

No securities regulatory authority has expressed an opinion about these securities, and it is an offence to claim otherwise.

ANNUAL INFORMATION FORM

CANSO CREDIT INCOME FUND (Class A Units, Class F Units and Class N Units)

March 27, 2024



FORWARD-LOOKING STATEMENTS

Certain statements contained in this annual information form (the “**Annual Information Form**” or “**AIF**”) constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Manager (as defined herein) believes the expectations reflected in forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Annual Information Form should not be unduly relied upon. These statements speak only as of the date of this Annual Information Form.

In particular, this Annual Information Form may contain forward-looking statements pertaining to distributions. Actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this Annual Information Form. The Manager does not undertake any obligation to publicly update or revise any forward-looking statements.

DATE OF INFORMATION

Unless otherwise stated in this AIF, the information contained herein is as at March 1, 2024.

CURRENCY

Unless otherwise stated in this AIF, all currency references are in Canadian dollars.

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Name, Formation and History of the Fund

Canso Credit Income Fund (the “**Fund**”) is a closed-end investment fund established under the laws of the Province of Ontario by way of a declaration of trust dated as of June 28, 2010, as amended and restated as of June 24, 2015, further amended on May 18, 2021, and as further amended and restated on June 4, 2021, together with an amended and restated Schedule “B” dated as of September 8, 2021 (the “**Declaration of Trust**”). Pursuant to the Declaration of Trust, BNY Trust Company of Canada was appointed the trustee of the Fund (the “**Trustee**”). Lysander Funds Limited (the “**Manager**” or “**Lysander**”) is the manager of the Fund pursuant to a management agreement dated June 28, 2010, as amended and restated as of June 24, 2015, as further amended and restated on May 20, 2016 and as further amended on March 27, 2018, July 1, 2020 and September 8, 2021 (the “**Management Agreement**”). The Fund’s situs of administration is 3080 Yonge Street, Suite 4000, Toronto ON M4N 3N1. The beneficial interests in the net assets and net income of the Fund are divided into units of three classes, Class A units (the “**Class A Units**”), Class F units (“**Class F Units**”) and Class N units (each, a “**Unit**”, and collectively, the “**Units**”). The Class A Units trade on the Toronto Stock Exchange (the “**TSX**”) under the symbol PBX.UN. Class F Units are designed for fee-based and/or institutional accounts. Class F Units and Class N Units are not and will not be listed on a stock exchange, though the Manager reserves the right to apply to list the Class N Units on a stock exchange at a later date. Class F Units are convertible into Class A Units at the option of the unitholders on a monthly basis. Class N Units are not convertible by the unitholder; however, Class N Units will be automatically converted into Class A Units on the first Business Day following the end of the calendar year in which the Class N Units are issued.

The Fund completed its initial public offering of Units on July 16, 2010, whereby it issued 12,035,678 Class A Units and 2,604,322 Class F Units (including Units issued pursuant to the over-allotment option granted to the agents) at \$10 per Unit for total gross proceeds of \$146,400,000. On May 25, 2011, the Fund completed a secondary offering of Units, issuing 5,640,000 Class A Units and 2,036,264 Class F Units (including Units issued pursuant to the over-allotment option granted to the agents) at \$10.15 per Class A Unit and \$10.25 per Class F Unit for total gross proceeds of \$78,117,706. On September 10, 2021, the Manager filed a final short form base shelf prospectus (the “**Base Shelf Prospectus**”) on behalf of the Fund, which allowed the Fund to qualify the distribution of up to \$1,000,000,000 of Class A and Class N Units of the Fund during the 25-month period that the Base Shelf Prospectus remained effective. The Base Shelf Prospectus expired on October 10, 2023, and no Units of the Fund were offered for sale under any prospectus supplement to the Base Shelf Prospectus during that period.

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the period from July 20, 2022 to July 19, 2023, under which it was permitted to repurchase Class A Units for cancellation only when the Net Asset Value per Class A Unit exceeded its trading price. The Fund did not purchase any Class A Units for cancellation under this issuer bid.

Until June 25, 2015, through a forward agreement between the Fund and The Bank of Nova Scotia dated July 16, 2010 (the “**Forward Agreement**”), the Fund was exposed to a portfolio of securities consisting primarily of corporate bonds (the “**Portfolio**”) held by Canso Credit Trust. Canso Credit Trust was an investment trust established under the laws of the Province of Ontario

by way of a declaration of trust dated as of June 28, 2010, as amended on April 28, 2011, solely for the purpose of acquiring and holding the Portfolio. The Portfolio was actively managed by Canso Investment Counsel Ltd. (“**Canso**” or the “**Portfolio Manager**”), an affiliate of the Manager, pursuant to an investment advisory agreement with Canso Credit Trust dated July 16, 2010, as amended on January 14, 2013.

As a result of changes to the *Income Tax Act* (Canada) (the “**Tax Act**”), the Forward Agreement was settled on June 30, 2015, and the Fund did not enter into a new forward agreement. On June 25, 2015, the Fund acquired the assets and liabilities of Canso Credit Trust and has since continued to invest its assets directly in securities of the kind previously held in Canso Credit Trust. Canso Credit Trust was terminated on June 30, 2015. The Fund is actively managed by Canso pursuant to an amended and restated investment advisory agreement dated as of June 24, 2015 (the “**Investment Advisory Agreement**”).

Investment Objectives and Restrictions

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation. The Fund is subject to certain other requirements and restrictions contained in applicable securities laws applicable to non-redeemable investment funds, including those in National Instrument 81-102 *Investment Funds* (“**NI 81-102**”) and National Instrument 81-106 - *Investment Fund Continuous Disclosure* (“**NI 81-106**”).

Pursuant to an exemption order dated June 28, 2010 issued by the Ontario Securities Commission as principal regulator of the Fund, the Fund was granted an exemption from the requirement in section 14.2(3)(b) of NI 81-106 that the net asset value of an investment fund must be calculated at least once every business day if the investment fund uses specified derivatives. At a minimum, the net asset value of the Fund will be calculated each week on Thursday, or if any Thursday is not a “**Business Day**” (any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading), the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the net asset value per Unit. The Fund will make available the net asset value per Unit to the financial press for publication on a weekly basis. Such amount will also be available on the Manager’s website at www.lysanderfunds.com.

Additionally, pursuant to an exemption order dated June 10, 2021 issued by the Ontario Securities Commission as principal regulator of the Fund, the Fund was granted an exemption from:

1. the following provisions of NI 81-102 in order to permit the Fund to short sell “government securities” (as defined in NI 81-102) up to a maximum of 300% of the Fund’s net asset value:
 - (a) subparagraph 2.6.1(1)(c)(v) of NI 81-102, which restricts the Fund from selling a security short if, at the time, the aggregate market value of the securities sold short by the Fund exceeds 50% of the Fund’s net asset value;

- (b) section 2.6.2 of NI 81-102, which states that the Fund may not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate value of cash borrowed combined with the aggregate market value of the securities sold short by the Fund would exceed 50% of the Fund's net asset value; and
2. section 6.1(1) of NI 81-102 that provides that, except as provided elsewhere in NI 81-102, all portfolio assets of an investment fund must be held under the custodianship of one custodian that satisfies the requirements of section 6.2 in order to permit the Fund to deposit portfolio assets with a borrowing agent that is not the Fund's custodian or sub-custodian as security in connection with a short sale of securities, provided that the aggregate market value of the portfolio assets held by the borrowing agent after such deposit, excluding the aggregate market value of the proceeds from outstanding short sales of securities held by the borrowing agent, does not exceed 25% of the net asset value of the Fund at the time of the deposit.

The exemptions listed in subparagraphs (a) and (b) above were granted provided that:

- (i) the only securities which the Fund will sell short in an amount that exceeds 50% of the Fund's net asset value will be securities that meet the definition of a "government security" as such term is defined in NI 81-102;
- (ii) each short sale by the Fund will otherwise comply with all of the short sale requirements applicable to non-redeemable investment funds in sections 2.6.1 and 2.6.2 of NI 81-102;
- (iii) the Fund's aggregate exposure to short selling, cash borrowing and specified derivatives will not exceed 300% of the Fund's net asset value;
- (iv) each short sale will be made consistent with the Fund's investment objectives and investment strategies;
- (v) the Fund's prospectus will disclose that the Fund is able to short sell "government securities" (as defined in NI 81-102) in an amount up to 300% of the Fund's net asset value, including the material terms of this decision.

The exemption listed in paragraph 2 above was granted provided that the Fund otherwise complies with subsections 6.8.1(2) and (3) of NI 81-102.

Investment Objectives

The Fund was created to achieve the following investment objectives (the "**Investment Objectives**") as set out in the Declaration of Trust: (i) to maximize total returns for holders of Units ("**Unitholders**"), on a tax-advantaged basis, while reducing risk; and (ii) to provide Unitholders with attractive monthly tax-advantaged cash distributions, initially targeted to be \$0.50 per Unit per annum, representing an annual yield of 5.00% based on the original issue price of \$10.00 per Unit, by obtaining exposure to the Portfolio.

As a result of the termination of the Forward Agreement and the acquisition of the portfolio from Canso Credit Trust on June 25, 2015, the Fund's investment objective was changed 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.

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 to be positioned more defensively in both rising interest rate environments and credit downturns.

Investment Restrictions

The Declaration of Trust requires that investments of the Fund be made in accordance with the Investment Objectives and subject to the investment restrictions (the "**Investment Restrictions**") set out in the Declaration of Trust. Any change in the Investment Objectives or Investment Restrictions may only be undertaken with the approval of the Unitholders by an extraordinary resolution passed by the affirmative vote of at least 66 2/3% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for such purpose (an "**Extraordinary Resolution**"), unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by the applicable regulatory authorities from time to time.

The Fund shall be subject to the Investment Restrictions listed below. If a percentage restriction on investment or use of assets set forth below as an investment restriction is adhered to at the time of the transaction, later changes to the market value of the Fund's investments or the aggregate value of the Fund's assets will not be considered a violation of the Investment Restrictions or require the elimination of any of the Fund's investments. If the Fund receives from an issuer subscription rights to purchase securities of that issue, and, if the Fund exercises those subscription rights at a time when the Fund's holdings of securities of that issuer would otherwise exceed the limits set forth above, the exercise of those rights will not constitute a violation of the Investment Restrictions if, prior to the receipt of securities of that issuer on exercise of these rights, the Fund has sold at least as many securities of the same class and value as would result in the Investment Restriction being complied with. Notwithstanding the foregoing, the restrictions in (c) and (n) to (s) below must be complied with at all times and may necessitate the selling of certain of the Fund's investments from time to time. Except as otherwise provided herein, the Fund will not:

- (a) be net short;
- (b) have total exposure exceeding 130%, on a daily marked-to-market basis, with total exposure calculated as the value of the total unhedged long security positions, excluding cash and cash equivalents, plus the absolute value of the total unhedged short positions, divided by Net Asset Value of the Fund;
- (c) borrow money, including pursuant to a loan facility or by purchasing securities on margin, if, immediately following the borrowings, the aggregate amount borrowed would exceed 30% of the Net Asset Value of the Fund;

- (d) invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than securities issued or guaranteed by: (i) the Government of Canada, the Government of the United States or a province, state or territory thereof; or (ii) another country provided that such securities are rated AAA by Standard & Poor's or the equivalent rating from Moody's, DBRS, or Fitch;
- (e) invest more than 10% of its net assets in illiquid securities (which for this purpose means securities, the resale of which, is restricted by a representation, undertaking or agreement by the Fund (or by the Fund's predecessor in title) or by law);
- (f) have aggregate exposure to securities other than bonds, including credit instruments and credit exchange-traded funds, greater than 20% of the Fund's net asset value;
- (g) expose more than 10% of the Fund's net asset value through the use of derivatives for purposes other than hedging positions in the Fund;
- (h) hold securities of an issuer representing more than 10% of (i) the votes attaching to the outstanding voting securities of such issuer; or (ii) the outstanding equity securities of the issuer;
- (i) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;
- (j) except as permitted by NI 81-102, purchase real property, a mortgage or an interest in a loan syndication or loan participation;
- (k) with the exception of securities of the Fund's own issue, purchase securities from, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Portfolio Manager or any of their respective affiliates, any officer, director or shareholder of any of them, any person, trust, firm or corporation managed by the Portfolio Manager or any of their respective affiliates or any firm or corporation in which any officer, director or shareholder of the Portfolio Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with National Instrument 81-107 - *Independent Review Committee for Investment Funds* ("**NI 81-107**");
- (l) make or enter into a securities lending transaction as lender unless the Fund complies with the applicable requirements of NI 81-102;
- (m) make or hold any investments in entities that would be "foreign affiliates" of the Fund for purposes of the Tax Act;
- (n) make or hold any securities in any non-resident trusts, other than "exempt foreign trusts" within the meaning of section 94 of the Tax Act;

- (o) at any time, hold any property that is a “non-portfolio property” for the purposes of the specified investment flow-through rules in the Tax Act;
- (p) make or hold any investments that could require the Fund to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act;
- (q) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof);
- (r) make or hold any investment that would result in the Fund being a specified investment flow-through trust (“**SIFT trust**”) (as defined in the Tax Act);
- (s) make or hold any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act; or
- (t) invest in any security that would be a “tax shelter investment” within the meaning of the Tax Act.

In addition to the Investment Restrictions contained in this Section, the Fund shall not make any investment which would be prohibited by applicable laws or other requirements imposed by any applicable regulatory authority unless exemptive relief is granted to the Fund by the applicable regulatory authority.

The Investment Restrictions shall comply with applicable laws, regulations or other requirements imposed by applicable regulatory authorities. If any such regulatory authority having jurisdiction over the Fund or any Fund Property shall enact any law, regulation or requirement which is in conflict with any Investment Restriction then in force, such Investment Restriction in conflict shall, if the Trustee on advice of Counsel to the Fund so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict, and, any such amendment shall not require the approval of the Unitholders, whether or not such amendment is material.

Investment Restrictions - Tax Matters

The Fund is a “unit trust” and as of the date hereof is a “mutual fund trust” for the purposes of the Tax Act.

During the year ended December 31, 2023 the Fund did not deviate from the rules under the Tax Act that apply to the status of the Fund as a mutual fund trust within the meaning of the Tax Act.

Eligibility for Investment

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or in the case of Class A Units, the Units are listed on a designated stock exchange (which currently includes the TSX), the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans, tax-free savings accounts and first home savings accounts (collectively, “**Registered Plans**”).

Units are not a prohibited investment under the Tax Act for a tax-free savings account, registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan or first home savings account provided the holder of the tax-free savings account, registered disability savings plan or first home savings account, the annuitant of the registered retirement savings plan or registered retirement income fund, or the subscriber of the registered education savings plan, as the case may be, (i) deals at arms’ length with the Fund and (ii) does not have a “significant interest” (within the meaning of the Tax Act) in the Fund. In addition, pursuant to the Tax Act, the Units will generally not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for trusts governed by a tax-free savings account, registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan or first home savings accounts.

Description of Securities Offered by the Fund

The beneficial interests in the net assets and net income of the Fund are divided into units of three classes, Class A Units, Class F Units and Class N Units. The Fund is authorized to issue an unlimited number of Units of each class.

Class A Units

Class A Units are listed on the TSX under the symbol PBY.UN. The Class F Units and Class N Units differ from the Class A Units, as Class F Units and Class N Units are not and will not be listed on a stock exchange, though the Manager reserves the right to apply to list the Class N Units on a stock exchange on a later date.

Class F Units

Class F Units are designed for fee-based and/or institutional accounts. They are convertible into Class A Units on a monthly basis at the option of the unitholder. See *Conversion of Class F Units and Class N Units – Class F Units*. They also differ from the Class A Units as they are not listed for trading on the TSX. The Class net asset value per Unit (the “**Class NAV per Unit**”) of Class F Units will not be the same as the Class NAV per Unit of the Class A Units as a result of the different fees allocable to the classes of Units.

Class F Units are not, and will not be, listed for trading on a stock exchange.

Class N Units

Class N Units are designed for all investors. Class N Units differ from Class A Units as they are not charged a performance fee and are not listed for trading on the TSX, though the Manager reserves the right to apply to list the Class N Units on a stock exchange at a future date. Any Class N Units issued and outstanding will be automatically converted into Class A Units on the first Business Day following the end of the calendar year in which such Class N Units were issued. The result of the conversion is that unitholders of the Class N Units will become unitholders of Class A Units after the conversion. Therefore, investors in Class N Units are advised to make themselves aware of the features of the Class A Units, including the Performance Fee chargeable on Class A Units and the redemption rights of Class A Units. Please see further description of the conversion of Class N Units to Class A Units below under *Conversion of Class F Units and Class N Units – Class N Units*. As of March 1, 2024, no Class N Units were issued.

The Class NAV per Unit of the Class N Units will not be the same as the Class NAV per Unit as the Class A Units, as a result of the different fees allocable to the classes of Units.

All Units

Except as described in the foregoing paragraphs and also under *Conversion of Class F Units and Class N Units* and *Fees and Expenses*, each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains, if any. On the redemption of Units, however, the Fund may in its sole discretion and subject to the limitations contained in the Tax Act, allocate, designate and distribute capital gains to redeeming Unitholders as part of their redemption price. On termination or liquidation of the Fund, the Unitholders 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. Unitholders will have no voting rights in respect of securities held by the Fund.

The *Trust Beneficiaries' Liability Act, 2004* (Ontario) provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario) and (ii) the trust is governed by the laws of the Province of Ontario. The Fund is a reporting issuer under the *Securities Act* (Ontario), and it is governed by the laws of the Province of Ontario by virtue of the provisions of the Declaration of Trust.

Distributions

The Declaration of Trust provides that the Fund will make monthly distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. For the year ended December 31, 2023, the Fund paid monthly distributions on all Units in an amount equal to \$0.04166 per Unit. The monthly distributions consisted primarily of income and capital gains. The monthly distributions were paid in cash. In addition, the Fund paid a special distribution in respect of the year ending December 31, 2023 in an amount equal to \$0.24641 per Class A Unit and \$0.29796 per Class F Unit. The special distribution was paid by the issuance of the same class

of units of the Fund, and immediately consolidated thereafter, so that the number of issued and outstanding units of each class of the Fund did not change.

Conversion of Class F Units and Class N Units

Based in part on the current published administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”), a conversion of Class F Units or Class N Units into Class A Units will not constitute a disposition of the Class F Units or Class N Units for the purposes of the Tax Act.

Conversion of Class F Units

A holder of Class F Units may convert such units into Class A Units in any month on the first Business Day of a month (the “**Conversion Date**”) by delivering written notice to the Fund and surrendering such Class F Units by 5:00 p.m. (Toronto time) on the day that is at least 10 Business Days prior to the Conversion Date. Upon conversion of Class F Units, a holder will receive that number of Class A Units equal to the aggregate Class NAV per Unit of the Class F Units that are being converted, as of the close of trading on the Conversion Date divided by the net asset value per unit of a Class A Unit as of the close of trading on the Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class F Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

Conversion of Class N Units

Class N Units are not convertible at the option of the Unitholder. All outstanding Class N Units will be automatically converted into Class A Units on the first Business Day (the “**Auto-Conversion Date**”) following the end of the calendar year in which the Class N Units were issued. Upon conversion of Class N Units, a holder will receive that number of Class A Units equal to the aggregate Class NAV per Unit of the Class N Units held by the Unitholder as of the close of trading on the Auto-Conversion Date divided by the net asset value per unit of a Class A Unit as of the close of trading on the Auto-Conversion Date. No fractions of Class A Units will be issued upon any conversion of Class N Units and any fractional amounts will be rounded down to the nearest whole number of Class A Units. All outstanding Class N Units will automatically convert to Class A Units as described, unless their holders redeem their Class N Units prior to the Auto-Conversion Date applicable to their Class N Units. For additional information regarding the impact of the automatic conversion, including the impact as a result of any performance fee accrual in the Class A Units that will be issued as a result of the automatic conversion, please see *Risk Factors – Performance Fee Methodology*.

Amendments to the Declaration of Trust

Except as provided below, the Declaration of Trust may only be amended by a resolution passed by at least a majority of the votes cast (an “**Ordinary Resolution**”) at a duly convened meeting of Unitholders held in accordance with the Declaration of Trust. The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) the removal of the Trustee or any of its affiliates as the trustee of the Fund;

- (b) any change in the Investment Objectives or Investment Restrictions unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (c) any material change in the Management Agreement or change in the Manager, other than a change in the Manager where the new manager is an affiliate of the Manager;
- (d) any increase in the management fee payable to the Manager by the Fund (the “**Management Fee**”);
- (e) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (f) any change in frequency of calculating net asset value per Unit to less often than weekly;
- (g) the issuance of additional Units other than: (i) for net proceeds per Unit equal to or greater than 100% of the most recently calculated net asset value per Unit calculated prior to the entering into of the commitment by the subscriber to purchase such Units or prior to the offering, as the case may be; or (ii) by way of Unit distribution;
- (h) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (i) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interests of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and
- (j) any amendment to the above provisions except as permitted by the Declaration of Trust.

Notwithstanding the foregoing, the Trustee is entitled to amend the Declaration of Trust without the consent of, or notice to, the Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Declaration of Trust which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;

- (d) maintain the status of the Fund as a “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Tax Act, or to respond to amendments to the Tax Act or to the interpretation or administration thereof; or
- (e) provide added protection or benefit to Unitholders.

Termination of the Fund

The Fund does not have a fixed termination date. The Declaration of Trust provides that in the event that the Manager resigns and no new manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120-day period.

The Manager may, in its discretion and upon not less than 15 days’ and not more than 90 days’ (or such other period of time as required by applicable laws) prior written notice to the Unitholders by way of press release of the date of termination of the Fund (the “**Termination Date**”), terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders. The Fund shall issue a second press release at least 10 days in advance of such date. The Manager may, in its discretion and upon not less than 30 days’ prior written notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Manager determines that it will be unable to convert all of the Fund’s investments to cash prior to the original Termination Date and the Manager determines it would be in the best interests of the Unitholders to do so.

Prior to the Termination Date of the Fund, the Fund will liquidate the Fund assets and distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for, and which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the termination date, such unliquidated assets *in specie* rather than in cash, subject to compliance with any securities or other laws applicable to such distributions. Following such distribution, the Fund will be dissolved.

Valuation of Securities

For reporting purposes other than financial statements, the net asset value of the Fund on a particular date will be equal to (i) the aggregate value of the assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The net asset value of Units of a particular class on a particular date will be equal to the net asset value of the Fund allocated to that class, including an allocation of any net realized capital gains or other amounts payable to Unitholders on or before such date expressed in Canadian dollars at the applicable exchange rate on such date. The net asset value per Unit on any day will be obtained by dividing the net asset value of the Fund of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating net asset value of the Fund on a Valuation Date (as defined herein), the value of the aggregate assets, and any short positions, of the Fund on such Valuation Date will be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the value of the assets is being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the value of the assets is being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) the value of any bonds, debentures, other debt obligations and short positions will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the value of the assets is being determined, all as reported by any means in common use;
- (d) the value of any forward contract will be the value that would be realized by the Fund if, on the date on which the value of the assets is being determined, the other forward contract was closed out in accordance with its terms;
- (e) the value of any security which is traded over-the-counter will be priced at the average of the last bid and ask prices quoted by a major dealer or recognized information provider in such securities;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair value on the Valuation Date on which the value of the assets is being determined as determined by the Manager (generally, the Manager will value such securities as it considers fair and reasonable, and if there is an industry practice for valuing such securities or assets, will follow that industry practice);
- (g) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available to the Fund

from the Fund's custodian (the "**Custodian**") on the Valuation Date on which the value of the assets is being determined;

- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- (i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith and in such manner as the Manager from time to time adopts.

The Manager has the discretion to deviate from the Funds' valuation principles set out above. However, the Manager has not exercised such discretion in the past three years.

Calculation of Net Asset Value

The Custodian calculates the net asset value of the Fund. The Custodian will calculate the net asset value per Unit as at the time at which trading closes on the TSX on each Valuation Date. The Fund has obtained discretionary relief from the applicable securities regulators to permit it to calculate net asset value per Unit only on each Valuation Date. At a minimum, the Valuation Date will be Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the net asset value per Unit (each, a "**Valuation Date**"). Such amount will be available on the Manager's website at www.lysanderfunds.com, at no cost to the public.

The net asset value per Unit is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain. The net asset value per Unit of a class determined in accordance with the principles set out above may differ from the net asset value per Unit determined under Canadian generally accepted accounting principles.

Purchases of Fund Units

All of the currently issued and outstanding Units were issued in connection with the initial public offering of the Fund on July 16, 2010 and the secondary offering of Units of the Fund on May 25, 2011. In addition, Units may be issued from time to time in the Manager's discretion, subject to the terms of the Declaration of Trust. Units may not be issued for net proceeds per Unit less than the most recently calculated net asset value per Unit prior to the date of the setting of the subscription price by the Fund.

Registration of interests in and transfers of Units are made only through the book-entry only system administered by CDS Clearing and Depository Service Inc. (“CDS”). Units must be purchased, converted, transferred and surrendered for redemption through a broker, dealer, bank or other financial institution or other person for whom, from time to time, CDS effects book entries for the book-entry only Units deposited with CDS (a “CDS Participant”). All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled will be made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder’s interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the book-entry only system administered by CDS, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

Market Purchases

Subject to applicable law and obtaining approval from the TSX for a normal course issuer bid, the Fund may, in its sole discretion, from time to time purchase, either in the open market or by invitation for tenders, Class A Units for cancellation, based on the Manager’s assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated net asset value per Unit for Class A Units immediately prior to the date of any such purchase of such Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Class A Units are then listed.

Redemptions of Units

Annual Redemptions

Subject to the right of the Fund to suspend redemptions in certain circumstances, Class A Units and Class F Units may be redeemed at the option of Unitholders on the last Business Day in June of each year (each, an “**Annual Redemption Date**”). Units so redeemed will be redeemed at a redemption price equal to the Class NAV per Unit, calculated in a similar manner to the calculation of the net asset value per Unit except that, for the purposes of calculating the net assets of the Class, any bonds, debentures and other debt obligations that are owned by that Class will be valued by taking the bid price on the Valuation Date and any short positions owned by the Class will be valued by taking the ask price on the Valuation Date, calculated on a fully diluted basis, if applicable (the “Redemption Net Assets per Unit”). The Class A Units or Class F Units must be surrendered for redemption at least 10 Business Days prior to the Annual Redemption

Date. Payment of the proceeds of redemption will be made on or before the 15th Business Day of the following month.

The annual redemption right described above does not apply to Class N Units.

Monthly Redemptions

Subject to the right of the Fund to suspend redemptions in certain circumstances, Class A Units, Class F Units and Class N Units may be redeemed at the option of Unitholders on the second last Business Day of each month (each, a “**Monthly Redemption Date**”), subject to certain conditions and, in order to effect such a redemption, the Class A Units, Class F Units or Class N Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the 10th Business Day of the month immediately following a Monthly Redemption Date (the “**Redemption Payment Date**”), subject to the Manager’s right to suspend redemptions in certain circumstances.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price per Class A Unit equal to the lesser of (i) 94% of the volume-weighted average trading price on the TSX for the immediately preceding 10 trading days (the “**Market Price**”) of a Class A Unit; (ii) 100% of the Closing Market Price (as defined herein) of a Class A Unit on the applicable Monthly Redemption Date; and (iii) Net Asset Value per Unit of a Class A Unit on the applicable Monthly Redemption Date, less, in each case, any costs associated with the redemption, including brokerage costs (the “**Monthly Redemption Amount**”).

Unitholders surrendering Class F Units will receive a redemption price per Class F Unit equal to the product of (i) the Monthly Redemption Amount, and (ii) a fraction, the numerator of which is the most recently calculated Class NAV per Unit for Class F Units, and the denominator of which is the most recently calculated net asset value per Unit for Class A Units.

Unitholders surrendering Class N Units will receive a redemption price per Class N Unit equal to the product of (i) the Monthly Redemption Amount, and (ii) a fraction, the numerator of which is the most recently calculated Class NAV per Unit for Class N Units, and the denominator of which is the most recently calculated net asset value per Unit for Class A Units.

“**Closing Market Price**” in respect of a security on a Monthly Redemption Date means (i) the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was a trade on the Monthly Redemption Date and the market provides a closing price; (ii) the average of the highest and lowest prices of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) if there was trading on the Monthly Redemption Date and the market provides only the highest and lowest prices of the security traded on a particular day; or (iii) the average of the last bid and the last ask prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) if there was not trading on the applicable Monthly Redemption Date.

Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice date described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice date described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Fund (by value) are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund, or (ii) for any period of time as provided by applicable securities legislation or policies of securities regulatory authorities. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

Resale of Units Tendered for Redemption

The Fund entered into the recirculation agreement with RBC Dominion Securities Inc. (“RBC DS”) dated July 16, 2010, as amended on June 7, 2021 (the “**Recirculation Agreement**”) whereby RBC DS agreed to use commercially reasonable efforts to find purchasers for any Class A Units tendered for redemption up to two Business Days prior to the relevant Redemption Date. The Fund may, but is not obliged to, require RBC DS to seek such purchasers. In such event, the amount to be paid to the Unitholder on the Redemption Date will be an amount equal to the proceeds of the sale of Class A Units, less any applicable commission payable to RBC DS. Such amount shall not be less than the amount that a Unitholder would have been otherwise entitled to receive on the Redemption Payment Date.

Responsibility for Fund Operations

Manager

The Declaration of Trust provides that the Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager as manager of the Fund pursuant to the terms of the Declaration of Trust and the Management Agreement.

Lysander Funds Limited, the Manager, was incorporated pursuant to the *Business Corporations Act* (Ontario) on March 30, 2009. The majority shareholder of the Manager is Grip Investments Ltd. and of Canso is Grip Asset Management Ltd. Both Grip Investments Ltd. and Grip Asset Management Ltd. are corporations controlled by John Carswell. The Manager’s head office and contact information is as follows:

Lysander Funds Limited
3080 Yonge Street, Suite 4000
Toronto ON M4N 3N1

Phone: (416) 640-4275 or toll-free at 1- 877- 308- 6979
Fax: (416) 855-6515
Email: manager@lysanderfunds.com
Website: www.lysanderfunds.com

Directors and Officers of the Manager

The name, municipality of residence, position and principal occupation of the directors and officers of the Manager are as follows:

Name & Municipality of Residence	Office held with Lysander Funds Limited	Principal Occupation	Principal Occupation During Last 5 Years
Paul Adair Toronto, Ontario, Canada	Chief Operating Officer and Chief Investment Officer	Chief Operating Officer and Chief Investment Officer, Lysander Funds Limited.	Chief Operating Officer of the Manager since April 2023. Chief Investment Officer of the Manager since October 2023. Director and Portfolio Manager, Products & Services, Richardson Wealth Limited until April 2023.
Rachael Carswell Toronto, Ontario, Canada	Director	President, Grip Ventures Limited	President of Grip Ventures Limited since March 2022. Director, Royal Bank of Canada, RBC Ventures until March 2022.
Margaret Dowdall-Logie Collingwood, Ontario, Canada	Director	Advisor to each of Canso Investment Counsel Ltd., Portfolio HiWay Inc. and Portfolio xPressway Ltd. (acts as consultant to senior leadership)	Advisor to Canso Investment Counsel Ltd. since January 2023. Advisor to Portfolio xPressway Ltd. since April 2021. Advisor to Portfolio HiWay Inc. since September 2020. Member of the Independent Review Committee, Investors Group, from May 2018 to June 2020. Independent consultant from 2018 to 2020.
Timothy Hicks Toronto, Ontario, Canada	Director	Retired	Chief Investment Officer, Lysander Funds Limited until September 2023. Portfolio Manager, Canso Investment Counsel Ltd. until September 2023.
Mike Krygier Oakville, Ontario, Canada	Chief Information Security Officer	Chief Executive Officer, DeepCove Cyber	Chief Executive Officer, DeepCove Cybersecurity Ltd. since April 2023. Chief Information Officer, Portfolio XpressWay Ltd. from May 2022 to April 23.

Name & Municipality of Residence	Office held with Lysander Funds Limited	Principal Occupation	Principal Occupation During Last 5 Years
			<p>Chief Technology Officer Public Sector, Google Cloud from October 2019 to April 2022.</p> <p>Deputy Chief Information Security Officer, New York City Department of Technology & Telecommunications until September 2019.</p>
Ruth Liu Vaughan, Ontario, Canada	General Counsel, Chief Compliance Officer and Corporate Secretary	General Counsel, Chief Compliance Officer and Corporate Secretary, Lysander Funds Limited.	<p>General Counsel of the Manager since August 2018.</p> <p>Corporate Secretary of the Manager since March 2019.</p> <p>Chief Compliance Officer of the Manager since September 2020.</p>
Heather Mason-Wood Richmond Hill, Ontario	Director	Portfolio Manager and President, Canso Investment Counsel Ltd.	<p>Portfolio Manager and President, Canso Investment Counsel Ltd. since October 2023.</p> <p>Portfolio Manager and President and Chief Strategy Officer, Canso Investment Counsel Ltd. from March 2023 to October 2023.</p> <p>Portfolio Manager and Chief Strategy and Operating Officer, Canso Investment Counsel Ltd. from May 2019 to February 2023.</p> <p>Portfolio Manager and Chief Compliance Officer, Canso Investment Counsel Ltd. until May 2019.</p>

Name & Municipality of Residence	Office held with Lysander Funds Limited	Principal Occupation	Principal Occupation During Last 5 Years
Patrick McCalmont Toronto, Ontario	Director	Chief Strategy and Operating Officer, Canso Investment Counsel Ltd.	Portfolio Manager and Chief Strategy and Operating Officer, Canso Investment Counsel Ltd. since October 2023. Portfolio Manager and Head of Client Service and Marketing, Canso Investment Counsel Ltd. until October 2023.
Salvatore Reda Verdun, Québec	Director	President, Maralex Capital Inc.	Unchanged
Richard Usher-Jones Toronto, Ontario, Canada	President, Chief Executive Officer, Ultimate Designated Person and Director	President and Chief Executive Officer, Lysander Funds Limited. Portfolio Manager, Canso Investment Counsel Ltd.	Unchanged
Raj Vijn Toronto, Ontario, Canada	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer, Lysander Funds Limited	Vice President and Chief Financial Officer of the Manager since April 2023 Vice President, Chief Operating Officer and Chief Financial Officer of the Manager from September 2020 to April 2023. Vice President, Chief Operating Officer, Chief Financial Officer and Chief Compliance Officer of the Manager until September 2020.

Duties and Services to be Provided by the Manager

Pursuant to the Declaration of Trust and the Management Agreement, the Manager has exclusive authority to manage the business and affairs of the Fund, to make all decisions regarding the business of the Fund and has authority to bind the Fund. The Manager may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund to do so.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of the Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust and Management Agreement provide that the Manager will not be liable in any way for any default, failure or defect of the assets of the Fund if it has satisfied the duties and the standard of care, diligence and skill set forth above have been met. The Manager will incur liability, however, in cases of willful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve the Fund or wind up the affairs of the Fund except if, in its opinion, it would be in the best interests of the Unitholders to terminate the Fund or otherwise in accordance with the provisions of the Declaration of Trust.

Under the terms of the Declaration of Trust and the Management Agreement, the Manager will provide or be responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to the Fund, including, without limitation: (i) to invest, reinvest and manage the Fund's investments in accordance with the Investment Objectives and subject to the Investment Restrictions of the Fund; (ii) to make decisions as to the purchase and sale of the Fund's investments and decisions as to the execution of portfolio transactions, including selection of exchanges, dealers or brokers and the negotiation, where applicable, of commissions or service charges, to execute transactions and to perform the services described in the Declaration of Trust and the Management Agreement with respect to the Fund; (iii) to perform any and all other acts as may be in its judgment necessary or appropriate to the management of the investments of the Fund; (iv) to exercise all rights, powers, options, privileges, and other powers incidental to ownership of the securities in the Fund as may be exercised by any person owning such property or securities in their own right provided that timely notice has been given to the Manager by the custodian or any sub-custodian of the Fund's assets; (v) provided that timely notice has been given to the Manager by the custodian or any sub-custodian of the Fund's assets, to determine whether and in what manner to vote, and execute or cause to be executed proxies respecting the voting of securities held by the Fund at meetings of holders of such securities, in accordance with the Manager's proxy voting guides and to maintain and make available to the Unitholders on a timely basis a complete and accurate voting record of all actions taken on behalf of the Fund; (vi) authorizing and paying expenses incurred on behalf of the Fund; (vii) appointing and managing relationships with the Custodian, registrar and transfer agent, auditors, legal counsel and other organizations or professionals serving the Fund; (viii) monitoring the suitability of the Investment Restrictions and preparing for adoption by the Unitholders of any amendments to the Investment Objectives and Investment Restrictions which the Manager believes are in the best interests of the Fund; (ix) entering into any forward, derivative or other transactions including the pledge of the securities comprising the Fund and the providing of any other security or credit support documents from time to time required under such forward, derivative or other transactions in order to achieve the Investment Objectives; (x) the provision of office space, telephone service, office equipment and facilities, supplies and executive, secretarial and clerical services; (xi) preparing accounting, management and other reports, including such interim and annual reports to Unitholders, financial statements, tax reporting to Unitholders and income tax returns as may be required by applicable law; (xii) keeping and maintaining the books and records of the Fund and the supervision of compliance by the Fund with record keeping requirements under applicable regulatory regimes; (xiii) monitoring the ability of the Fund to pay distributions; (xiv) communicating with Unitholders

and general investor relations and responding to investors' inquiries in respect of the Fund; (xv) ensuring that the Net Asset Value per Unit is calculated and published; (xvi) dealing with banks and custodians, including the maintenance of bank records and the negotiation and securing of bank financing or refinancing; (xvii) determining from time to time the appropriate amount of borrowing for working capital and short term funding purposes for the Fund; (xviii) arranging for the liquidation of the Fund in an orderly manner, to the extent necessary, and using the proceeds therefrom to reduce indebtedness or outstanding short positions of the Fund in the event that the Fund is at any time in breach of its collateral requirements in order to limit the total indebtedness of the Fund as a percentage of its total assets or for any other reason where the Fund requires cash to meet its obligations; (ixx) arranging for the services of the prime broker of the Fund and the pledge of certain Fund investments thereto; (xx) obtaining such insurance as the Manager considers appropriate for the Fund; (xxi) reviewing fees and expenses charged to the Fund and ensuring the timely payment thereof; (xxii) ensuring that the Fund complies with all regulatory requirements and applicable stock exchange listing requirements; (xxiii) the organization and calling of meetings of Unitholders as required; and (xxiv) providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Fund.

In consideration for these services, the Fund will pay to the Manager the Management Fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's willful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Declaration of Trust or Management Agreement.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of the Fund. The Manager may resign if the Fund is in breach or default of the provisions of the Declaration of Trust and the Management Agreement and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default to the Fund. The Manager is deemed to have resigned if the Manager becomes bankrupt or insolvent or in the event the Manager ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an Extraordinary Resolution of the Unitholders. In the event the Manager is in material breach or default of the provisions of the Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the Trustee shall give notice thereof to Unitholders and Unitholders may direct the Trustee by Ordinary Resolution to remove the Manager and appoint a successor Manager. The Management Agreement may be terminated at any time by the Trustee, on behalf of the Fund, on 90 days' written notice to the Manager with the approval of the Unitholders by an Extraordinary Resolution.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Fund. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

Portfolio Manager

Pursuant to the Investment Advisory Agreement, the Manager has retained Canso to provide investment advisory and portfolio management services to the Fund. Canso is located at 100 York Blvd., Suite 550 Richmond Hill, Ontario L4B 1J8. Under the terms of the Investment Advisory Agreement, Canso will provide, or cause to be provided, investment services and facilities to the Fund, including, without limitation: (i) to invest, reinvest and manage the Fund's investments in accordance with the Investment Objectives and the investment strategy and subject to the Investment Restrictions of the Fund and applicable laws; (ii) to make decisions as to the purchase and sale of the Fund's investments and decisions as to the execution of portfolio transactions, including selection of exchanges, dealers or brokers and the negotiation, where applicable, of commissions or service charges, to execute transactions and to perform the services described herein with respect to the Fund; (iii) to perform any and all other acts as may be in its judgment necessary or appropriate to the management of the Fund's investments; (iv) to exercise all rights, powers, options, privileges, and other powers incidental to ownership of the securities in the Fund as may be exercised by any person owning such property or securities in their own right provided that timely notice has been given to Canso by the custodian or any sub-custodian of the Fund's assets; (v) provided that timely notice has been given to Canso by the custodian or any sub-custodian of the Fund's assets, to determine whether and in what manner to vote, and execute or cause to be executed proxies respecting the voting of, securities held by the Fund at meetings of holders of such securities, in accordance with Canso's proxy voting guidelines and to maintain and make available to the Manager on a timely basis a complete and accurate voting record of all actions taken on behalf of the Fund; and (vi) provide such other investment advisory, portfolio management and related services to the Fund as the Manager may reasonably request from time to time.

The Investment Advisory Agreement shall continue until termination of the Fund unless terminated earlier in accordance with its terms. The Investment Advisory Agreement may be terminated by the Fund or the Manager, on behalf of the Fund, at any time on 90 days written notice to Canso with the approval of the unitholders of the Fund by an extraordinary resolution. The Investment Advisory Agreement may also be terminated by the Fund or the Manager immediately in the event of the commission of any fraudulent act by Canso and Canso will be deemed to have resigned if Canso becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors or ceases to be resident in Canada for purposes of the Tax Act. In the event Canso is in material breach or default of the provisions of the Investment Advisory Agreement and such breach or default has not been cured within 30 days' notice of such breach or default to Canso, the Fund or the Manager shall give notice to the unitholders of the Fund and with the approval of such unitholders by ordinary resolution, such unitholders may direct the Manager to remove Canso and appoint a successor portfolio manager. Canso shall provide notice to the Fund of any material breach of the Investment Advisory Agreement, and the Fund or the Manager is entitled to rely solely on Canso's notice without independent investigation. Canso may resign if the Manager or the Fund is in breach or default of the provisions of the Investment

Advisory Agreement and such breach or default has not been cured within 30 days' notice of such breach or default to the Manager or the Fund, as applicable.

Canso and each of its directors, officers, employees, consultants and agents are indemnified and will be reimbursed by the Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Fund, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to the Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's willful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Declaration of Trust or Management Agreement.

Canso was founded by John Carswell who began his career as a credit analyst at Mutual Life. He was a partner, credit analyst and fixed income portfolio manager at TAL Investment Counsel Ltd. and Foyston, Gordon & Payne prior to establishing Canso in 1997. The individuals on the portfolio management team at Canso who are principally responsible for the day-to-day management of a material portion of the portfolio of the Fund are as set forth in the table below.

Name	Description of Background and Experience
Jeff Carter, CFA	Jeff joined Canso in 2015 and has 27 years of experience in trading, risk, credit analysis and corporate bond management.
Jason Davis, CFA	Jason joined Canso in 2012 and has 13 years of experience in trading, risk, credit analysis and corporate bond management.
Steffan Kelly, CFA	Steffan joined Canso in 2013 and has 12 years of experience in trading, risk, credit analysis and corporate bond management.
John Laing, CFA	John joined Canso in 2009 and has 17 years of experience in trading, credit analysis, and corporate bond management.
Vivek Verma, CFA	Vivek joined Canso in 2002 and has 27 years of experience as a credit rater, credit analyst and corporate bond manager.

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee of the Fund.

Trustee

Pursuant to the Declaration of Trust, BNY Trust Company of Canada has been appointed the Trustee of the Fund. The Trustee is responsible for certain aspects of the administration of the

Fund as described in the Declaration of Trust. The Trustee is located at 1 York Street, 6th Floor, Toronto, ON M5J 0B6.

The Trustee or any successor trustee may resign upon 90 days' written notice to the Manager or may be removed by an Extraordinary Resolution passed at a meeting of Unitholders called for such purpose. The Declaration of Trust provides that the Trustee will not be liable in carrying out its duties under the Declaration of Trust except in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Fund or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Declaration of Trust contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund and to be reimbursed by the Fund for all expenses which are reasonably incurred by the Trustee in connection with the activities of the Fund.

Custodian

CIBC Mellon Trust Company at its office in Toronto, Ontario has been appointed as the custodian of the assets of the Fund, pursuant to a custodial services agreement among, *inter alia*, the Fund, the Manager and the Custodian, dated July 16, 2010, as amended and restated on June 30, 2015 (the "**Custodian Agreement**"). The Custodian is responsible for safekeeping of all the investments and other assets of the Fund delivered to it (but not those assets of the Fund not directly controlled or held by the Custodian, as the case may be). The Custodian may employ sub-custodians as considered appropriate in the circumstances. Subject to certain exemptions as set out in the Custodian Agreement, the Custodian is not responsible for any ongoing assessment, adequacy or monitoring of or any liability for any loan or credit facility or any liability for holding or controlling any property of the Fund pledged to a counterparty and not directly held by the Custodian. In addition, the Custodian calculates the net asset value of the Fund.

Auditor

The auditor of the Fund is Deloitte LLP and is located at its offices in Toronto, Ontario.

Transfer Agent and Registrar

TSX Trust Company is the transfer agent and registrar for the Units and maintains the securities registers at its office in Toronto, Ontario.

Promoter

The Manager may be considered a promoter of the Fund by reason of its initiative in forming and establishing the Fund and taking the steps necessary for the public distribution of the Units.

Designated Website

The Fund is required to post certain regulatory disclosure documents on a designated website. The Fund's designated website is at www.lysanderfunds.com.

Conflicts of Interest

Principal Unitholders

To the knowledge of the Fund, as of March 1, 2024, the Manager owned directly and indirectly 1,331,023 Class A Units, representing approximately 13.16% of the issued and outstanding Class A Units.

As at March 1, 2024, John Carswell beneficially owned, directly or indirectly, in aggregate, 83% of the voting control in the Manager through ownership in Class A voting shares of the Manager.

As of March 1, 2024, the directors and senior officers of the Manager beneficially owned, directly or indirectly, in aggregate, approximately 4.5% of the Class A voting and approximately 16.2% of the Class B subordinated voting shares of the Manager.

Automatic Securities Disposition Plan

On December 13, 2023, the Manager announced the adoption of an automatic securities disposition plan ("**ASDP**"), which permits the Manager to sell up to 1,312,379 Class A Units through the dealer Portfolio HiWay Inc., in accordance with a pre-arranged set of instructions, in accordance with Canadian securities laws. The ASDP is expected to be in place for 12 months, with the sales of the Class A units commencing on March 31, 2024. As of the date of this AIF, no Class A units have been sold under the ASDP.

Securities Held by Members of the Independent Review Committee

As of March 1, 2024, the members of the independent review committee did not own, directly or indirectly, more than 10% of the Units of the Fund or any of the securities in the Manager or in any person or company that provides services to the Fund or the Manager.

Conflicts of Interest

The directors and officers of the Manager or Canso may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager or Canso and their respective affiliates or associates may be managers or portfolio managers of one or more issuers in which the Fund may acquire securities and may be managers or portfolio managers of funds that invest in the same securities as the Fund. The services of the Manager and Canso are not exclusive to the Fund. The Manager or Canso may act as the manager or investment advisor to other funds and companies and may act as the manager or investment advisor to other funds which invest in debt securities, and which are considered competitors of the Fund. The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund

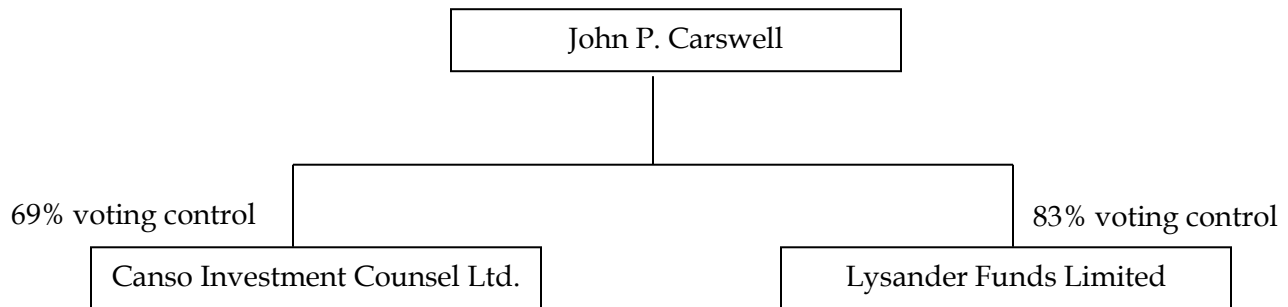
than those which would be obtained from parties which are at arm's length for comparable services.

The services of Canso are not exclusive to the Fund. Canso and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in the promotion or management of any other fund, trust or investment portfolio. Since Canso will continue to manage the investments of its other clients, Canso may acquire or dispose of the same investment for the Fund and for one or more of its other clients. However, because of the different investment policies, Canso may be selling an investment for one client and buying the same investment for another client.

The primary consideration in all portfolio transactions will be prompt execution of orders in an efficient manner at the most favourable price. In selecting and monitoring dealers, Canso considers the dealer's reliability, the quality of its execution services on a continuing basis and its financial condition. When more than one dealer is believed to meet these criteria, preference may be given to dealers who provide research or statistical material or other services to the Fund or to Canso or its affiliates. This allows Canso to supplement their own investment research activities and obtain the views and information of others prior to making investment decisions.

Affiliated Entities

The following diagram shows the respective relationships between the Manager and any affiliated entity that provides services to the Fund and/or to the Manager with regard to the Fund:



Disclosure of the amount of fees received from the Manager by Canso is contained in the audited financial statements of the Fund.

Fund Governance

Independent Review Committee

The Manager has appointed the following members to its independent review committee, which will also act as the independent review committee for the Fund, and for other funds for which Lysander Funds Limited acts as manager:

Bill Schultz (Chair): Bill Schultz retired in 2013. Bill has over 40 years' experience in the investment industry in Canada and the United States. Most recently he was Vice-President, Institutional Bonds at National Bank Financial.

Paul Fahey: Paul Fahey retired in 2016. Paul has over 35 years' experience in the investment industry. Most recently he was the Vice-President, Pension Investments at NAV CANADA.

Jim McGill: Jim McGill retired in 2010. Jim has over 30 years' experience in the Canadian investment industry. Most recently he was Executive Vice President at High Street Asset Management.

Ruth Gould: Ruth Gould retired in 2016 after 31 years as a Fixed Income specialist at RBC Capital Markets. For the 10 years prior to her retirement, Ruth was a Managing Director; Fixed Income and Currencies at RBC Capital Markets.

The mandate and responsibilities of the independent review committee are set out in its charter. The independent review committee is responsible for carrying out those responsibilities required to be undertaken pursuant to NI 81-107, including reviewing each conflict of interest matter referred by the Manager to the independent review committee for its recommendation or approval, conducting regular assessments as required by NI 81-107 and reporting to the Unitholders and Manager on at least an annual basis, as required by NI 81-107.

The independent review committee prepares a report, at least annually, of its activities for Unitholders which is available on the Manager's website at www.lysanderfunds.com, or at the Unitholder's request at no cost, by contacting the Manager at (416) 640-4275 or toll free at 1-877-308-6979.

General

The Manager is responsible for the governance of the Fund. Please see "Responsibility for Fund Operations - Manager - *Directors and Officers of the Manager*" herein for information regarding members of the Manager's board of directors. Fund governance refers to the policies, practices and guidelines of the Fund that relate to business practices, sales practices and internal conflicts of interest.

The Manager or the Portfolio Manager, as applicable, has established appropriate policies, practices and guidelines relating to the business practices, sales practices, risk management controls and internal conflicts of interest as more fully described below.

Derivatives

The Fund may invest in or use derivative instruments, other than commodity derivatives, for hedging or investment purposes consistent with the Investment Objectives and subject to the Investment Restrictions of the Fund, including the restriction on net exposure.

The Fund may also engage in short selling of securities both to hedge credit and interest rate risk and to exploit the overvaluation of securities. Junior securities may be sold short to hedge

the credit risk of more senior issuers. In some circumstances, the equity securities of an issuer may be sold short to hedge a long position in its debt securities.

In accordance with the Investment Restrictions, Canso will not expose more than 10% of the Fund's net asset value through the use of derivatives for purposes other than hedging positions in the Fund. The Fund may enter into currency hedging to reduce the effects on the Fund of changes in the values of foreign currencies relative to the Canadian dollar. Please see "Risk Factors" herein for a description of the risk factors associated with the use of derivatives.

Canso has policies and practice guidelines to manage the risks associated with the use of derivative instruments. Such policies and practice guidelines require that:

- the use of derivative instruments be consistent with the Fund's Investment Objectives and policies;
- the risks associated with the use of derivatives be adequately described in the Fund's public disclosure documents;
- authorized officers or directors of Canso approve the parameters, including trading limits, under which derivatives trading is to be permitted for the Fund and that such parameters comply with applicable securities legislation; and
- the operational, monitoring and reporting procedures in place ensure that all derivatives transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for the Fund.

These policies and practice guidelines are reviewed as necessary by the Chief Investment Officer of Canso.

Securities Lending and Similar Arrangements

As of the date hereof, the Fund has not engaged in any securities lending activities, however, the Fund may in the future lend securities to securities borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower. Under any such securities lending agreement: (i) the borrower will pay to the Fund a negotiated securities lending fee and will make compensatory payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the Custodian or a sub-custodian of the Fund is appointed as agent to the Fund to administer the securities lending transaction; (iii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iv) the Fund will receive collateral security. Please see "Risk Factors" herein for a description of the risk factors associated with the use of securities lending.

Proxy Voting Policies and Procedures

The Manager has written policies and procedures ("**Policies**") in relation to proxy voting. The Manager has delegated the responsibility to vote issuer proxy solicitations to Canso as part of its portfolio management of the Fund.

The Policies require Canso, when voting proxies on behalf of the Fund, to vote in the best interests of the Fund, which generally means voting in a manner that includes maximizing positive economic effect on the Fund's value and to protect the Fund's rights as a shareholder.

Canso's proxy voting policies generally provide for voting in favour of management's recommendations unless there are specific circumstances for voting against and/or Canso believes the Fund's best interests would be better served by voting against such recommendations. Canso will document the reasons for a decision to cast a proxy vote in a manner that deviates from Canso's voting policies.

Canso's proxy voting policies provide that non-routine matters, including corporate restructurings, mergers and acquisitions, proposals affecting security holder rights and executive compensation, will usually be addressed on a case-by-case basis with a focus on the best interests of the Fund.

The Fund is considered to have received a solicitation at the time it or Canso has received notice at its offices. In the event that Canso does not receive a solicitation within sufficient time to execute a vote or the proxy is not submitted to the issuer in the time required, the Fund will not be able to vote on the matters solicited.

The policies and procedures that the Fund follows when voting proxies relating to the Portfolio will be available on request, at no cost, by writing to the Manager at 3080 Yonge Street, Suite 4000, Toronto ON M4N 3N1.

The Fund's voting record, if any, for the previous year ended June 30 will be available free of charge to any Unitholder of the Fund upon request at any time after August 31 of such year and will also be made available on the Fund's designated website at www.lysanderfunds.com.

Short-Term Trading

The Class A Units trade on the TSX. Therefore, the Manager does not have policies and procedures in place to monitor, detect and deter short-term trading.

Fees and Expenses

Management Fees

The Manager receives a Management Fee from the Fund equal to 0.75% per annum of the net asset value of the Fund, calculated and payable monthly in arrears, plus applicable taxes.

Performance Fee

Subject to certain terms and conditions more fully described below, the Manager will be entitled to receive, in respect of Class A and Class F of the Fund, a performance fee (the "**Performance Fee**") equal to 20% of the outperformance of the Class A Units or Class F Units, respectively, of the Index (as defined below), after fees and expenses. The Performance Fee will only be paid if the Class NAV per Unit exceeds the highest level previously reached for calculation of the Performance Fee (taking into account distributions paid) and the Class NAV

per Unit exceeds the cumulative performance of the Index during the same period of time, all as more fully described below. The Performance Fee is not charged in respect of Class N Units, until such time as they are converted to Class A Units and then the Performance Fee applicable to that class will apply.

No Performance Fee will be paid to the Manager in respect of Class A Units or Class F Units unless the Class NAV per Unit for Class A Units or for Class F Units, as applicable, is greater than or equal to the Class NAV per Unit of Class A and Class F Units, respectively, as of the most recent date that a Performance Fee was payable to the Manager, taking into account distributions paid. The most recent date at which a Performance Fee was payable to the Manager, prior to the date of this Annual Information Form, was December 31, 2023.

The Performance Fee will be calculated and accrued monthly and be paid annually, if earned. The amount of the Performance Fee, if any, will be determined as of December 31 of each year (each, a “**Determination Date**”). If the Determination Date falls on the same date that the Fund is terminated, the Manager, acting reasonably, will select another date within 10 Business Days of the termination of the Fund as the Determination Date.

The Performance Fee for a given Relevant Period will be an amount for each Class A and Class F Unit of the Fund then outstanding equal to 20% of $A \times B$, where:

A = The amount by which the Canso Performance (as defined below) exceeds the greater of

- (i) the Index Performance (as defined below) during the Relevant Period (as defined below), and
- (ii) zero; and

B = The Class NAV per Unit of the Class at the Determination Date;

provided that no Performance Fee will be payable if the Canso Performance is negative during the Relevant Period or during the fiscal year ending on the Determination Date, and further provided that after the payment of the Performance Fee, in any fiscal year, the return to a unitholder of the Class will not be negative.

For the purposes of calculating the Performance Fee in respect of Class A Units and Class F Units on a Determination Date:

- (a) “**Benchmark Date**” means the previous Determination Date on which the most recent Performance Fee was payable;
- (b) “**Canso Performance**” means a fraction, the numerator of which is (i) the Class NAV per Unit calculated without taking into account the Performance Fee as at

the Determination Date, plus (ii) the distributions paid on such unit since the Benchmark Date, less (iii) the Class NAV per Unit as at the Benchmark Date, and the denominator of which is the Class NAV per Unit as at the Benchmark Date;

- (c) **“Index”** means the FTSE TMX Canada All Corporate Bond Index (previously called the DEX Universe All Corporate Bond Index) calculated by PC-Bond, a wholly-owned subsidiary of TMX Group Inc.;
- (d) **“Index Performance”** means a fraction, the numerator of which is (A) the level of the Index as at the Determination Date, less (B) the level of the Index as at the Benchmark Date, and the denominator of which is the level of the Index as at the Benchmark Date; and
- (e) **“Relevant Period”** means the period from but excluding the Benchmark Date to and including the Determination Date.

Notwithstanding the foregoing, where Class A Units or Class F Units of the Fund are redeemed on a particular Monthly Redemption Date or Annual Redemption Date during a fiscal year of the Fund (other than on the last Business Day of a fiscal year), the Fund shall pay the Manager a Performance Fee determined as though the Monthly Redemption Date or Annual Redemption Date, as applicable, was the Determination Date in respect of such Units. Any Performance Fee so determined (the **“Interim Performance Fees”**) shall be payable to the Manager on the applicable redemption date.

Trustee Fee

The Trustee is entitled to receive a fee from the Fund, which fee is currently \$5,500 per annum, plus applicable taxes.

Ongoing Expenses of the Fund

The Fund pays for all of its expenses incurred in connection with its operation and administration. The Fund is also responsible for its costs of portfolio transactions and any extraordinary expenses that may be incurred from time to time. The expenses paid by the Fund may be obtained from the Fund’s annual and semi-annual financial statements.

Additional Services

Any arrangements for additional services between the Fund and the Manager, or any affiliate thereof, that have not been described herein will be on terms that are no less favourable to the Fund than those available from arm’s length persons (within the meaning of the Tax Act) for comparable services and the Fund will pay all expenses associated with such additional services.

Canadian Federal Income Tax Considerations

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to the acquisition, holding and disposition of Units by a Unitholder. This summary is applicable to a Unitholder who is an individual (other than a trust) and who, for the purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund, holds Units as capital property and has not entered into a "derivative forward agreement", as defined in the Tax Act, in respect of the Units. Generally, Units will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making an irrevocable election in accordance with the Tax Act.

This summary is based on the current provisions of the Tax Act, an understanding of the current administrative policies and assessing practices of the CRA published in writing prior to the date hereof, and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"). This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial or foreign income tax legislation or considerations. There can be no assurance that the Tax Proposals will be enacted in the form publicly announced or at all.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances, including the province or territory in which the investor resides or carries on business. No views are expressed herein in respect of the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. **This summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.**

Status of the Fund

This summary is based on the assumptions that the Fund will qualify, at all times, as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act. To qualify as a mutual fund trust, the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. In the event the Fund were not to qualify as a mutual fund trust under the Tax Act at any time, the income tax consequences described below would in some respects be materially and adversely different.

This summary is also based on the assumption that the Fund will at no time be a SIFT trust. Provided the Fund complies with the Investment Restrictions, the Fund should not hold any investment that would result in the Fund being a SIFT trust.

Taxation of the Fund

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its income, including its net realized capital gains, it will generally not be liable in such year for income tax under Part I of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (a “**capital gains refund**”). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities in connection with a redemption of Units.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income in accordance with the detailed rules in the Tax Act. The Fund may deduct the costs and expenses of an offering of its Units paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days. However, the deductibility of interest and financing expenses incurred by the Fund may be subject to limitations in certain circumstances pursuant to Tax Proposals.

With respect to any investments in debt, the Fund will be required to include in its income for a taxation year all interest thereon that accrues (or is deemed to accrue) to it to the end of that year (or until the disposition of the indebtedness in the year) or that has become receivable or is received by the Fund before the end of that year, including on a redemption, conversion or repayment on maturity, except to the extent that such interest was included in computing the Fund’s income for a preceding year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the Fund.

Upon the actual or deemed disposition of a security, the Fund will realize a capital gain (or capital loss) to the extent the proceeds of disposition net of any amounts included as interest on the disposition of the security and any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Fund was considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager intends that the Fund will purchase securities with the objective of earning income from such securities over the life of the Fund and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. In addition, the Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” (as defined in the Tax Act) treated as capital property. Such election will ensure that gains or losses realized by the Fund on the disposition of its “Canadian securities” are taxed as capital gains or capital losses.

One-half of the amount of any capital gain (a “**taxable capital gain**”) realized by the Fund in a taxation year on the disposition of securities that are capital property of the Fund must be

included in computing the Fund's income for the year, and one-half of the amount of any capital loss (an "**allowable capital loss**") realized by the Fund in a taxation year must be deducted against any taxable capital gains realized by the Fund in the year. Allowable capital losses for a taxation year in excess of taxable capital gains may be carried back and deducted by the Fund in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net realized taxable capital gains in accordance with the provisions of the Tax Act.

Generally, the Fund will include gains and deduct losses on income account in connection with investments made through certain derivatives, including certain short sales of securities, except where such derivatives are used to hedge securities held on capital account provided there is sufficient linkage or the short sale is a hedge against identical securities of the Fund that are capital property, and will recognize such gains or losses for tax purposes at the time they are realized by the Fund, subject to the DFA Rules (as discussed below). In accordance with the CRA's published administrative practice, gains or losses realized on such derivatives hedging securities held on capital account will be treated and reported for purposes of the Tax Act on capital account provided there is sufficient linkage and they are not "derivative forward agreements" as defined in the Tax Act. The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (referred to as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions (including certain forward currency contracts).

The Fund may derive income or gains from investments in countries other than Canada and, as a result, may be liable to pay tax to such countries. To the extent that such foreign tax paid qualifies as an income or profits tax (for example, withholdings on foreign source interest) and does not exceed 15% of such amount and has not been deducted in computing the Fund's income, the Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Fund exceeds 15% of the amount included in the Fund's income from such investments, such excess may generally be deducted by the Fund in computing its income for the purposes of the Tax Act.

The Fund may include securities that are not denominated in Canadian dollars. Proceeds of disposition of securities, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates determined in accordance with the detailed rules in the Tax Act in that regard. The Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to the Canadian dollar.

Taxation of Unitholders (other than Registered Plans)

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year, whether paid in cash or additional Units. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the

Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year will not generally be included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder of a Unit, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all Units of the same class owned by the Unitholder as capital property that were acquired before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units. "**Additional Distribution**" means a distribution that, if necessary, will be made in each year to Unitholders of record on December 31 in order that the Fund will generally not be liable to pay income tax.

In certain situations, where a Unitholder redeems Units of the Fund, the Fund may allocate, designate and distribute realized capital gains of the Fund to the Unitholder as partial payment of the redemption price of the Units (the "**Redeemer's Gain**"). The taxable portion of the Redeemer's Gain must be included in the Unitholder's income as described above, but the full amount of the Redeemer's Gain will be deducted from the Unitholder's proceeds of disposition of the Units redeemed. Recent amendments to the Tax Act will restrict the ability of the Fund to distribute realized capital gains as part of the redemption price of Units of the Fund to an amount not exceeding the Unitholder's accrued gain on the Units redeemed.

A taxable capital gain realized on the disposition of Units will be included in the Unitholder's income and an allowable capital loss realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains or taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Based in part on the current published administrative policies and assessing practices of the CRA, a conversion of Class F Units into Class A Units will not constitute a disposition of the Class F Units for the purposes of the Tax Act.

Taxation of Registered Plans

Amounts of income and capital gains distributed by the Fund to a Registered Plan are generally not taxable under Part I of the Tax Act while retained in the Registered Plan, provided

that the Units are qualified investments under such a Registered Plan. Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a tax-free savings account, registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan or first home savings account, a holder of the account, or an annuitant or subscriber of the plan, as the case may be, will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust which does not deal at arm’s length with the holder, annuitant or subscriber, or in which the holder, annuitant, or subscriber has a significant interest, which, in general terms, means the ownership of 10% or more of the value of the Fund’s outstanding Units by the holder, annuitant, or subscriber, either alone or together with persons with whom the holder, annuitant, or subscriber does not deal at arm’s length. Unitholders are advised to consult their own tax advisors in this regard.

Taxation Implications of the Fund’s Distribution Policy

The net asset value per Unit will reflect any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder’s share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts will have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

Enhanced Tax Information Reporting

The Fund has due diligence and reporting obligations under the Foreign Account Tax Compliance Act (as implemented in Canada by the Canada-United States Enhanced Tax Information Exchange Agreement and Part XVIII of the Tax Act, collectively referred to as “FATCA”) and the Organization for Economic Co-operation and Development’s Common Reporting Standard (as implemented in Canada by Part XIX of the Tax Act, referred to as “CRS”). Generally, Unitholders (or in the case of certain Unitholders that are entities, the “controlling persons” thereof) will be required by law to provide their registered dealer with information relating to their citizenship and tax residence, including, if applicable, their foreign taxpayer identification number. If a Unitholder (or, if applicable, any of its controlling persons) (i) is identified as a U.S. Specified Person (including a U.S. resident or U.S. citizen living in Canada); or (ii) is identified as a tax resident of a country other than Canada or the U.S., information about the Unitholder (or, if applicable, its controlling persons) and their investment in the Fund will generally be reported to the CRA unless the Units are held within a Registered Plan other than, subject to the current administrative position of the CRA, a first home savings account (“FHSA”). The CRA will provide that information to, in the case of FATCA, the U.S. Internal Revenue Service (the “IRS”) and in the case of CRS, the relevant tax authority of any country that is a signatory of the *Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information* or that has otherwise agreed to a bilateral information exchange with Canada under

CRS. Based on the current administrative position of the CRA and certain Tax Proposals, FHSAs are currently not required to be reported to the CRA under FATCA and CRS.

Remuneration of Directors, Officers and Independent Review Committee Members

The officers of the Manager receive their remuneration from the Manager. The directors of the Manager do not receive any director fees. Each member of the independent review committee is paid an annual retainer of \$12,800 while the chair is paid an annual retainer of \$16,000. Compensation for members of the independent review committee is pro-rated across the funds for which Lysander is the fund manager and that require an independent review committee. The expenses of the directors of the Manager and the premiums for directors' and officers' insurance coverage for the directors and officers of the Manager are paid by the Manager. The fees and other reasonable expenses of members of the independent review committee, as well as premiums for insurance coverage for such members, are paid by the Fund and other applicable investment funds managed by the Manager on a *pro rata* basis. In addition, the Fund has agreed to indemnify the members of the independent review committee against certain liabilities. The total amount of the fees and expenses of the Independent Review Committee members paid by all the funds for which Lysander is the fund manager, including the Fund, for the year ended December 31, 2023 was \$56,923.92. The Fund paid its pro rata share of such fees and expenses which amount is disclosed in the Fund's financial statements.

Material Contracts

The only material contracts entered into by the Fund or the Manager, other than during the ordinary course of business, are as follows:

- (a) the Declaration of Trust;
- (b) the Management Agreement;
- (c) the Investment Advisory Agreement;
- (d) the Custodian Agreement;
- (e) the prime brokerage services and pledge agreement between the Fund and The Bank of Nova Scotia dated June 22, 2015;
- (f) the special custody account agreement between the Fund, CIBC Mellon Trust Company and Scotia Capital Inc. dated June 22, 2015; and
- (g) the Recirculation Agreement.

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund. Hard copies of the Declaration of Trust may be obtained at any time from the Manager on written request.

Legal and Administrative Proceedings

The Manager is not aware of any material ongoing, pending or threatened legal or administrative proceedings to which the Fund or the Manager are a party.

Risk Factors

Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund, and the ability of the Fund to make distributions on the Units, could be materially adversely affected.

No Assurance in Achieving Investment Objectives or Making Distributions

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the net asset value of the Fund will appreciate or be preserved. Changes in the relative weightings between the various types of securities making up the Fund can affect the overall yield to Unitholders.

Trading Price of Class A Units

The Class A Units may trade in the market at a discount to the net asset value per Unit with respect to the Class A Units and there can be no assurance that the Class A Units will trade at a price equal to or greater than the net asset value per Unit with respect to the Class A Units.

Class F Units

Class F Units will not be listed on any stock exchange. It is expected that liquidity for the Class F Units will largely be obtained by conversion of such units into Class A Units and the sale of those Class A Units through the facilities of the TSX.

Class N Units

Class N Units will not be listed on any stock exchange; however, the Manager reserves the right to apply to have the Class N Units listed on a stock exchange at a later date. Any liquidity for the Class N Units will be obtained by the monthly redemption of such Units, or by the automatic conversion of such units into Class A Units after a calendar year-end and the subsequent sale of those Class A Units through the facilities of the TSX. However, there is no assurance as to the liquidity of the Class A Units. Class N Units are automatically converted on the first Business Day after the end of the calendar year in which the Class N Units were issued.

Loss of Investment

An investment in the Fund is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Performance Fee Methodology

As described in this Annual Information Form, the Manager is entitled to receive a performance fee from the Fund in respect of Class A Units and Class F Units. The performance fee may create an incentive for the Manager to make investments that are riskier than would be the case if such fee did not exist. In addition, because the performance fee is calculated on a basis that includes unrealized appreciation of the Fund's assets, it may be greater than if such compensation were based solely on realized gains. Investors should be aware that, since the performance fee payable by the Fund in respect of a Class is charged to the Class, rather than individual accounts, the period used to calculate the performance fee may or may not match the period over which investors hold Units.

Additionally, while no performance fee is charged in respect of Class N Units, upon conversion of the Class N Units to Class A Units, Class N unitholders will become holders of Class A Units and accordingly adopt the high water mark of the Class A Units at that point in time for purpose of the calculation of the performance fee in respect of the Class A Units, and the performance fee accrual on the Class A Units owned by such unitholders may not match the unitholder's internal rate of return.

General Risks of Investing in Corporate Bonds and Other Credit Instruments

Generally, corporate bonds and other credit instruments will decrease in value when interest rates rise and increase in value when interest rates decline. The net asset value of the Fund will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Fund. The value of corporate bonds and other credit instruments is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate bonds and other credit instruments may not pay interest, or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the corporate bonds and other credit instruments that may be included in the Fund from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

Fluctuation in Value of Securities

The value of the Units will vary according to the value of the securities included in the Fund. The value of the securities included in the Fund will be influenced by factors which are not within the control of the Fund, the Manager or Canso, including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation, credit markets and other financial market conditions. The Fund will also be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change.

Capital Erosion Risk

The Fund seeks to distribute a monthly cash flow to investors. In situations where the Fund's distributions for a period exceed the Fund's net income and net realized capital gains for that period, the distribution will constitute, in whole or in part, a return of capital. Returns of capital will reduce the net asset value of the Fund which could diminish the Fund's ability to generate future income.

Use of Short Selling

Selling securities short may result in the loss of an amount greater than the amount invested since there is theoretically no limit to the price to which the securities that have been sold short may rise before the short position is closed out. In addition, the supply of securities which can be borrowed in order to maintain short positions fluctuates from time to time. There is no assurance that the lender of securities or financial instruments will not require the security to be repaid before Canso wishes to do so, thereby requiring the Fund to borrow the security elsewhere or purchase the security in the market at an unattractive price. In addition, the borrowing of securities entails the payment of a borrowing fee. There is no assurance that any borrowing fee will not increase during the borrowing period, adding to the expense of a short sale strategy. In addition, there is no assurance that a security sold short can be repurchased due to supply and demand constraints in the marketplace.

Composition of the Fund

The composition of the securities included in the Fund taken as a whole may vary widely from time to time and may be concentrated by commodity, industry or geography, resulting in the securities included in the Fund being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries. Although Canso believes it is unlikely, at any time, the Fund could potentially consist of 100% non-investment grade bonds.

Interest Rate Fluctuations

It is anticipated that the market price for Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of such Units will be negatively affected by interest rate fluctuations.

IBOR Transition Risk

Various regulators and industry bodies are working globally on transitioning from interbank offered rates ("IBORs") to alternative rates, including the transition from the Canadian Dollar Offered Rate (CDOR) to the Canadian Overnight Repo Rate Average (CORRA) which will be effective after the close of business on June 28, 2024. The effect of such a transition on the Fund and the securities in which it invests cannot yet be determined, and may depend on factors that include, but are not limited to: (i) existing fallback or termination provisions in individual

contracts; and (ii) whether, how, and when industry participants develop and adopt new reference rates and fallbacks for both legacy and new products and instruments. Such transition may result in a reduction in the value of IBOR-based instruments held by the Fund and increased illiquidity and volatility in markets that currently rely on an IBOR to determine interest rates, any of which could adversely impact the Fund's performance.

Illiquid Securities

A liquid asset trades actively on an organized market, such as a stock exchange, which provides price quotations for the asset. The trading of a security or other asset in an organized active market means that it should be possible to convert the asset to cash at, or close to, the quoted price.

An asset is considered illiquid if it is more difficult to convert it to a liquid investment, such as cash. A company's securities may be illiquid if:

- the company is not well known;
- there are few outstanding shares;
- there are few potential buyers;
- there is not an active market; or
- they cannot be resold because of a promise or an agreement.

In addition, in volatile markets securities that are generally liquid (including high yield bonds, floating rate debt instruments and other fixed income securities) may suddenly become illiquid. Securities in which the Fund invests may be thinly traded and relatively illiquid or may cease to be traded after the Fund invests. In such cases and in the event of extreme market activity, the Fund may not be able to liquidate its investments promptly if the need should arise. In addition, the Fund's sales of thinly traded securities could depress the market value of such securities and thereby reduce the Fund's profitability or increase its losses. Such circumstances or events could affect materially and adversely the amount of gain or loss the Fund may realize. There is no assurance that an adequate market will exist for the securities included in the Fund and it cannot be predicted whether the securities included in the Fund will trade at a discount to, a premium to, or at their respective par or net asset values.

Use of Derivatives

The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by Canso taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity

and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange-imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the futures or forward contract terminates, as the case may be. The inability to close out futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge the Fund.

Use of a Prime Broker to Hold Assets

Some or all of the assets of the Fund may be held in one or more margin accounts due to the fact that the Fund may sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The prime broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the prime broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

Securities Lending

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral proves to be insufficient to reconstitute the Fund of loaned securities.

Use of Leverage

The Fund may utilize a loan facility or other forms of leverage in order to implement its investment strategy. While leverage may increase the potential for total returns, it may also potentially increase losses. If income and appreciation on investments made with borrowed funds are less than the cost of leverage, the value of the Fund's net assets will decrease. Any event which adversely affects the value of an investment held by the Fund will be magnified to the extent leverage is employed. Many leveraged transactions involve the posting of collateral. Increases in the amount of margin or similar payments could result in the need for trading at times or prices that are disadvantageous to the Fund and which could result in a loss for the Fund.

Currency Exposure

As the Fund will be invested in securities, including those traded in foreign currencies, the net asset value of the Fund, when measured in Canadian dollars, will, to the extent it has not been hedged against, be affected by changes in the value of such foreign currencies relative to the Canadian dollar. Canso may enter into currency hedging to reduce the effects on the Fund of changes in the values of foreign currencies relative to the Canadian Dollar.

No assurance can be given that the Fund will not be adversely affected by changes in foreign exchange rates or other factors. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent Canso's assessment of certain market movements is incorrect, the risk that the use of hedges could reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Reliance on Canso

Canso will manage the Fund in a manner consistent with the Investment Objectives and the Investment Restrictions of the Fund. The portfolio managers of Canso who are primarily responsible for the portfolio management of the Fund have extensive experience, however, there is no certainty that such individuals will continue to be employees of Canso until the termination of the Fund.

Taxation of the Fund

There can be no assurance that Canadian federal income tax laws respecting the treatment of investment funds will not be changed in a manner that adversely affects the Unitholders.

The Manager has advised counsel that, as of the date hereof, the Fund qualifies as a "mutual fund trust" under the Tax Act. It is the Manager's intention that the conditions prescribed in the Tax Act for qualification as a mutual fund trust will be satisfied on a continuing basis. If the Fund ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" would be materially and adversely different in certain respects. For example, if the Fund does not qualify as a mutual fund trust for the purposes of the Tax Act throughout a taxation year, the Fund may be liable to pay alternative minimum tax and for tax under Part XII.2 of the Tax Act, and would not be entitled to the capital gains refund.

There can be no assurance that the CRA will agree with the tax treatment adopted by the Fund in filing its tax returns. In determining its income for tax purposes, the Fund will treat gains or losses on the disposition of securities as capital gains and losses. The Fund may use derivative instruments for hedging and non-hedging purposes. Subject to the DRA Rules, as discussed under the heading "Canadian Federal Income Tax Considerations", gains or losses realized on such derivatives will be treated and reported for purposes of the Tax Act on capital account provided there is sufficient linkage. Designations with respect to the Fund's income and capital gains will be made and reported to Unitholders on this basis. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If the foregoing dispositions or transactions of the Fund are not on capital account, gains realized in respect of such derivatives could be treated as ordinary income rather than capital gains and the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders could increase. A reassessment by the CRA may also result in the Fund being liable for unremitted withholding tax on prior distributions to non-resident Unitholders. Such liability may reduce the Class NAV per Unit of a Class of the Fund.

Pursuant to certain rules in the Tax Act, if the Fund experiences a “loss restriction event”, the Fund (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund’s net income and net realized capital gains, if any, at such time to Unitholders so that the Fund would not be liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund would be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, as those terms are defined in the Tax Act. Generally, a person would be a majority-interest beneficiary of the Fund if it, together with persons and partnerships with whom it is affiliated, owns units representing more than 50% of the fair market value of all units of the Fund. The Tax Act provides relief from the application of the loss restriction event rules to a trust that qualifies as an “investment fund”. The Fund expects that it will qualify at all times as an investment fund but, if at any time, it was to cease to qualify as an investment fund, it could never requalify as there is no “fresh-start” rule.

No Ownership Interest

An investment in Units does not constitute an investment by Unitholders in the securities included in the Fund. Unitholders will not own any securities held by the Fund.

Changes in Legislation

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner which adversely affects the Fund or Unitholders.

Conflicts of Interest - the Fund

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager.

Status of the Fund

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds.

Significant Redemptions

In part, the purpose of the redemption rights granted to Unitholders is to reduce the extent to which Class A Units trade at a substantial discount. While the redemption rights aim to provide investors with liquidity, there can be no assurance that they will reduce trading discounts. Furthermore, if a substantial number of Class A Units are redeemed, the number of Class A Units

outstanding could be significantly reduced with the effect of decreasing liquidity of the Class A Units in the market. If a substantial number of Units are redeemed, the Fund may be required to sell underlying portfolio assets so that it can meet redemption obligations. This may impact the market value of those portfolio investments and may potentially impact remaining investors of the Fund. In addition, the expenses of the Fund would be spread among fewer Units resulting in a lower net asset value per Unit than if there were fewer redemptions. If, as a result of significant redemptions, the Manager determines that it is in the best interests of Unitholders to terminate the Fund, the Manager could cause the termination of the Fund without Unitholder approval.

Operating History

There is a public market for the Class A Units but there can be no assurance that an active public market for the Class A Units will be sustained. There is no public market for the Class F or Class N Units.

Not a Trust Company

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

Cybersecurity Risk

With the increased use of technologies such as the Internet to conduct business, the Manager and the Fund have become potentially more susceptible to operational and information security risks through breaches in cybersecurity. In general, a breach in cybersecurity can result from either a deliberate attack or an unintentional event. Cybersecurity breaches may involve, among other things, infection by computer viruses or other malicious software code or unauthorized access to the Manager’s or the Fund’s digital information systems, networks or devices through “hacking” or other means, in each case for the purpose of misappropriating assets or sensitive information (including, for example, personal unitholder information), corrupting data or causing operational disruption or failures in the physical infrastructure or operating systems that support the Manager or the Fund. Cybersecurity risks also include the risk of losses of service resulting from external attacks that do not require unauthorized access to the Manager’s or the Fund’s systems, networks or devices. Any such cybersecurity breaches or losses of service may cause the Manager or the Fund to lose proprietary information, suffer data corruption or lose operational capacity, which, in turn, could cause the Manager or the Fund to incur regulatory penalties, reputational damage, additional compliance costs associated with corrective measures and/or financial loss. While the Fund and the Manager have established business continuity plans and risk management systems designed to prevent or reduce the impact of cybersecurity attacks, there are inherent limitations in such plans and systems due in part to the ever-changing nature of technology and cybersecurity attack tactics, and there is a possibility that certain risks have not been fully identified and/or for which adequate preparations have not been made.

In addition, cybersecurity failures by or breaches of the Manager’s or the Fund’s third-party service providers may disrupt the business operations of the service providers and of the

Manager or the Fund. These disruptions may result in financial losses, the inability of Fund unitholders to transact business with the Fund and the inability of the Fund to process transactions, the inability of the Fund to calculate its net asset value, violations of applicable privacy and other laws, rules and regulations, regulatory fines, penalties, reputational damage, reimbursement or other compensatory costs and/or additional compliance costs associated with implementation of any corrective measures. Cybersecurity risks may also impact issuers of securities in which the Fund invests, which may cause the Fund's investments in such issuers to lose value.

Natural Disasters, Terrorist Acts, Health Crises and Other Disruptions or Dislocations

Natural disasters, incidences of war, riot or civil unrest, terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious disease or viruses can materially adversely affect the Fund's financial condition, liquidity or results of operations. A disruption or dislocation event can have a significant impact on the global economy and commodity and financial markets, resulting in, for example, extreme volatility in financial markets, a slowdown in economic activity, extreme volatility in commodity prices or even the prospect of a global recession. Such impact can materially adversely affect the operations of third parties in which the Fund has an interest, or the Fund directly.

Nature of Units

The Units are neither fixed income nor traditional equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

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Additional information about the Fund is available in the Fund's management report of fund performance and financial statements. You can receive a copy of these documents at no cost by calling collect (416) 640-4275, or from your dealer or by e-mail at information@lysanderfunds.com. These documents and other information about the Fund are also available on the Manager's website at www.lysanderfunds.com or at www.sedarplus.ca