

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

Lysander-Canso Credit Opportunities Fund



# Lysander-Canso Credit Opportunities Fund

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

## 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 Lysander-Canso Credit Opportunities 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](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://www.sedar.com).

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

## Investment objective

The Fund’s objective is to achieve long term capital growth by investing in, or gaining exposure to, a diversified portfolio composed primarily of debt and money market securities. The Fund will use alternative investment strategies such as engaging in short sales and purchasing securities on margin or with borrowed funds.

## Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”), a company under common control as the Manager. The Fund will seek to achieve returns through a portfolio that primarily invests in, or has exposure to,

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

## Risks

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

## Results of Operations

During the period, 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 six-month period ended June 30, 2023 were 1.0% for Series A, 1.4% for Series C, and 1.3% for Series F.

The net assets of the Fund were approximately \$54.3 million at June 30, 2023 from \$56.3 million at the beginning of the period. There were net redemptions of \$1.4 million during the period.

On February 20, 2020, the trustee and investment fund manager of the Fund changed from Canso Fund Management Ltd., an affiliate of the Manager, to the Manager. Prior to May 11, 2020, securities of the Fund were offered only on a private placement basis. On May 11, 2020, the Fund became a reporting issuer by filing a prospectus with securities regulatory authorities in each province and territory in Canada. While these were fundamental

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changes that occurred to the Fund, neither the Manager nor the Portfolio Manager are of the view that these changes affected the Fund's investment strategies in any material fashion.

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

The Fund did not borrow money during the 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 26.4% in the period. The Fund continues to 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 finished the period with a -13.1% 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 1.9 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 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 \$238,755 (including HST) in management fees to the Manager for the period ended June 30, 2023 (June 30, 2022 - \$270,781).

The Manager is also entitled to receive a performance fee from Series A and F units of the Fund (the "Performance Fee") under certain conditions as described in the Fund's most recently filed Prospectus. For the period ended June 30, 2023, the Performance Fee accrued and payable by the Fund was nil (including HST) (June 30, 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 the Portfolio Manager a percentage of any Performance Fee that the Manager receives from the Fund, such percentage to be agreed upon between the Manager and the Portfolio Manager from time to time.

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The Manager paid \$114,413 (including HST) to the Portfolio Manager for the period ended June 30, 2023 (June 30, 2022 - \$130,539).

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\*

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of period	\$ 11.50	\$ 12.44	\$ 11.74	\$ 10.00
Operations:				
Total revenue	0.30	0.49	0.53	0.42
Total expenses	(0.09)	(0.19)	(0.58)	(0.27)
Realized gains (losses)	(0.23)	0.65	0.68	0.32
Unrealized gains (losses)	0.13	(0.99)	0.51	2.03
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.11</b>	<b>\$ (0.04)</b>	<b>\$ 1.14</b>	<b>\$ 2.50</b>
Distributions:				
From income (excluding dividends)	\$ (0.21)	\$ (0.17)	\$ (0.37)	\$ (0.58)
From dividends	(0.01)	(0.04)	(0.05)	(0.05)
From capital gains	-	(0.66)	(0.32)	(0.75)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.22)</b>	<b>\$ (0.87)</b>	<b>\$ (0.74)</b>	<b>\$ (1.38)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 11.39</b>	<b>\$ 11.50</b>	<b>\$ 12.44</b>	<b>\$ 11.74</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 3,444,369	\$ 3,612,923	\$ 2,643,911	\$ 988,854
Units outstanding	302,376	314,068	212,520	84,203
Management expense ratio <sup>5</sup>	% 1.67	% 1.63	% 4.68	% 3.75
Management expense ratio before waivers or absorption	1.67	1.63	4.82	4.13
Portfolio turnover rate <sup>6</sup>	24.56	93.03	43.80	32.31
Trading expense ratio <sup>7</sup>	0.01	0.07	-	0.02
Net asset value per unit, end of period	\$ 11.39	\$ 11.50	\$ 12.44	\$ 11.74

### Notes

\* Series A commenced operations on May 11, 2020.

**1** 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.

**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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## Series C\*

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of period	\$ 13.80	\$ 15.17	\$ 13.68	\$ 12.14
Operations:				
Total revenue	0.36	0.59	0.66	0.72
Total expenses	(0.06)	(0.12)	(0.13)	(0.10)
Realized gains (losses)	(0.27)	0.81	0.81	1.06
Unrealized gains (losses)	0.16	(1.23)	0.84	3.17
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.19</b>	<b>\$ 0.05</b>	<b>\$ 2.18</b>	<b>\$ 4.85</b>
Distributions:				
From income (excluding dividends)	\$ (0.31)	\$ (0.27)	\$ (0.39)	\$ (0.35)
From dividends	(0.02)	(0.06)	(0.04)	(0.03)
From capital gains	-	(1.06)	(0.27)	(0.33)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.33)</b>	<b>\$ (1.39)</b>	<b>\$ (0.70)</b>	<b>\$ (0.71)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 13.66</b>	<b>\$ 13.80</b>	<b>\$ 15.17</b>	<b>\$ 13.68</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 2,468,856	\$ 2,434,339	\$ 2,426,610	\$ 2,090,691
Units outstanding	180,718	176,420	159,921	152,830
Management expense ratio <sup>5</sup>	% 0.82	% 0.79	% 0.85	% 0.86
Management expense ratio before waivers or absorption	0.82	0.79	1.04	1.43
Portfolio turnover rate <sup>6</sup>	24.56	93.03	43.80	32.31
Trading expense ratio <sup>7</sup>	0.01	0.07	-	0.02
Net asset value per unit, end of period	\$ 13.66	\$ 13.80	\$ 15.17	\$ 13.68

## Notes

- \* The Fund became a reporting issuer on May 11, 2020; however, Series C units started on December 19, 2008 and were issued pursuant to prospectus exemptions. The information provided is for the full calendar year for 2020.
- 1 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.
- 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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## Series F\*

Period ended	30-Jun-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>				
Net assets, beginning of period	\$ 10.20	\$ 10.96	\$ 10.22	\$ 9.47
Operations:				
Total revenue	0.27	0.42	0.47	0.58
Total expenses	(0.06)	(0.11)	(0.47)	(0.47)
Realized gains (losses)	(0.20)	0.59	0.55	0.39
Unrealized gains (losses)	0.12	(1.01)	0.50	1.92
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 0.13</b>	<b>\$ (0.11)</b>	<b>\$ 1.05</b>	<b>\$ 2.42</b>
Distributions:				
From income (excluding dividends)	\$ (0.22)	\$ (0.15)	\$ (0.24)	\$ (0.42)
From dividends	(0.01)	(0.03)	(0.04)	(0.04)
From capital gains	-	(0.57)	(0.29)	(0.56)
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.23)</b>	<b>\$ (0.75)</b>	<b>\$ (0.57)</b>	<b>\$ (1.02)</b>
<b>Net assets, end of period<sup>2 3</sup></b>	<b>\$ 10.10</b>	<b>\$ 10.20</b>	<b>\$ 10.96</b>	<b>\$ 10.22</b>
<b>Ratios and supplemental data</b>				
Net asset value <sup>4</sup>	\$ 48,429,822	\$ 50,216,122	\$ 55,314,631	\$ 19,745,200
Units outstanding	4,796,517	4,924,179	5,047,372	1,932,671
Management expense ratio <sup>5</sup>	% 1.10	% 1.08	% 4.32	% 4.91
Management expense ratio before waivers or absorption	1.10	1.08	4.47	5.40
Portfolio turnover rate <sup>6</sup>	24.56	93.03	43.80	32.31
Trading expense ratio <sup>7</sup>	0.01	0.07	-	0.02
Net asset value per unit, end of period	\$ 10.10	\$ 10.20	\$ 10.96	\$ 10.22

## Notes

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

1 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.

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.

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## Management Fees

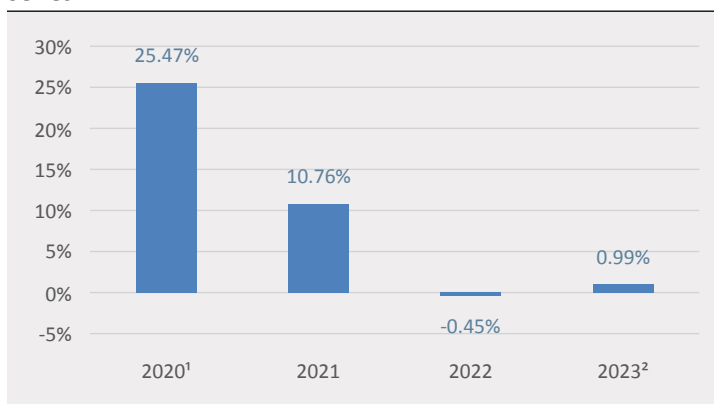
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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

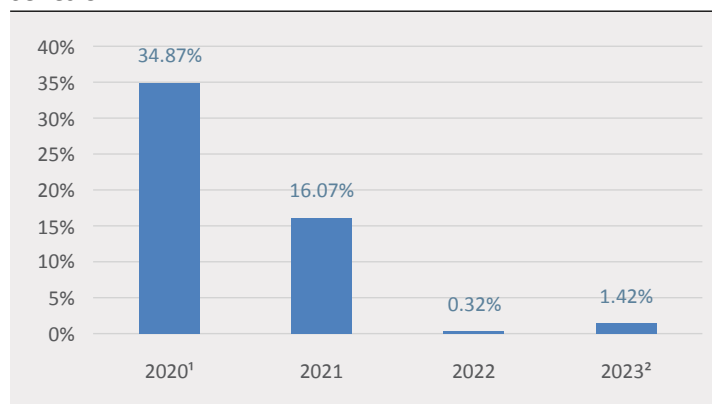
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

## Year-by-Year Returns

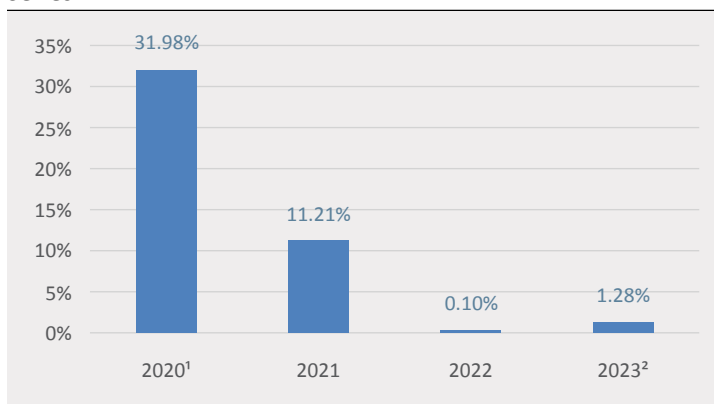
### Series A



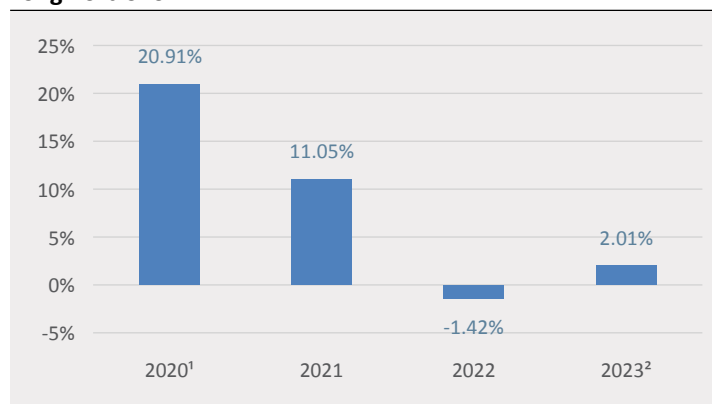
### Series C



### Series F



### Long Portfolio



## Past Performance

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

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

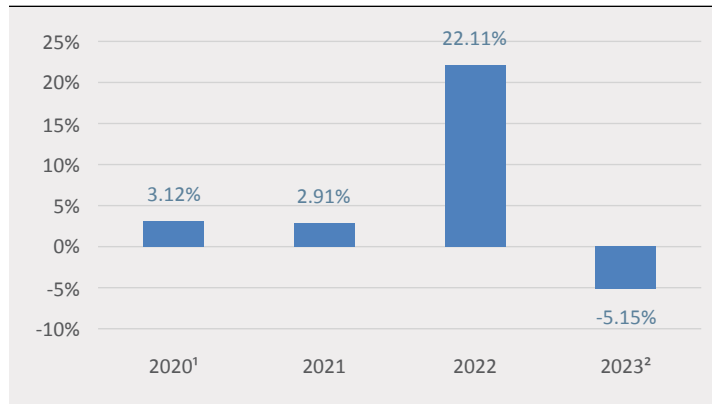
1 For the period May 11 to December 31, 2 For the period January 1 to June 30



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## Short Portfolio



1 For the period May 11 to December 31, 2 For the period January 1 to June 30

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## Summary of Investment Portfolio

	% of NAV		% of NAV
<b>Top 25 Issuers</b>		<b>Asset Mix</b>	
Long positions:		Canadian Equities	0.9
Canadian Government	8.5	Canadian Fixed Income	55.7
Toronto-Dominion Bank	5.1	Canadian Securities Sold Short	(14.9)
Manulife Financial Corp.	4.6	Cash and Cash Equivalents	0.7
Air Canada	4.4	Foreign Fixed Income	36.6
Spirit Aerosystems Inc.	4.1	Foreign Securities Sold Short	(4.0)
MERRILL LYNCH	4	Inflation Bonds	7.7
Bank Of Nova Scotia	4	Mortgage Backed Securities	10.3
Pembina Pipeline Corp.	4	Other Assets less Liabilities	1.1
Credit Suisse Group Ag	3.9	Preferred Shares	3.3
US Government	3.5	Private Placements	2.6
Bombardier Inc.	3.4	<b>Total</b>	<b>100.0</b>
Avis Budget Car/Finance	3.3	<b>Sector</b>	
Pacific Life Gf li	3.2	Cash and Cash Equivalents	0.7
Home Trust Co	2.9	Communication Services	4.5
Canadian Imperial Bank of Commerce	2.6	Consumer Discretionary	11.3
Latam Airlines Group Sa	2.1	Consumer Staples	5.8
JP Morgan Chase & Co.	2.1	Energy	7.8
Scotia Capital	1.6	Financials	44.4
Royal Bank Of Canada	1.5	Government	12.4
AMC Entertainment Holdings	1.5	Industrials	12.0
AT&T Inc.	1.5	Other Assets less Liabilities	1.1
Natwest Group Plc	1.5	<b>Total</b>	<b>100.0</b>
SNC-Lavalin Group Inc.	1.5		
Loblaw Companies Limited	1.4		
The Goldman Sachs Group, Inc.	1.3		
<b>Total</b>	<b>77.5</b>		
Total Portfolio Long Positions	118.9		
Total Portfolio Short Positions	(18.9)		



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

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