

Financial Statements

December 31, 2023

Canso Credit Income Fund



Independent Auditor's Report

To the Unitholders of
Canso Credit Income Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Francesco Quatralo.



Chartered Professional Accountants

Licensed Public Accountants

March 27, 2024

Canso Credit Income Fund

Financial Statements December 31, 2023

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Canso Credit Income Fund

Statements of Financial Position

As at	31-Dec-23	31-Dec-22
Assets		
Financial assets at fair value through profit or loss*	\$ 180,354,685	\$ 190,832,738
Cash and cash equivalents	235,204	9,692,382
Due from investment dealers	22,511	1,292
Accrued Interest	10,240,345	3,612,765
Dividends receivable	202,793	129,673
Receivable on forward exchange contracts	1,014,817	96,212
Other receivables	1	3,358
Total assets	\$ 192,070,356	\$ 204,368,420
Liabilities		
Financial liabilities at fair value through profit or loss*	\$ 50,140,653	\$ 49,869,842
Redemptions payable	30,157	-
Accrued management fees	88,467	96,771
Other accrued expenses	2,446,031	-
Distributions payable to holders of redeemable units	388,599	434,419
Payable on foreign currency forward contracts	52,497	14,102
Total liabilities	\$ 53,146,404	\$ 50,415,134
Net assets attributable to holders of redeemable units	\$ 138,923,952	\$ 153,953,286
Net assets attributable to holders of redeemable units, per class		
Class A	\$ 135,004,067	\$ 148,933,498
Class F	3,919,885	5,019,788
Total net assets	\$ 138,923,952	\$ 153,953,286
Number of redeemable units outstanding		
Class A	9,093,749	10,123,880
Class F	234,125	303,844
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 14.85	\$ 14.71
Class F	16.74	16.52
* Financial assets at fair value through profit or loss at cost	\$ 136,446,501	\$ 147,098,988

Statements of Comprehensive Income (Loss)

For the years ended	31-Dec-23	31-Dec-22
Income		
Interest for distribution purposes	\$ 9,788,382	\$ 8,602,808
Dividend income	1,119,348	1,961,204
Derivative income	851,180	(4,347,678)
Other income	-	545
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	3,804,759	10,457,730
Net realized gain (loss) on options	(3,546,414)	5,365,629
Net realized gain (loss) on foreign currency	(42,006)	66,828
Net other gain (loss)	(949,364)	700,249
Change in appreciation (depreciation) unrealized on investments	783,833	(20,753,456)
Total operating income (loss)	\$ 11,809,718	\$ 2,053,859
Expenses		
Performance fees	\$ 2,163,423	\$ -
Interest expense, short positions	1,831,420	1,379,579
Management fees	1,089,396	1,136,709
Harmonized sales tax	296,904	49,157
Stock borrow costs	166,009	118,913
Fund valuation fees	40,223	45,960
Administration fees	21,683	28,509
Commissions and other portfolio transaction costs	20,196	102,708
Regulatory and listing expense	19,173	20,022
Registration and other filing fees	18,877	11,207
Transfer agent	12,359	13,176
Legal fees	6,531	13,456
Audit fees	6,103	13,856
Trustee fees	5,952	7,517
Independent review committee fees	718	802
Other expenses	467	94
Total operating expenses	\$ 5,699,434	\$ 2,941,665
Change in net assets attributable to holders of redeemable units from operations	\$ 6,110,284	\$ (887,806)
Change in net assets attributable to holders of redeemable units, per class		
Class A	\$ 5,933,336	\$ (774,966)
Class F	176,948	(112,840)
Change in net assets attributable to holders of redeemable units per unit		
Class A	\$ 0.62	\$ (0.08)
Class F	0.66	(0.31)

Canso Credit Income Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Classes

For the years ended	31-Dec-23	31-Dec-22
Net assets attributable to holders of redeemable units, beginning of year	\$ 153,953,286	\$ 160,555,436
Change in net assets attributable to holders of redeemable units from operations	6,110,284	(887,806)
Distributions to unitholders of redeemable units		
From net investment income	\$ (3,971,701)	\$ (5,578,761)
From capital gains	(3,277,582)	(5,497,071)
Total distributions	\$ (7,249,283)	\$ (11,075,832)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Class A	\$ 169,868	\$ 1,934,865
Total proceeds	\$ 169,868	\$ 1,934,865
Cost of units redeemed		
Class A	\$ (15,227,133)	\$ -
Class F	(1,143,620)	(2,431,807)
Total cost	\$ (16,370,753)	\$ (2,431,807)
Reinvested distributions		
Class A	\$ 2,240,789	\$ 5,647,088
Class F	69,761	211,342
Total reinvested	\$ 2,310,550	\$ 5,858,430
Change in net assets attributable to holders of redeemable units for year	\$ (15,029,334)	\$ (6,602,150)
Net assets attributable to holders of redeemable units, end of year	\$ 138,923,952	\$ 153,953,286

Class A

For the years ended	31-Dec-23	31-Dec-22
Net assets attributable to holders of redeemable units, beginning of year	\$ 148,933,498	\$ 152,808,273
Change in net assets attributable to holders of redeemable units from operations	5,933,336	(774,966)
Distributions to unitholders of redeemable units		
From net investment income	\$ (3,853,348)	\$ (5,496,603)
From capital gains	(3,192,943)	(5,185,159)
Total distributions	\$ (7,046,291)	\$ (10,681,762)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A		
	\$ 169,868	\$ 1,934,865
Cost of units redeemed	(15,227,133)	-
Reinvested distributions	2,240,789	5,647,088
Total redeemable	\$ (12,816,476)	\$ 7,581,953
Change in net assets attributable to holders of redeemable units for year	\$ (13,929,431)	\$ (3,874,775)
Net assets attributable to holders of redeemable units, end of year	\$ 135,004,067	\$ 148,933,498

Class F

For the years ended	31-Dec-23	31-Dec-22
Net assets attributable to holders of redeemable units, beginning of year	\$ 5,019,788	\$ 7,747,163
Change in net assets attributable to holders of redeemable units from operations	176,948	(112,840)
Distributions to unitholders of redeemable units		
From net investment income	\$ (118,353)	\$ (82,158)
From capital gains	(84,639)	(311,912)
Total distributions	\$ (202,992)	\$ (394,070)
Redeemable unit transactions		
Cost from redeemable units issued due to conversion F to A		
	\$ (169,868)	\$ (1,934,865)
Cost of units redeemed	(973,752)	(496,942)
Reinvested distributions	69,761	211,342
Total redeemable	\$ (1,073,859)	\$ (2,220,465)
Change in net assets attributable to holders of redeemable units for year	\$ (1,099,903)	\$ (2,727,375)
Net assets attributable to holders of redeemable units, end of year	\$ 3,919,885	\$ 5,019,788

Canso Credit Income Fund

Statements of Cash Flows

For the years ended	31-Dec-23	31-Dec-22
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ 6,110,284	\$ (887,806)
Adjustments for:		
Foreign exchange (gain) loss on cash	42,006	(66,828)
Net realized (gain) loss on sale of investments and derivatives	(3,804,759)	(10,457,730)
Net realized (gain) loss on sale of options	3,546,414	(5,365,629)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(783,833)	20,753,456
Purchase of investments	(97,608,674)	(118,292,661)
Proceeds from the sale of investments	108,498,287	133,087,211
Interest receivable	(6,627,580)	(1,760,188)
Dividends receivable	(73,120)	(115,817)
Other receivables	3,357	(2,189)
Other liabilities	2,437,727	(8,782,566)
Net cash from (used in) operating activities	\$ 11,740,109	\$ 8,109,253
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (7,295,103)	\$ (11,076,594)
Reinvestment of distributions to holders of redeemable units	2,310,550	5,858,430
Amounts paid on redemption of redeemable units	(16,170,728)	(496,942)
Net cash from (used in) financing activities	\$ (21,155,281)	\$ (5,715,106)
Foreign exchange (loss) gain on cash and cash equivalents	\$ (42,006)	\$ 66,828
Change in cash and cash equivalents during the year	(9,415,172)	2,394,147
Cash and cash equivalents, beginning of year	9,692,382	7,231,407
Cash and cash equivalents, end of year	\$ 235,204	\$ 9,692,382
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 3,160,802	\$ 6,842,620
Interest expense, short positions	1,831,420	1,379,579
Dividends received	1,046,228	1,845,387

Schedule of Investment Portfolio as at December 31, 2023

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Bonds held long			
11,760,000	Air Canada, Callable, 4.63%, 2029/08/15	\$ 11,719,453	\$ 10,996,335
1,408,000	Air Canada, Convertible, 4.00%, 2025/07/01	2,087,681	2,102,009
2,570,000	AMC Entertainment Holdings Inc., Callable, 7.50%, 2029/02/15	3,055,291	2,356,881
710,000	American Airlines Inc. / AAdvantage Loyalty IP Ltd., Sinkable, 5.75%, 2029/04/20	900,211	913,369
668,000	American Airlines Inc., Callable, 8.50%, 2029/05/15	917,164	930,588
2,370,000	AT&T Inc., Callable, 4.85%, 2047/05/25	2,422,639	2,204,516
1,507,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 5.75%, 2027/07/15	1,888,000	1,908,425
3,464,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 4.75%, 2028/04/01	4,386,547	4,210,393
1,370,000	Bank of Nova Scotia, Floating Rate, 5.72%, 2024/09/08	1,370,000	1,372,160
1,003,000	Bank of Nova Scotia, Series '1', Variable Rate, Callable, 3.70%, 2081/07/27	1,003,000	752,666
182,845	Bell Canada, Zero Coupon, 2026/06/15	165,107	162,181
182,845	Bell Canada, Zero Coupon, 2026/12/15	161,334	159,575
182,845	Bell Canada, Zero Coupon, 2027/06/15	157,096	155,788
182,845	Bell Canada, Zero Coupon, 2027/12/15	152,571	152,651
182,845	Bell Canada, Zero Coupon, 2028/06/15	148,915	148,532
182,845	Bell Canada, Zero Coupon, 2028/12/15	142,217	145,115

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Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2023

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
Bonds held long									
<i>Cont'd</i>									
1,452,076	Black Press Group Ltd., Callable, 12.00%, 2024/03/31	1,452,076	1,379,472	3,293,000	Government of Canada, 0.25%, 2024/04/01	3,176,889	3,257,060		
600,000	Boeing Co. (The), Callable, 2.25%, 2026/06/15	572,311	741,919	3,344,000	Government of Canada, 0.75%, 2024/02/01	3,261,858	3,332,841		
300,000	Bombardier Inc., 7.35%, 2026/12/22	279,375	301,656	9,400,000	Government of Canada, 2.75%, 2024/08/01	9,207,175	9,288,782		
1,945,000	Bombardier Inc., Callable, 7.88%, 2027/04/15	1,952,536	2,567,667	1,300,000	Government of Canada, 0.75%, 2024/10/01	1,243,684	1,263,557		
125,000	Bombardier Inc., Callable, 7.50%, 2029/02/01	160,574	167,610	4,300,000	Government of Canada, 0.25%, 2026/03/01	3,976,601	4,001,521		
797,000	Bombardier Inc., Callable, 7.45%, 2034/05/01	996,563	1,200,681	5,279,000	Government of Canada, 0.50%, 2030/12/01	4,241,197	4,434,556		
2,596,451	Canada Mortgage & Housing Corp., Floating Rate, 0.00%, 2026/11/01	1,837,244	1,809,414	1,970,000	Great-West Lifeco Inc., Series '1', Variable Rate, Callable, 3.60%, 2081/12/31	1,970,000	1,517,431		
256,000	Cineplex Inc., Callable, 7.50%, 2026/02/26	249,920	257,707	1,885,000	Hertz Corp. (The), Callable, 5.00%, 2029/12/01	2,217,895	2,042,547		
4,683,451	ClearStream Energy Services Inc., 8.00%, 2026/03/23	4,683,451	3,971,613	119,000	Hertz Corp. (The), Escrow, 2022/10/15	-	4,315		
1,490,000	Corus Entertainment Inc., Restricted, Callable, 6.00%, 2030/02/28	1,490,000	969,742	970,000	Hertz Corp. (The), Escrow, 2024/10/15	-	35,174		
253,000	Credit Suisse Group AG, Variable Rate, Callable, 2.19%, 2026/06/05	289,343	317,507	350,000	Hertz Corp. (The), Escrow, 2026/08/01	-	43,843		
871,000	Credit Suisse Group AG, Variable Rate, Callable, 1.31%, 2027/02/02	922,898	1,054,009	2,650,000	Hertz Global Holdings Inc., 2028/01/15	-	314,486		
4,221,000	Enbridge Inc., Callable, 4.57%, 2044/03/11	4,389,545	3,831,395	2,258,000	LATAM Airlines Group S.A., Callable, 13.38%, 2029/10/15	2,907,328	3,411,346		
503,000	Gannett Holdings LLC, Callable, 6.00%, 2026/11/01	632,969	587,466	2,116,000	Loblaw Cos. Ltd., Callable, 2.28%, 2030/05/07	1,856,092	1,881,483		
5,871,000	GE Capital Canada Funding Co., 5.73%, 2037/10/22	5,997,227	6,122,255	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/02/17	130,173	129,833		
655,000	Goldman Sachs Group Inc. (The), Floating Rate, Callable, 5.95%, 2025/04/29	647,494	653,559	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/08/17	127,750	126,588		
5,762,000	Government of Canada, 4.25%, 2026/12/01	6,637,048	6,642,127	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/02/17	125,232	123,813		
15,621,000	Government of Canada, 0.50%, 2050/12/01	10,260,144	11,801,557	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/08/17	122,525	121,144		
				130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/02/17	119,730	118,425		
				130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	116,996	115,840		

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Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2023

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	
Bonds held long										
<i>Cont'd</i>										
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/02/17		114,195	113,083	2,968,000	Sun Life Financial Inc., Series '21-1', Variable Rate, Callable, 3.60%, 2081/06/30		2,970,528	2,310,655	
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/08/17		112,223	110,518	4,408,000	Toronto-Dominion Bank (The), 4.48%, 2028/01/18		4,408,000	4,412,505	
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/02/17		108,423	107,826	2,480,000	Toronto-Dominion Bank (The), Series '1', Variable Rate, Callable, 3.60%, 2081/10/31		2,480,000	1,880,334	
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/08/17		105,308	104,983	3,159,000	TransCanada PipeLines Ltd., Variable Rate, Callable, 7.85%, 2067/05/15		3,705,139	3,344,708	
1,487,000	Loblaw Cos. Ltd., Zero Coupon, 2033/02/17		940,731	897,239	1,062,000	UBS Group AG, Variable Rate, Callable, 3.09%, 2032/05/14		979,803	1,195,773	
9,375,000	Manulife Financial Corp., Variable Rate, Callable, 4.10%, 2082/03/19		9,117,284	7,181,153	427,000	United Airlines Inc., Callable, 4.63%, 2029/04/15		535,373	527,198	
3,000,000	Metropolitan Life Global Funding I, Floating Rate, 6.14%, 2026/06/15		3,000,000	3,019,926	957,000	United States Treasury Bond, Inflation Indexed, 0.63%, 2026/01/15		1,257,592	1,205,295	
1,727,000	NatWest Group PLC, Variable Rate, Callable, 7.47%, 2026/11/10		2,371,257	2,359,014	260,000	United States Treasury Bond, Inflation Indexed, 0.13%, 2026/04/15		326,727	323,741	
1,420,000	NAV Canada, Callable, 2.92%, 2051/09/29		1,420,000	1,121,764	1,477,000	Videotron Ltd., Callable, 5.63%, 2025/06/15		1,518,848	1,483,339	
226,000	Navient Corp., Series 'A', 5.63%, 2033/08/01		231,179	244,302	642,000	WTH Car Rental ULC, Series '23-1', Sinkable, 6.03%, 2027/02/20		642,000	658,138	
337,762	NHA MBS Merrill Lynch Canada Inc., 1.75%, 2024/06/01		179,728	173,425	Total bonds held long				\$ 169,066,071	\$ 165,120,307
7,273,000	Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26		7,221,788	6,610,882	Bonds held short					
3,610,000	Royal Bank of Canada, Floating Rate, Callable, 5.84%, 2085/06/29		3,215,425	4,348,822	(7,224,000)	Government of Canada, 8.00%, 2027/06/01		\$ (9,752,991)	\$ (8,315,584)	
2,277,000	SNC-Lavalin Group Inc., Series '7', 7.00%, 2026/06/12		2,277,000	2,341,515	(287,000)	Government of Canada, 2.25%, 2029/06/01		(276,829)	(275,478)	
137,000	Spirit AeroSystems Inc., Callable, 3.85%, 2026/06/15		180,420	173,829	(1,566,000)	Government of Canada, 5.75%, 2029/06/01		(2,032,862)	(1,772,293)	
2,263,000	Spirit AeroSystems Inc., Callable, 4.60%, 2028/06/15		2,592,677	2,642,659	(550,000)	Government of Canada, 5.75%, 2033/06/01		(719,263)	(666,732)	
242,000	Spirit AeroSystems Inc., Callable, 9.75%, 2030/11/15		332,774	343,530	(14,199,000)	Government of Canada, 2.75%, 2048/12/01		(16,290,249)	(13,479,466)	
7,401,634	Strait Crossing Development Inc., 6.17%, 2031/09/15		7,792,580	7,271,026	(1,031,000)	Government of Canada, 2.00%, 2051/12/01		(1,171,991)	(830,441)	
					(23,665,000)	Government of Canada, 1.75%, 2053/12/01		(15,759,483)	(17,783,912)	

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Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2023

Bonds held short				Equities held long			
Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Bonds held short				Equities held long			
<i>Cont'd</i>				343,035	Yellow Pages Ltd.	6,651,449	3,866,005
(3,370,000)	United States Treasury Bond, 1.88%, 2026/07/31	(4,168,415)	(4,205,876)	Total equities held long			
(2,443,000)	United States Treasury Bond, 1.50%, 2030/02/15	(2,953,790)	(2,810,871)			\$ 20,514,367	\$ 15,234,378
Total bonds held short		\$ (53,125,873)	\$ (50,140,653)	Total of equities (11.0%)			
Total of bonds (82.7%)		\$ 115,940,198	\$ 114,979,654	Transaction costs			
				Transaction costs		\$ (8,064)	\$
				Total transaction costs		\$ (8,064)	\$
				Total investment portfolio (93.7%)		\$ 136,446,501	\$ 130,214,032
				Cash and cash equivalents (0.2%)		\$	\$ 235,204
				Other assets less liabilities (6.1%)			8,474,716
				Net assets		\$	\$ 138,923,952
915,463	Aegis Brands Inc.	\$ 444,000	\$ 311,258				
58,300	BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	699,809	895,489				
137,324	Bird Construction Inc.	1,557,700	1,977,466				
90,000	Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	931,500	920,700				
190,321	FLINT CORP	65,661	4,758				
3,760	Flint Corp., Preferred, Series '1'	3,760,300	1,947,417				
296	Flint Corp., Preferred, Series '2'	296,000	153,307				
121,134	M Split Corp., 7.50%, Preferred, Class 'I', Series 'B'	669,871	599,613				
2,200	Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	37,091	41,624				
43,214	MDA Ltd.	605,000	497,825				
157,793	NorthStar Gaming Holdings Inc.	72,948	6,312				
29,367	Postmedia Network Canada Corp., Restricted	-	43,463				
2,700	TC Energy Corp., Preferred, Series '4', Floating Rate, Convertible, Perpetual	27,621	34,857				
3,000	TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	44,340	49,320				
6,240	TC Fund I L.P. Class 'B'	106,614	106,579				
270,300	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	3,584,087	3,567,960				
39,558	VerticalScope Holdings Inc..	323,584	185,131				
93,676	X-Spectrum 1 Inc.	459,013	25,293				
124,321	X-Spectrum 2 Inc.	177,779	1				

Canso Credit Income Fund

Foreign Exchange Contracts

Counterparty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Canadian Imperial Bank of Commerce	3/7/2024	CAD \$	39,144,539	USD \$	(28,943,000)	0.739	0.759	\$ 1,014,817
Canadian Imperial Bank of Commerce	3/7/2024	USD	1,395,000	CAD	(1,890,281)	1.355	1.317	(52,497)

Notes

1 Credit rating of counterparty is A+.

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

1. Formation of Fund

The address of the Canso Credit Income Fund's (the "Fund") registered office is 3080 Yonge St., Suite 4000, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value ("NAV") of the Fund and its classes, preparing all offering documents, unitholder recordkeeping and other administrative services.

Canso Credit Income Fund is a closed-end fund formed under the laws of the Province of Ontario by a declaration of trust dated June 28, 2010, as the same was amended and restated from time to time. On June 29, 2010, the Fund became a reporting issuer, with its units qualified for distribution under a prospectus. On July 16, 2010, an initial public offering of 11,395,678 Class A Units and 2,604,322 Class F Units (collectively, the "Units") at a price of \$10.00 per Unit was completed, with the Class A Units being traded on the Toronto Stock Exchange under the symbol PBY.UN. The Class F Units are not listed on a stock exchange, but are convertible into Class A Units on a monthly basis.

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

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

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") effective as at December 31, 2023.

The financial statements were authorized for issue by Lysander's board of directors on March 26, 2024.

3. Material Accounting Policy Information

Effective January 1, 2023, the Fund adopted the International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") amendment with regards to disclosure of material accounting policies. This amendment did not have a material impact on these financial statements. There are no other

standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023, that have a material effect on the financial statements of the Funds. The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

The material accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

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

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

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

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

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes

observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2023 and 2022, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of Level 3 fair value measurements for the years ended December 31, 2023 and 2022, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income (loss).

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income (loss) for the year in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income (loss).

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income (loss).

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gains or losses from disposition of the related investments at the exercise price of the option.

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

Fair value measurements

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

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

market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

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

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

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

The interest income for distribution purposes shown on the statement of comprehensive income (loss) represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, the Fund is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the years of the revision and future years, if the revision affects both current and future years.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each class representing an equal and rateable share

in the assets allocated to each class. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Net asset value per unit

The net asset value per unit of each class of units of the Fund is computed by dividing the NAV of a class of units by the total number of units of the class outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income (loss). Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2023, the Fund had no net capital losses (December 31, 2022 - Nil) and no non-capital losses (December 31, 2022 - Nil).

Distributions

The Fund makes distributions monthly as stated within the prospectus of the Fund. These are recognized in the statement

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

of changes in net assets attributable to holders of redeemable units.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

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

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

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

Future changes in accounting standards

As of December 31, 2023, the Fund has determined there are no new IFRS standards that are issued, but not yet effective, that could materially impact the Fund's financial statements.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income (loss) on the accrual basis.

5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is

entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

Class A Units are listed on the Toronto Stock Exchange ("TSX") and investors may buy and sell these units on the TSX. Investors may incur customary brokerage commissions in buying and selling units.

The Class F units are designed for fee-based and/or institutional accounts and differ from the Class A units in the following ways: (i) the Class F units are not listed on a stock exchange; (ii) the agents' fees paid on the issuance of Class F units are lower than those paid on the issuance of Class A units.

Unitholders of Class A or Class F are entitled to redeem their units outstanding on the last business day in June of each year. Unitholders are entitled to receive a redemption price equal to the NAV per Class A unit or Class F unit, as applicable. In addition to the annual redemption, Class A or Class F units may be surrendered at any time for a monthly redemption by the Fund.

A holder of Class F units may convert Class F units into Class A units in any month in accordance with the Fund's most current Annual Information Form.

During the years ended December 31, 2023 and 2022, the number of units issued, redeemed and outstanding were as follows:

Class A

For the years ended	31-Dec-23	31-Dec-22
Units outstanding at beginning of year	10,123,880	9,992,726
Units converted from Class F to Class A	11,600	131,154
Units redeemed	(1,041,731)	-
Units outstanding at end of year	9,093,749	10,123,880

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

Class F

For the years ended	31-Dec-23	31-Dec-22
Units outstanding at beginning of year	303,844	453,278
Units converted from Class F to Class A	(10,325)	(117,134)
Units redeemed	(59,394)	(32,300)
Units outstanding at end of year	234,125	303,844

6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for certain investment management services and provides certain administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

At December 31, 2023, the Manager had an ownership interest in the Fund amounting to 14.1% (December 31, 2022 - N/A).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 0.75% on Class A and Class F Units, exclusive of applicable taxes, based on the net asset value of each respective class.

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at December 31, 2023 and 2022:

As at December 31, 2023	Level 1		Level 2		Level 3		Total
Financial Assets							
Equities	\$	6,892,217	\$	-	\$	131,874	\$ 7,024,091
Fixed income		-		163,740,835		1,379,472	165,120,307
Preferred shares		6,109,563		-		2,100,724	8,210,287
Total	\$	13,001,780	\$	163,740,835	\$	3,612,070	\$ 180,354,685
Financial Liabilities							
Fixed income sold short	\$	-	\$	50,140,653	\$	-	\$ 50,140,653
Total	\$	-	\$	50,140,653	\$	-	\$ 50,140,653

The total management fees earned by the Manager for the year ended December 31, 2023 was \$1,089,396 (December 31, 2022 - \$1,136,709), of which \$88,467 (December 31, 2022 - \$96,771) was payable at December 31, 2023.

Performance Fees:

Subject to certain terms and conditions as described in the Fund's Annual Information Form, the Manager is entitled to receive a Performance Fee (the "Performance Fee") equal to 20% of the Fund's outperformance of the FTSE Canada All Corporate Bond Index as described in the Fund's Annual Information Form.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the year ended December 31, 2023, the Performance Fee accrued by the Fund was \$2,163,423 (December 31, 2022 - \$Nil).

During the year ended December 31, 2023, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$2,239,124 including performance fees (December 31, 2022 - \$530,464) for managing the portfolio of the Fund. As at December 31, 2023 the amount payable to the Portfolio Manager was \$1,772,023 (December 31, 2022 - \$45,160).

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

As at December 31, 2022	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	\$ 8,075,232	\$ -	\$ 777,839	\$ 8,853,071
Fixed income	-	166,431,246	1,785,880	168,217,126
Preferred shares	6,132,247	-	2,704,014	8,836,261
Options	4,926,280	-	-	4,926,280
Total	\$ 19,133,759	\$ 166,431,246	\$ 5,267,733	\$ 190,832,738
Financial Liabilities				
Fixed income sold short	\$ -	\$ 49,869,842	\$ -	\$ 49,869,842
Total	\$ -	\$ 49,869,842	\$ -	\$ 49,869,842

As at	31-Dec-23	31-Dec-22
Level 3 reconciliation		
Balance, beginning of year	\$ 5,267,733	\$ 5,919,134
Purchases	280,952	444,300
Sales	(2,495,959)	-
Transfers In	1,452,077	-
Transfers Out	-	-
Realized gains and losses	655,579	-
Change in unrealized appreciation (depreciation)	(1,548,312)	(1,095,701)
Balance, end of year	\$ 3,612,070	\$ 5,267,733

The Portfolio Manager's internal valuation team is comprised of individuals from across the functional areas of the firm (Trading, Settlements, Research, Portfolio Management, Compliance, and Fund Administration) who have broad and deep experience in the fair value techniques for debt and equity investments. The team reports to the Chief Investment Officer of the Portfolio Manager and the internal valuation team's valuation processes and results are reviewed by the Portfolio Manager's management on an ongoing basis. Security valuations are discussed on a case-by-case basis with a view to establish the most suitable valuation method. During the year ended December 31, 2023, there was \$1,452,077 transferred from level 2 to level 3 due to the use of an internally developed model since observable inputs either directly or indirectly were no longer available.

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

FLINT Corp., Preferred, Series 1

Price: \$517.93

Valuation Technique: The relative value technique.

Unobservable Inputs: FLINT Corp. Senior Secured Bond price (from third party).

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$155.38, or an increase or decrease in net assets of \$584,229.

FLINT Corp., Preferred, Series 2

Price: \$517.93

Valuation Technique: The relative value technique.

Unobservable Inputs: FLINT Corp. Senior Secured Bond price (from third party).

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$155.38, or an increase or decrease in net assets of \$46,117.

TC Fund I LP Class B

Price: \$17.08

Valuation Technique: Internally developed model.

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

Unobservable Inputs: The primarily unobservable inputs for this security include TC Fund I FY23 Q3 Financial Statements, its book value of equity on the balance sheet, the fund has 15% ownership stake in TC Fund I and the amount payable to RivettLP upon distribution of the partnership, of which is in relation to the tax benefit received.

Change in input values: A reasonably possible change to the value of investments could result in an increase or decrease of 50%, or an increase or decrease in the security price of \$8.54, or an increase or decrease in net assets of \$53,290.

Black Press Group Ltd. 12% Mar 31, 2024

Price: \$95.00

Valuation Technique: Internally developed model.

Unobservable Inputs: The primary unobservable input for this security is the recovery expected to be received on the notes and consideration of prices on similarly rated companies.

Change in input values: A reasonably possible change to our expected recovery of the notes could result in a decrease of 50%, or a decrease in the security price of \$47.50, or a decrease in net assets of \$689,736.

X-Spectrum 2 Inc.

Price: \$0.00

Valuation Technique: The relative value technique.

Unobservable Inputs: Company is being wound up and with all assets being liquidated. The liquidation value is likely to be zero since the liquidation value of assets will likely be less than the amount of liabilities. The primary unobservable input is the liquidation value of assets.

Change in input values: The portfolio manager believes it is highly unlikely that the salvage value of assets will exceed the company's liabilities and therefore believes the possibility of any recovery on this security is remote.

X-Spectrum 1 Inc.

Price: \$0.27

Valuation Technique: The relative value technique.

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

Change in input values: A reasonably possible change to the value of the assets that make up the business could result in an increase or decrease of 40%, or an increase or decrease in the security price of \$0.11, or an increase or decrease in net assets of \$10,304.

8. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from brokers or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at December 31, 2023, the Fund had directly invested in debt instruments with the following credit ratings (December 31, 2022 - directly invested in long debt instruments):

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

As a % of net assets		31-Dec-23	31-Dec-22
Credit exposure			
AAA	%	(0.4) %	14.8
AA		3.0	-
A		11.4	3.1
BBB		34.0	47.0
BB		15.8	-
B		11.5	-
CCC		5.1	-
Below BBB		-	41.2
Not Rated		8.4	9.0

Liquidity risk

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

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

As at 31-Dec-2023	Less Than One Month	1-3 Months	3 Months - 1 Year
Liquidity exposure			
Fixed income sold short	\$ -	\$ -	\$ 50,140,653
Redemptions payable	30,157	-	-
Accrued management fees	88,467	-	-
Other accrued expenses	-	2,446,031	-
Distributions payable to holders of redeemable units	388,599	-	-
Payable on forward exchange contracts	-	52,497	-
As at 31-Dec-2022			
	Less Than One Month	1-3 Months	3 Months - 1 Year
Liquidity exposure			
Fixed income sold short	\$ -	\$ -	\$ 49,869,842
Accrued management fees	96,771	-	-
Distributions payable to holders of redeemable units	434,419	-	-
Payable on forward exchange contracts	-	14,102	-

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. If applicable, to manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

As at December 31, 2023 and 2022, the Fund had no significant investments in debt instruments that were exposed to interest rate risk.

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Interest rate exposure					
Fixed income and term loans					
December 31, 2023 - Long	\$ 18,986,731	\$ 34,510,138	\$ 18,806,779	\$ 92,816,658	\$ 165,120,307
December 31, 2023 - Short	-	4,205,876	8,315,584	37,619,193	50,140,653

Canso Credit Income Fund

Notes to the financial statements for December 31, 2023 and 2022

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Interest rate exposure					
Fixed income and term loans					
December 31, 2022 - Long	\$ 9,776,932	\$ 17,633,398	\$ 33,977,912	\$ 106,828,885	\$ 168,217,127
December 31, 2022 - Short	-	-	21,686,098	28,183,744	49,869,842

If interest rates had increased or decreased by 1% at December 31, 2023, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$1,897,069 (December 31, 2022- \$3,242,086).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (after hedging) if any) to currency risk as at:

	31-Dec-23	31-Dec-22
Currency exposure		
US Dollars	% (0.5)	% (0.2)

As at December 31, 2023, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.3% (December 31, 2022 - 0.0%).

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. If applicable, this risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

As at December 31, 2023, approximately 11.0% (December 31, 2022 - 14.7%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at December 31, 2023 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$761,719 (December 31, 2022 - \$1,130,781).



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