 1.57% for Class F units. At the end of the period, the Fund held approximately 35% of its net asset value in short positions. These primarily consisted of short positions in Government of Canada bonds and U.S. Treasury bonds.

The net assets of the Fund were \$137.5 million at June 30, 2023 compared to \$153.9 million at the beginning of the period. This consisted of cash distributions of approximately \$2.6 million and net redemptions of approximately \$16.1 million during the period.

During the period, the Fund paid no performance fee. A performance fee, if applicable, will be equal to 20% of its outperformance of the FTSE Canada All Corporate Bond Index.

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

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

Recent Developments

Government bond yields rose during the second quarter as the U.S. banking crisis abated and the economy demonstrated resilience despite higher interest rates. Early in the period, bonds rallied as investors worried about the collapse of U.S. regional banks and its potential impact on credit flow to households and businesses. However, yields rebounded higher as the quarter ended because of favourable economic news including the resolution of the U.S. debt-ceiling debate. The labour market remains strong and while inflation has trended lower, it is still at a very high level. There is optimism among one segment of investors who believe that the U.S. Federal Reserve can tame price increases without tipping the economy into recession. On the other side are investors pointing to the persistent inversion of the yield curve, where short bond yields are higher than long bond yields. The inversion of the yield curve generally precedes an economic recession.

Corporate bond spreads tightened in the quarter but the underlying rise in government yields resulted in the U.S. Corporate Bond Index return of 3.2% period-to-date. The U.S. High Yield Bond Index return was 5.4% period-to-date. The Canadian FTSE Universe Bond Index return was 2.5% period-to-date. The FTSE Corporate Bond Index return was 3.0% period-to-date.

At the beginning of June, the Bank of Canada surprised the markets by raising its overnight policy rate to 4.75% after not hiking at its previous two meetings. The central bank admitted to inflation remaining stubbornly high. Consumption and services growth has been strong and spending on interest-sensitive goods including housing has increased. Demand for labour continues to be strong and even with higher immigration, new workers have found employment. The Bank of Canada believes its monetary policy is not sufficiently restrictive to bring inflation sustainably to its 2% target.

The Fund maintains a weight in short dated, liquid securities as both credit and interest rate risks remained elevated. The Fund reduced its weight in BB & Below rated securities to 31.4% in the period. The Fund continues to only take on duration when it believes it's being compensated for the incremental interest rate risk or where it's able to effectively hedge by shorting government securities. Floating rate exposure allows the Fund to mitigate interest rate risk while still being able to benefit from credit spread tightening. The Fund ended the period with a 35% short position in government securities, which are offset by corresponding long corporate bond positions and a positive cash

balance. The duration of the Fund is 2.1 years at the end of the period.

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 classes, 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 Fund's most recently filed Annual Information Form.

The Fund paid \$569,140 (excluding HST) in management fees to the Manager for the period ended June 30, 2023 (June 30, 2022 - \$575,853).

The Manager is also entitled to receive a performance fee from the Fund (the "Performance Fee") under certain conditions as described in the Fund's most recently filed Annual Information Form. For the period ended June 30, 2023, the Performance Fee accrued payable by the Fund was \$Nil (excluding HST) (December 31, 2022 - \$Nil).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Portfolio management fees for the Portfolio Manager's services are paid from the management fee. The Manager will also pay to Canso a percentage of any Performance Fee that the Manager receives from the Fund, such percentage to be agreed upon between the Manager and the Portfolio Manager from time to time.

The Manager paid \$265,599 (excluding HST) to the Portfolio Manager for the period ended June 30, 2023 (June 30, 2022 - \$268,731) including performance fees, if applicable.

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

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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

Class A

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Net assets per unit¹						
Net assets, beginning of period	\$ 14.71	\$ 15.29	\$ 13.69	\$ 11.34	\$ 10.70	\$ 11.65
Operations:						
Total revenue	0.70	0.59	1.20	1.45	0.75	0.49
Total expenses	(0.17)	(0.28)	(1.17)	(0.84)	(0.34)	(0.30)
Realized gains (losses)	(0.27)	1.58	1.88	1.25	(0.15)	0.21
Unrealized gains (losses)	(0.04)	(1.97)	0.18	0.67	0.88	(0.84)
Total increase (decrease) from operations²	\$ 0.22	\$ (0.08)	\$ 2.09	\$ 2.53	\$ 1.14	\$ (0.44)
Distributions:						
From income (excluding dividends)	\$ (0.25)	\$ (0.36)	\$ (0.41)	\$ (0.31)	\$ -	\$ (0.11)
From dividends	-	(0.19)	(0.08)	(0.07)	(0.02)	(0.03)
From capital gains	-	(0.51)	(1.70)	(1.70)	-	-
From return of capital	-	-	-	-	(0.48)	(0.36)
Total distributions^{2 3}	\$ (0.25)	\$ (1.06)	\$ (2.19)	\$ (2.08)	\$ (0.50)	\$ (0.50)
Net assets, end of period^{2 3}	\$ 14.69	\$ 14.71	\$ 15.29	\$ 13.69	\$ 11.34	\$ 10.70
Ratios and supplemental data						
Net asset value ⁴ (thousands)	\$ 133,579	\$ 148,933	\$ 152,808	\$ 132,886	\$ 142,866	\$ 138,957
Units outstanding	9,091,498	10,123,880	9,992,726	9,706,083	12,603,943	12,986,466
Management expense ratio ⁵	% 1.11	% 0.96	% 6.85	% 5.40	% 1.52	% 1.50
Management expense ratio before waivers or absorption	1.11	0.96	6.85	5.40	1.52	1.50
Portfolio turnover rate ⁶	14.40	52.27	37.82	86.43	48.10	34.94
Trading expense ratio ⁷	0.03	0.07	0.01	-	0.01	0.02
Net asset value per unit, end of period	14.69	14.71	15.29	13.69	11.34	10.70
Closing Market price per unit ⁴	\$ 13.96	\$ 13.66	\$ 15.15	\$ 13.41	\$ 10.90	\$ 11.16

Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
- Distributions were paid in cash. A portion of the distributions in 2017, 2020, 2021 and 2022 were paid in cash (\$0.50/unit) and the remainder was paid as a special non-cash distribution.
- 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. Prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees.
- 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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Class F

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020	31-Dec-2019	31-Dec-2018
Net assets per unit¹						
Net assets, beginning of period	\$ 16.52	\$ 17.09	\$ 15.01	\$ 12.39	\$ 11.62	\$ 12.55
Operations:						
Total revenue	0.78	0.66	1.32	1.57	0.82	0.53
Total expenses	(0.19)	(0.32)	(1.11)	(0.88)	(0.32)	(0.28)
Realized gains (losses)	(0.30)	1.83	1.88	1.35	(0.16)	0.23
Unrealized gains (losses)	(0.03)	(2.48)	0.59	0.55	0.94	(0.88)
Total increase (decrease) from operations²	\$ 0.26	\$ (0.31)	\$ 2.68	\$ 2.59	\$ 1.28	\$ (0.40)
Distributions:						
From income (excluding dividends)	\$ (0.25)	\$ (0.15)	\$ (0.30)	\$ (0.37)	\$ -	\$ (0.1)
From dividends	-	(0.08)	(0.06)	(0.08)	(0.02)	(0.04)
From capital gains	-	(0.97)	(2.87)	(1.77)	-	-
From return of capital	-	-	-	-	(0.48)	(0.36)
Total distributions^{2 3}	\$ (0.25)	\$ (1.20)	\$ (3.23)	\$ (2.22)	\$ (0.50)	\$ (0.50)
Net assets, end of period^{2 3}	\$ 16.55	\$ 16.52	\$ 17.09	\$ 15.01	\$ 12.39	\$ 11.62
Ratios and supplemental data						
Net asset value ⁴ (thousands)	\$ 3,942	\$ 5,019	\$ 7,747	\$ 11,253	\$ 13,749	\$ 17,052
Units outstanding	238,225	303,844	453,278	749,740	1,109,959	1,467,453
Management expense ratio ⁵	% 1.05	% 0.98	% 5.77	% 5.21	% 1.16	% 1.14
Management expense ratio before waivers or absorption	1.05	0.98	5.77	5.21	1.16	1.14
Portfolio turnover rate ⁶	14.40	52.27	37.82	86.43	48.1	34.94
Trading expense ratio ⁷	0.03	0.07	0.01	-	0.01	0.02
Net asset value per unit, end of period	\$ 16.55	\$ 16.52	\$ 17.09	\$ 15.01	\$ 12.39	\$ 11.62

Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
- Distributions were paid in cash. A portion of the distributions in 2017, 2020, 2021 and 2022 were paid in cash (\$0.50/unit) and the remainder was paid as a special non-cash distribution.
- 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. Prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees.
- 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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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 monthly management fee, based on the net asset value of each Class, calculated daily and payable monthly. The Fund pays a management fee at a rate of 0.75% per annum for Class A and Class F units.

The Fund may also pay a performance fee under certain conditions as described in the Fund's most recent Annual Information Form.

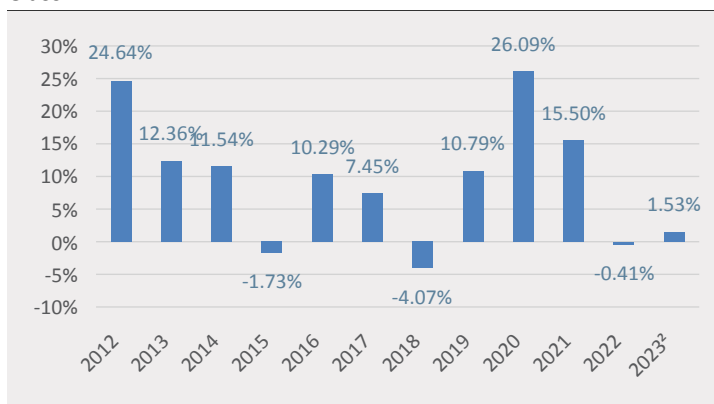
Past Performance

The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown assumes that cash distributions made by the Fund in the years/periods shown were reinvested in additional units of the Fund.

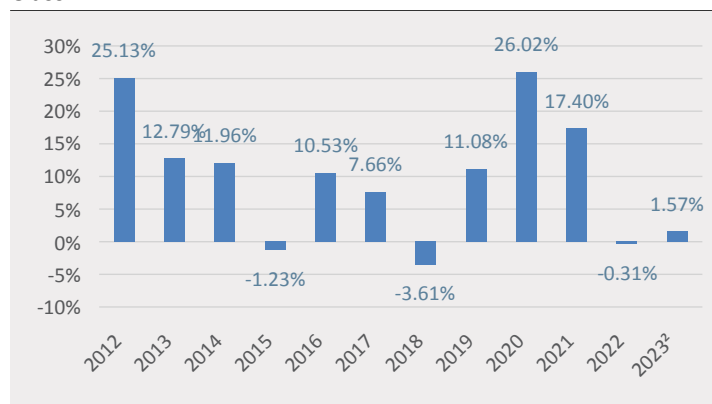
Prior to June 25, 2015, the Fund used a fund-on-fund investment strategy whereby the Fund gained exposure to Canso Credit Trust through a forward agreement. On June 25, 2015, as a result of changes to the Income Tax Act (Canada), CCIF changed its investment objectives, ceased to use a fund-on-fund strategy and began investing in securities directly. In addition, prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees. These changes could have affected the performance of the Fund or a class of units of the Fund had these changes been in effect throughout the performance measurement period.

Year-by-Year Returns

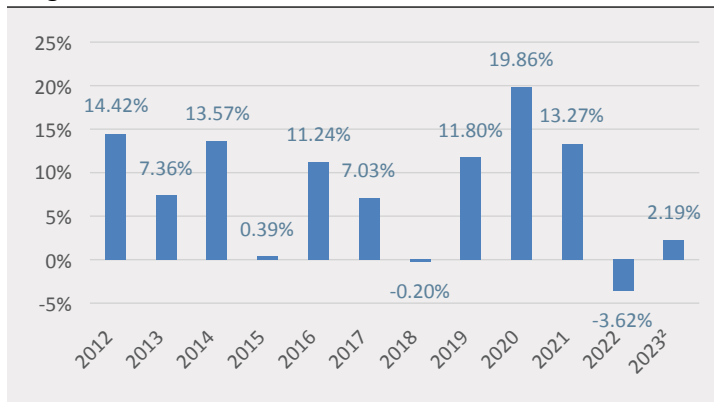
Class A



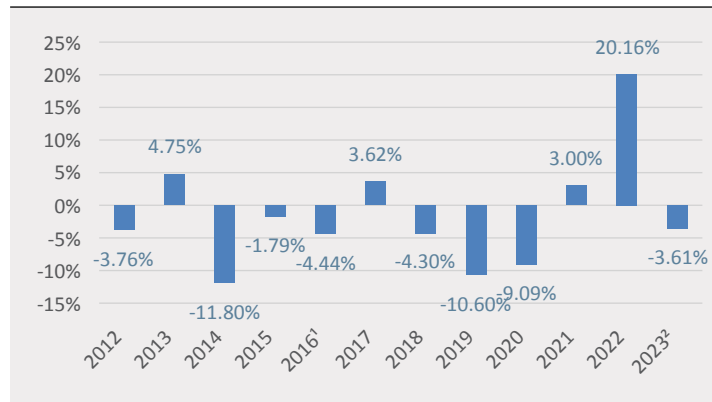
Class F



Long Portfolio



Short Portfolio



1 Restated performance for short portfolio for January 1 to December 31, 2 For the period January 1 to June 30

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Summary of Investment Portfolio

		% of NAV			% of NAV
Top 25 Issuers			Asset Mix		
Long positions:			Canadian Fixed Income	%	88.8
Manulife Financial Corp.	%	7.5	Foreign Fixed Income		39.9
Air Canada		5.9	Canadian Equities		6.2
Strait Crossing Dev Inc.		5.4	Preferred Shares		6.4
Pembina Pipeline Corp.		4.6	Cash and Cash Equivalents		1.4
Avis Budget Car/Finance		4.4	Foreign Fixed Income - Short		(6.3)
Toronto-Dominion Bank		4.4	Other Assets less Liabilities		(7.4)
General Electric Co		4.4	Canadian Fixed Income - Short		(29.0)
Royal Bank Of Canada		4.2	Total	%	100.0
Yellow Pages Ltd (Equity)		4.1	Sector		
Credit Suisse Group Ag		4.0	Cash and Cash Equivalents	%	1.4
AT&T Inc.		3.8	Communication Services		16.2
Bank Of Nova Scotia		3.6	Consumer Discretionary		11.4
Spirit Aerosystems Inc.		3.5	Consumer Staples		13.8
Bombardier Inc.		3.4	Energy		11.0
MCAP Service		3.2	Financials		35.5
Loblaw Companies Limited		2.8	Government		(5.3)
Clearstream Energy Services Inc.		2.7	Industrials		23.3
Enbridge Inc.		2.7	Information Technology		0.1
Thomson Reuters Corp. (Equity)		2.6	Other Assets less Liabilities		(7.4)
Transcanada Pipelines		2.4	Total	%	100
Latam Airlines Group Sa		2.4			
Met Life Glob Funding I		2.2			
Boeing Co.		2.0			
Flint Corp. (Equity)		2.0			
Short positions:					
Canadian Government		(7.5)			
Total	%	80.7			
Total Portfolio Long Positions	%	135.3			
Total Portfolio Short Positions		(35.3)			



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