

Annual Management Report of Fund Performance

As at December 31, 2023

Lysander-Canso U.S. Credit Fund



Lysander-Canso U.S. Credit Fund

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A Note About Forward Looking Statements

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

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

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

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

About This Report

This annual Management Report of Fund Performance of Lysander-Canso U.S. Credit Fund (the “Fund”) contains financial highlights for the year ended December 31, 2023 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 2023. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 4000, Toronto, Ontario, M4N 3N1, by visiting our website at www.lysanderfunds.com or at SEDAR+ at www.sedarplus.ca.

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

Investment objective

The Fund’s objective is to achieve long term capital growth of returns consisting of income and some capital gains primarily through investments in U.S. debt and money market securities either denominated in U.S. dollars or hedged to U.S. dollars using forward currency contracts.

Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel Ltd. (“Portfolio Manager” or “Canso”), a company under common control as the Manager. The Fund’s portfolio positions will primarily be invested in fixed income securities, including those

of foreign issuers. The Fund will not be leveraged. More details are contained in the Fund’s simplified prospectus.

Unless otherwise noted, all dollar amounts and returns in this document are expressed in USD.

Risks

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

Results of Operations

During the year Canso employed its bottom-up process to buy and sell securities for the Fund. The Fund’s positioning and performance is consistent with the Fund’s fundamental investment objective and strategies.

The Fund returns for the year ended December 31, 2023 were 8.6% for Series A, 9.2% for Series F and 10.1% for Series O.

The net assets of the Fund were approximately \$201.6 million at December 31, 2023 from \$164.8 million at the beginning of the year. There were net subscriptions of approximately \$29.1 million during the year.

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

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

Recent Developments

The U.S. Federal Reserve's ("the Fed") about-face on interest rates in the fourth quarter fueled a rally in almost every asset class, from speculative technology shares to junk bonds. The Treasury market posted its first annual gain since 2020 as slowing inflation bolstered views that the Fed's campaign of interest rate increases was seemingly over. The Fed acknowledged that economic activity had slowed, and job gains moderated. The Fed also prepared a potential path towards rate cuts.

The market may have gotten ahead of itself as investors clamored to invest cash before year end. The market is forecasting six quarter-point rate cuts throughout 2024. Investors have also been puzzled by the failure of a widely anticipated recession to materialize.

The Bank of Canada is concerned that inflationary pressures are broad-based. Economic growth stalled during the middle quarters of 2023 as higher interest rates were restraining consumer spending. The labour market is easing, and job creation has slowed. Wages are still rising at an elevated rate despite a modest increase in the unemployment rate.

The Fund continues to barbell credit risk with 42.3% in securities rated AA and above and 28.4% in securities rated BB and below. The Fund reduced weights in high yield holdings and reinvesting the proceeds in higher quality, financial issuers. In March, Credit Suisse's (UBS) bonds prices were pummeled on the fear of an imminent bankruptcy which provided the Fund the opportunity to add to its position at distressed levels. Shortly after Credit Suisse's bonds rallied in price on takeover news by Suisse rival, UBS.

The Fund continues to only take on duration when it believes it's being compensated for the incremental interest rate and credit risk. Duration of the Fund was 1.9 years at the end of December, which is slightly below the 2022 year-end duration and remains meaningfully below the benchmark, ICE BofA US Corporate Master-Total Return Index with a duration of 6.8 years.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. There have been no actual or planned reorganizations, mergers or similar transactions involving the Fund.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

Related Party Transactions

The Manager provides or arranges to provide for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services. The Manager receives a management fee for these services. The fee is calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid USD \$1,610,677 (including HST) in management fees to the Manager for the year ended December 31, 2023 (December 31, 2022 - USD \$1,645,347).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services are included in the management fee. Portfolio management fees for the Portfolio Manager's services are paid from the management fee.

The Manager paid USD \$752,320 (including HST) to the Portfolio Manager for the year ended December 31, 2023 (December 31, 2022 - USD \$773,350).

The Manager relied, or may rely on standing instructions from the IRC in respect of securities traded amongst mutual funds, closed end funds, managed accounts or pooled funds managed by the Manager or an affiliate of the Manager. In such cases the Manager is required to comply with the Manager's written policies and procedures presented to the IRC and provide periodic reports to the IRC in accordance with National Instrument 81-107.

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Financial Highlights

Series A

Year ended	31-Dec-2023 (USD)	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)
Net assets per unit¹					
Net assets, beginning of year	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40
Operations:					
Total revenue	0.54	0.46	0.46	0.49	0.37
Total expenses	(0.16)	(0.17)	(0.18)	(0.16)	(0.15)
Realized gains (losses)	0.05	0.25	0.60	0.10	(0.04)
Unrealized gains (losses)	0.43	(1.36)	(0.13)	1.66	0.54
Total increase (decrease) from operations²	\$ 0.86	\$ (0.82)	\$ 0.75	\$ 2.09	\$ 0.72
Distributions:					
From income (excluding dividends)	\$ (0.36)	\$ (0.31)	\$ (0.26)	\$ (0.31)	\$ (0.27)
From dividends	(0.02)	(0.02)	(0.04)	(0.01)	-
From capital gains	(0.04)	(0.30)	(0.53)	-	-
Total distributions^{2 3}	\$ (0.42)	\$ (0.63)	\$ (0.83)	\$ (0.32)	\$ (0.27)
Net assets, end of year^{2 3}	\$ 10.92	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88

Ratios and supplemental data					
Net asset value ⁴	\$ 19,497,062	\$ 16,591,584	\$ 22,011,234	\$ 8,483,661	\$ 3,683,051
Units outstanding	1,785,983	1,587,787	1,860,127	735,635	372,651
Management expense ratio ⁵	% 1.46	% 1.50	% 1.50	% 1.53	% 1.56
Management expense ratio before waivers or absorption	1.46	1.50	1.50	1.53	1.56
Portfolio turnover rate ⁶	33.72	65.86	28.50	85.23	44.97
Trading expense ratio ⁷	-	-	0.01	0.02	-
Net asset value per unit, end of year	\$ 10.92	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88

Notes

- The information is derived from the Fund's audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.
- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Series F

Year ended	31-Dec-2023 (USD)	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)
Net assets per unit¹					
Net assets, beginning of year	\$ 10.43	\$ 11.84	\$ 11.5	\$ 9.85	\$ 9.33
Operations:					
Total revenue	0.54	0.46	0.46	0.48	0.37
Total expenses	(0.10)	(0.10)	(0.11)	(0.10)	(0.10)
Realized gains (losses)	0.06	0.33	0.61	0.10	(0.03)
Unrealized gains (losses)	0.45	(1.42)	(0.15)	1.6	0.54
Total increase (decrease) from operations²	\$ 0.95	\$ (0.73)	\$ 0.81	\$ 2.08	\$ 0.78
Distributions:					
From income (excluding dividends)	\$ (0.42)	\$ (0.35)	\$ (0.3)	\$ (0.35)	\$ (0.27)
From dividends	(0.02)	(0.02)	(0.04)	(0.01)	-
From capital gains	(0.04)	(0.34)	(0.49)	-	-
Total distributions^{2 3}	\$ (0.48)	\$ (0.71)	\$ (0.83)	\$ (0.36)	\$ (0.27)
Net assets, end of year^{2 3}	\$ 10.90	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85
Ratios and supplemental data					
Net asset value ⁴	\$ 177,648,304	\$ 144,842,082	\$ 182,445,386	\$ 61,070,481	\$ 32,612,431
Units outstanding	16,305,262	13,882,612	15,412,945	5,309,423	3,311,921
Management expense ratio ⁵	% 0.89	% 0.93	% 0.93	% 0.97	% 1.00
Management expense ratio before waivers or absorption	0.89	0.93	0.93	0.97	1.00
Portfolio turnover rate ⁶	33.72	65.86	28.5	85.23	44.97
Trading expense ratio ⁷	-	-	0.01	0.02	-
Net asset value per unit, end of year	\$ 10.90	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85

Notes

- The information is derived from the Fund's audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
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- This information is provided at the end of the period shown.
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- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Series O*

Year ended	31-Dec-2023 (USD)		31-Dec-2022 (USD)		31-Dec-2021 (USD)	
Net assets per unit¹						
Net assets, beginning of year	\$	8.50	\$	9.64	\$	10.00
Operations:						
Total revenue		0.44		0.39		0.23
Total expenses		(0.01)		(0.01)		(0.01)
Realized gains (losses)		0.06		0.03		0.28
Unrealized gains (losses)		0.34		(1.00)		(0.23)
Total increase (decrease) from operations²	\$	0.83	\$	(0.59)	\$	0.27
Distributions:						
From income (excluding dividends)	\$	(0.40)	\$	(0.32)	\$	(0.33)
From dividends		(0.02)		(0.02)		(0.03)
From capital gains		(0.04)		(0.31)		(0.47)
Total distributions^{2 3}	\$	(0.46)	\$	(0.65)	\$	(0.83)
Net assets, end of year^{2 3}	\$	8.88	\$	8.50	\$	9.64
Ratios and supplemental data						
Net asset value ⁴	\$	4,502,201	\$	3,355,625	\$	4,901,575
Units outstanding		506,920		394,688		508,562
Management expense ratio ⁵	%	0.06	%	0.09	%	0.09
Management expense ratio before waivers or absorption		0.06		0.09		0.09
Portfolio turnover rate ⁶		33.72		65.86		28.5
Trading expense ratio ⁷		-		-		0.01
Net asset value per unit, end of year	\$	8.88	\$	8.50	\$	9.64

Notes

* Series O commenced operations on May 18, 2021.

1 The information is derived from the Fund's audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.

2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

5 The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.

6 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.

7 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Management Fees

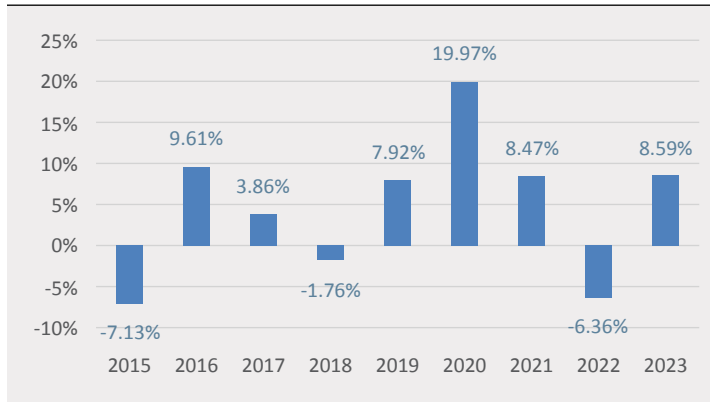
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee at a rate of 1.25% per annum for Series A units and at a rate of 0.75 % per annum for Series F units. No management fee is charged to the Fund with respect to Series O units, but investors are charged a negotiated management fee.

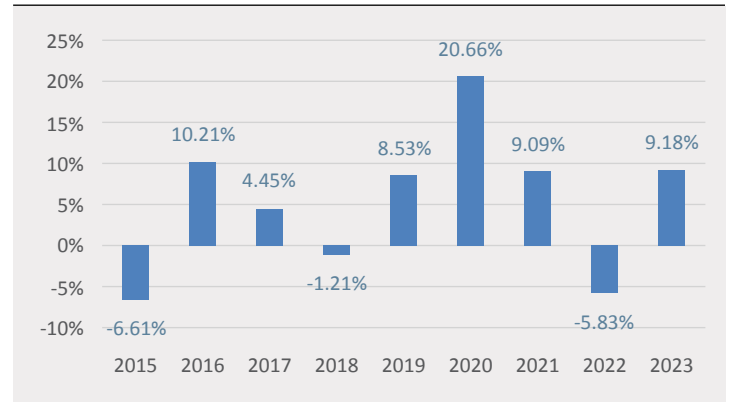
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises 40% of the management fee of Series A units.

Year-by-Year Returns

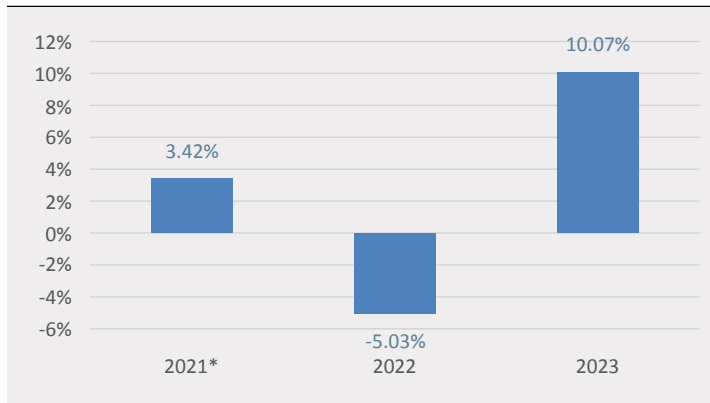
Series A



Series F



Series O



* For the period May 18 to December 31

Past Performance

The commencement date of being distributed under a prospectus for Series A and Series F was December 30, 2014. Accordingly, returns are shown for the relevant period/years as indicated below.

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

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Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the ICE BofA US Corporate Master-Total Return Index. The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2023		1 Year		3 Year ²		5 Year ²		Since Inception ³
Annual Compound Return								
Series A ¹	%	8.59	%	3.32	%	7.39	%	4.48
Series F ¹		9.18		3.90		7.99		5.06
Series O ¹		10.07		-		-		3.02
ICE BofA US Corporate Master-Total Return Index ³	%	8.40	%	(3.17)	%	2.63	%	2.49

Notes

1 Returns are based on the net asset value per unit of the relevant series of the Fund and assume that all distributions were reinvested.

2 Compound period returns are annualized.

3 Series A and Series F period starting from December 30, 2014. Series O period starting from May 18, 2021. Since inception returns are annualized.

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
US Government	20.4	Canadian Equities	0.1
Air Canada	6.9	Canadian Fixed Income	39.5
Royal Bank Of Canada	6.1	Cash and Cash Equivalents	1.1
Transcanada Pipelines	4.7	Foreign Bank Loans	3.1
Scotia Capital	4.2	Foreign Fixed Income	46.1
The Goldman Sachs Group, Inc.	4.0	Mortgage Backed Securities	6.0
Bank Of Nova Scotia	3.9	Other Assets less Liabilities	(1.1)
Met Life Glob Funding I	3.7	Preferred Shares	3.1
Manulife Financial Corp.	3.3	Private Placements	2.1
Avis Budget Car/Finance	3.2	Total	100.0
Bombardier Inc.	3.1	Sector	
Pacific Life Global Funding II	2.9	Cash and Cash Equivalents	1.1
Bank Of Montreal	2.7	Communication Services	3.4
Ford Credit Canada Co	2.4	Consumer Discretionary	5.5
Latam Airlines Group Sa	2.0	Consumer Staples	3.9
Great-West Lifeco Inc.	1.8	Energy	6.2
Skymiles Ip Ltd	1.6	Financials	40.7
Honda Canada Finance Inc.	1.5	Government	20.4
Hertz Corp.	1.5	Industrials	19.9
Spirit Aerosystems Inc.	1.4	Other Assets less Liabilities	(1.1)
AMC Entertainment Holdings	1.4	Total	100.0
Natwest Group Plc	1.3		
SNC-Lavalin Group Inc.	1.3		
STEINBACH CU	1.3		
American Airlines Inc.	1.2		
Total	87.8		



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