

**Interim Financial Statements (unaudited)**  
For the six month periods ended June 30, 2024 and 2023

Canso Credit Income Fund



**THE AUDITORS OF THE FUND HAVE NOT REVIEWED THESE FINANCIAL STATEMENTS.**

Lysander Funds Limited., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice. The next report on the Fund will contain annual audited financial information as at December 31, 2024.

# Canso Credit Income Fund

Interim Financial Statements Six-Month Periods Ended June 30, 2024 (unaudited)

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# Canso Credit Income Fund

## Interim Statements of Financial Position (unaudited)

As at	30-Jun-24	31-Dec-23
<b>Assets</b>		
Financial assets at fair value through profit or loss*	\$ 188,793,974	\$ 180,354,685
Cash and cash equivalents	2,007,265	235,204
Due from investment dealers	2,704	22,511
Accrued Interest	10,235,123	10,240,345
Dividends receivable	181,041	202,793
Options contracts	–	–
Receivable on forward exchange contracts	4,474	1,014,817
Other receivables	28,744	1
<b>Total assets</b>	<b>\$ 201,253,325</b>	<b>\$ 192,070,356</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit or loss*	\$ 56,404,840	\$ 50,140,653
Bank overdraft	–	–
Due to investment dealers	1,535,928	–
Redemptions payable	47,920	30,157
Accrued management fees	87,591	88,467
Other accrued expenses	1,188,489	2,446,031
Distributions payable to holders of redeemable units	388,705	388,599
Payable on foreign currency forward contracts	27,661	52,497
<b>Total liabilities</b>	<b>\$ 59,681,134</b>	<b>\$ 53,146,404</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 141,572,191</b>	<b>\$ 138,923,952</b>
<b>Net assets attributable to holders of redeemable units, per class</b>		
Class A	\$ 137,948,255	\$ 135,004,067
Class F	3,623,936	3,919,885
<b>Total net assets</b>	<b>\$ 141,572,191</b>	<b>\$ 138,923,952</b>
<b>Number of redeemable units outstanding</b>		
Class A	9,115,667	9,093,749
Class F	211,890	234,125
<b>Net assets attributable to holders of redeemable units per unit</b>		
Class A	\$ 15.13	\$ 14.85
Class F	17.10	16.74
<i>* Financial assets at fair value through profit or loss at cost</i>	\$ 134,596,655	\$ 136,446,501

## Interim Statements of Comprehensive Income (Loss) (unaudited)

For the period ended	30-Jun-24	30-Jun-23
<b>Income</b>		
Interest for distribution purposes	\$ 4,434,269	\$ 5,173,296
Dividend income	488,693	625,766
Derivative income	(488,625)	1,491,317
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	538,563	1,725,531
Net realized gain (loss) on options	–	(3,546,414)
Net realized gain (loss) on foreign currency	8,802	(77,174)
Net other gain (loss)	36,645	(953,083)
Change in appreciation (depreciation) unrealized on investments	3,039,441	(288,361)
<b>Total operating income (loss)</b>	<b>\$ 8,057,788</b>	<b>\$ 4,150,878</b>
<b>Expenses</b>		
Performance fees	\$ 1,061,065	\$ –
Interest expense, short positions	1,088,306	957,855
Management fees	526,146	569,140
Harmonized sales tax	203,226	113,831
Stock borrow costs	82,451	84,328
Fund valuation fees	23,099	22,002
Administration fees	9,679	10,746
Commissions and other portfolio transaction costs	520	20,003
Regulatory and listing expense	9,580	9,919
Registration and other filing fees	8,292	7,993
Transfer agent	6,725	6,502
Legal fees	3,795	5,908
Audit fees	3,911	5,888
Trustee fees	2,735	2,728
Independent review committee fees	78	405
Other expenses	1	467
<b>Total operating expenses</b>	<b>\$ 3,029,609</b>	<b>\$ 1,817,715</b>
<b>Total net operations expenses</b>	<b>\$ 3,029,609</b>	<b>\$ 1,817,715</b>
<b>Change in net assets attributable to holders of redeemable units from operations</b>	<b>\$ 5,028,179</b>	<b>\$ 2,333,163</b>
<b>Change in net assets attributable to holders of redeemable units, per class</b>		
Class A	\$ 4,891,207	\$ 2,257,313
Class F	136,972	75,850
<b>Change in net assets attributable to holders of redeemable units per unit</b>		
Class A	\$ 0.54	\$ 0.22
Class F	0.62	0.26

# Canso Credit Income Fund

## Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

### All Classes

For the period ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 138,923,952	\$ 153,953,286
Change in net assets attributable to holders of redeemable units from operations	5,028,179	2,333,163
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (2,332,019)	\$ (2,606,748)
From capital gains	-	-
From return of capital	-	-
<b>Total distributions</b>	<b>\$ (2,332,019)</b>	<b>\$ (2,606,748)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
Class A	\$ 336,098	\$ 135,803
Class F	-	-
<b>Total proceeds</b>	<b>\$ 336,098</b>	<b>\$ 135,803</b>
Cost of units redeemed		
Class A	\$ (6,321)	\$ (15,214,825)
Class F	(377,698)	(1,079,398)
<b>Total cost</b>	<b>\$ (384,019)</b>	<b>\$ (16,294,223)</b>
Reinvested distributions		
<b>Total reinvested</b>	<b>\$ -</b>	<b>\$ -</b>
Change in net assets attributable to holders of redeemable units for period	\$ 2,648,239	\$ (16,432,005)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 141,572,191</b>	<b>\$ 137,521,281</b>

### Class A

For the period ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 135,004,067	\$ 148,933,498
Change in net assets attributable to holders of redeemable units from operations	4,891,207	2,257,313
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (2,276,796)	\$ (2,532,705)
<b>Total distributions</b>	<b>\$ (2,276,796)</b>	<b>\$ (2,532,705)</b>
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued due to conversion F to A	\$ 336,098	\$ 135,803
Cost of units redeemed	(6,321)	(15,214,825)
<b>Total redeemable</b>	<b>\$ 329,777</b>	<b>\$ (15,079,022)</b>
Change in net assets attributable to holders of redeemable units for period	\$ 2,944,188	\$ (15,354,414)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 137,948,255</b>	<b>\$ 133,579,084</b>

### Class F

For the period ended	30-Jun-24	30-Jun-23
Net assets attributable to holders of redeemable units, beginning of period	\$ 3,919,885	\$ 5,019,788
Change in net assets attributable to holders of redeemable units from operations	136,972	75,850
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	\$ (55,223)	\$ (74,043)
<b>Total distributions</b>	<b>\$ (55,223)</b>	<b>\$ (74,043)</b>
<b>Redeemable unit transactions</b>		
Cost from redeemable units issued due to conversion F to A	\$ (336,098)	\$ (135,803)
Cost of units redeemed	(41,600)	(943,595)
<b>Total redeemable</b>	<b>\$ (377,698)</b>	<b>\$ (1,079,398)</b>
Change in net assets attributable to holders of redeemable units for period	\$ (295,949)	\$ (1,077,591)
<b>Net assets attributable to holders of redeemable units, end of period</b>	<b>\$ 3,623,936</b>	<b>\$ 3,942,197</b>

# Canso Credit Income Fund

## Interim Statements of Cash Flows (unaudited)

For the period ended	30-Jun-24	30-Jun-23
<b>Cash flows from (used in) operating activities</b>		
Change in net assets attributable to holders of redeemable units from operations	\$ 5,028,179	\$ 2,333,163
Adjustments for:		
Foreign exchange loss (gain) on cash	(8,802)	77,174
Net realized loss (gain) on sale of investments and derivatives	(538,563)	(1,725,531)
Net realized loss (gain) on sale of options	–	3,546,414
Net change in unrealized depreciation (appreciation) of investments and derivatives	(3,039,441)	288,361
Purchase of investments	(72,871,168)	(42,048,285)
Proceeds from the sale of investments	76,815,312	35,341,492
Interest receivable	5,222	(2,961,048)
Dividends receivable	21,752	61,000
Other receivables	(28,743)	(29,104)
Other liabilities	(1,258,418)	(2,390)
<b>Net cash from (used in) operating activities</b>	<b>\$ 4,125,330</b>	<b>\$ (5,118,754)</b>
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (2,331,913)	\$ (2,606,706)
Amounts paid on redemption of redeemable units	(30,158)	–
<b>Net cash from (used in) financing activities</b>	<b>\$ (2,362,071)</b>	<b>\$ (2,606,706)</b>
Foreign exchange gain (loss) on cash and cash equivalents	\$ 8,802	\$ (77,174)
Change in cash and cash equivalents during the period	1,763,259	(7,725,460)
Cash and cash equivalents, beginning of period	235,204	9,692,382
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,007,265</b>	<b>\$ 1,889,748</b>
<b>Supplementary disclosures on cash flow from operating activities</b>		
Interest received	\$ 4,439,491	\$ 2,212,248
Interest expense, short positions	1,088,306	957,855
Dividends received	510,445	686,766

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
<b>Bonds held long</b>		
9,370,000	Air Canada, Callable, 4.63%, 2029/08/15 \$ 9,329,452	\$ 9,047,906
1,408,000	Air Canada, Convertible, 4.00%, 2025/07/01 2,087,681	2,016,702
2,570,000	AMC Entertainment Holdings Inc., Callable, 7.50%, 2029/02/15 3,055,291	2,378,813
404,000	American Airlines Inc. / AAdvantage Loyalty IP Ltd., Sinkable, 5.75%, 2029/04/20 512,233	538,195
476,000	American Airlines Inc., Callable, 8.50%, 2029/05/15 653,548	676,719
2,370,000	AT&T Inc., Callable, 4.85%, 2047/05/25 2,422,639	2,134,138
3,464,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 4.75%, 2028/04/01 4,386,547	4,348,999
1,507,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 5.75%, 2027/07/15 1,888,000	1,981,964
421,000	Avis Budget Rental Car Funding (AESOP) LLC, Class 'A', Series '24-2A', Callable, 5.13%, 2028/10/20 571,120	572,400
1,600,000	Bank of Nova Scotia (The), Floating Rate, 5.79%, 2027/05/03 1,600,000	1,598,021
1,370,000	Bank of Nova Scotia, Floating Rate, 5.40%, 2024/09/08 1,370,000	1,368,226
1,803,000	Bank of Nova Scotia, Series '1', Variable Rate, Callable, 3.70%, 2081/07/27 1,625,920	1,476,074
182,845	Bell Canada, Zero Coupon, 2026/06/15 168,558	165,623
182,845	Bell Canada, Zero Coupon, 2026/12/15 164,770	161,304
182,845	Bell Canada, Zero Coupon, 2027/06/15 160,568	157,984
182,845	Bell Canada, Zero Coupon, 2027/12/15 156,084	153,504

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# Canso Credit Income Fund

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Bonds held long</b>							
<i>Cont'd</i>							
182,845	Bell Canada, Zero Coupon, 2028/06/15	152,368	149,539	15,900,000	Government of Canada, 0.50%, 2025/09/01	15,016,251	15,234,556
182,845	Bell Canada, Zero Coupon, 2028/12/15	145,850	145,484	5,119,000	Government of Canada, 0.50%, 2030/12/01	4,112,651	4,253,351
1,467,588	Black Press Ltd., 10.00%, 2029/03/22	1,289,072	1,221,620	1,300,000	Government of Canada, 0.75%, 2024/10/01	1,243,684	1,287,796
600,000	Boeing Co. (The), Callable, 2.25%, 2026/06/15	572,311	764,341	3,550,000	Government of Canada, 2.75%, 2024/08/01	3,477,178	3,543,997
300,000	Bombardier Inc., 7.35%, 2026/12/22	279,375	305,625	15,621,000	Government of Canada, Real Return, 0.50%, 2050/12/01	10,260,145	11,077,010
797,000	Bombardier Inc., Callable, 7.45%, 2034/05/01	996,563	1,224,978	5,762,000	Government of Canada, Real Return, 4.25%, 2026/12/01	6,637,048	6,389,536
266,000	Bombardier Inc., Callable, 7.88%, 2027/04/15	267,031	364,909	1,970,000	Great-West Lifeco Inc., Series '1', Variable Rate, Callable, 3.60%, 2081/12/31	1,970,000	1,640,355
2,454,931	Canada Mortgage & Housing Corp., Floating Rate, 5.02%, 2026/11/01	1,737,105	1,663,235	2,206,000	Hertz Corp. (The), Callable, 12.63%, 2029/07/15	3,020,566	3,124,925
1,329,000	Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.90%, 2027/04/02	1,328,176	1,330,336	3,959,000	Hertz Corp. (The), Callable, 5.00%, 2029/12/01	4,332,588	3,322,070
1,106,000	Cineplex Inc., Callable, 7.63%, 2029/03/31	1,106,000	1,126,738	119,000	Hertz Corp. (The), Escrow, 2022/10/15	-	6,920
89,000	CINEPLEX INC., CONVERTIBLE, CALLABLE, 5.75%, 2025/09/30	92,559	96,565	970,000	Hertz Corp. (The), Escrow, 2024/10/15	-	56,410
4,870,789	ClearStream Energy Services Inc., 8.00%, 2026/03/23	4,870,789	4,271,244	350,000	Hertz Corp. (The), Escrow, 2026/08/01	-	47,892
1,490,000	Corus Entertainment Inc., Restricted, Callable, 6.00%, 2030/02/28	1,490,000	558,750	938,000	Hertz Corp. (The), Payment-In-Kind, Convertible, Callable, 8.00%, 2029/07/15	1,285,295	1,296,347
871,000	Credit Suisse Group AG, Variable Rate, Callable, 1.31%, 2027/02/02	922,898	1,111,146	2,650,000	Hertz Global Holdings Inc., Escrow, 2028/01/15	-	362,613
253,000	Credit Suisse Group AG, Variable Rate, Callable, 2.19%, 2026/06/05	289,343	334,526	1,386,000	LATAM Airlines Group S.A., Callable, 13.38%, 2029/10/15	1,784,569	2,180,101
243,000	Gannett Holdings LLC, Callable, 6.00%, 2026/11/01	305,788	317,437	2,116,000	Loblaw Cos. Ltd., Callable, 2.28%, 2030/05/07	1,856,092	1,878,281
5,871,000	GE Capital Canada Funding Co., 5.73%, 2037/10/22	5,997,227	5,891,242	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/08/17	130,162	129,975
5,315,000	Government of Canada, 0.25%, 2026/03/01	4,927,801	4,997,373	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/02/17	127,635	126,709

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# Canso Credit Income Fund

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Bonds held long</b>							
<i>Cont'd</i>							
130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/08/17	124,999	123,384	137,000	Spirit AeroSystems Inc., Callable, 3.85%, 2026/06/15	180,420	180,429
130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/02/17	122,230	120,194	2,214,000	Spirit AeroSystems Inc., Callable, 4.60%, 2028/06/15	2,532,395	2,837,419
130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	119,494	117,296	242,000	Spirit AeroSystems Inc., Callable, 9.75%, 2030/11/15	332,774	365,384
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/02/17	116,688	114,473	7,060,755	Strait Crossing Development Inc., 6.17%, 2031/09/15	7,433,696	6,839,248
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/08/17	114,605	111,707	2,968,000	Sun Life Financial Inc., Series '21-1', Variable Rate, Callable, 3.60%, 2081/06/30	2,970,528	2,474,856
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/02/17	110,903	108,850	4,408,000	Toronto-Dominion Bank (The), 4.48%, 2028/01/18	4,408,000	4,399,952
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/08/17	107,791	105,961	2,480,000	Toronto-Dominion Bank (The), Series '1', Variable Rate, Callable, 3.60%, 2081/10/31	2,480,000	2,059,097
1,487,000	Loblaw Cos. Ltd., Zero Coupon, 2033/02/17	964,506	929,270	3,159,000	TransCanada PipeLines Ltd., Variable Rate, Callable, 7.79%, 2067/05/15	3,705,139	3,942,227
9,375,000	Manulife Financial Corp., Variable Rate, Callable, 4.10%, 2082/03/19	9,117,284	7,696,277	427,000	United Airlines Inc., Callable, 4.63%, 2029/04/15	535,373	544,034
909,000	Metropolitan Life Global Funding I, 4.64%, 2027/04/01	909,000	912,239	260,000	United States Treasury Bond, Inflation Indexed, 0.13%, 2026/04/15	326,727	336,745
3,000,000	Metropolitan Life Global Funding I, Floating Rate, 5.87%, 2026/06/15	3,000,000	3,020,769	957,000	United States Treasury Bond, Inflation Indexed, 0.63%, 2026/01/15	1,257,592	1,253,208
1,727,000	NatWest Group PLC, Variable Rate, Callable, 7.47%, 2026/11/10	2,371,257	2,414,885	1,477,000	Videotron Ltd., Callable, 5.63%, 2025/06/15	1,518,848	1,481,153
1,420,000	NAV Canada, Callable, 2.92%, 2051/09/29	1,420,000	1,049,306	642,000	WTH Car Rental ULC, Series '23-1', Sinkable, 6.03%, 2027/02/20	642,000	653,485
3,401,509	NHA MBS Equitable Bank, 3.90%, 2029/03/01	3,363,072	3,377,257	<b>Total bonds held long</b>	<b>\$ 176,174,595</b>	<b>\$ 172,425,475</b>	
1,266,643	NHA MBS RBC Dominion Securities, 3.32%, 2028/09/01	1,223,881	1,232,469	<b>Bonds held short</b>			
1,317,127	NHA MBS TD Securities, 5.42%, 2029/02/01	1,312,649	1,312,332	(14,199,000)	Government of Canada, 2.75%, 2048/12/01	\$ (16,290,249)	\$ (12,634,319)
7,273,000	Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26	7,221,788	6,442,025	(12,485,000)	Government of Canada, 3.50%, 2045/12/01	(12,564,280)	(12,579,945)
3,610,000	Royal Bank of Canada, Floating Rate, Callable, 5.84%, 2085/06/29	3,215,425	4,494,729	(11,950,000)	Government of Canada, 4.00%, 2041/06/01	(12,760,905)	(12,740,211)
739,000	SNC-Lavalin Group Inc., Series '7', 7.00%, 2026/06/12	739,000	764,311	(1,566,000)	Government of Canada, 5.75%, 2029/06/01	(2,032,862)	(1,729,164)

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# Canso Credit Income Fund

## Interim Schedule of Investment Portfolio as at June 30, 2024 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
<b>Bonds held short</b>							
<i>Cont'd</i>							
(2,250,000)	Government of Canada, 5.75%, 2033/06/01	(2,680,706)	(2,628,639)	4,658	VerticalScope Holdings Inc.	38,102	41,223
(7,224,000)	Government of Canada, 8.00%, 2027/06/01	(9,752,991)	(8,094,853)	75,886	X-Spectrum 1 Inc.	371,840	20,490
(4,640,000)	United States Treasury Bond, 1.88%, 2026/07/31	(5,798,907)	(5,997,709)	124,321	X-Spectrum 2 Inc.	177,779	1
				343,035	Yellow Pages Ltd.	6,651,450	3,070,163
<b>Total bonds held short</b>		<b>\$ (61,880,900)</b>	<b>\$ (56,404,840)</b>	<b>Total equities held long</b>		<b>\$ 20,302,960</b>	<b>\$ 16,368,499</b>
<b>Total of bonds (81.9%)</b>		<b>\$ 114,293,695</b>	<b>\$ 116,020,635</b>	<b>Total of equities (11.6%)</b>		<b>\$ 20,302,960</b>	<b>\$ 16,368,499</b>
<b>Equities held long</b>							
915,463	Aegis Brands Inc.	\$ 444,000	\$ 347,885				
58,300	BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	699,809	930,468				
137,324	Bird Construction Inc.	1,557,700	3,673,416				
152,810	Black Press Media Ltd., Class 'A'	161,247	152,812				
90,000	Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	931,500	900,900				
190,321	FLINT Corp.	65,661	4,758				
3,760	Flint Corp., Preferred, Series '1'	3,760,300	1,965,053				
296	Flint Corp., Preferred, Series '2'	296,000	154,696				
121,134	M Split Corp., 7.50%, Preferred, Class 'I', Series 'B'	669,871	589,923				
2,200	Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	37,091	47,432				
43,214	MDA Ltd.	605,000	589,007				
157,793	NorthStar Gaming Holdings Inc.	72,948	7,890				
29,367	Postmedia Network Canada Corp., Restricted	-	36,122				
2,700	TC Energy Corp., Preferred, Series '4', Floating Rate, Convertible, Perpetual	27,621	37,152				
3,000	TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	44,340	57,930				
6,240	TC Fund I L.P. Class 'B'	106,614	105,643				
270,300	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	3,584,087	3,635,535				
						Cash and cash equivalents (1.4%)	\$ 2,007,265
						Other assets less liabilities (5.1%)	7,175,792
				<b>Net assets</b>		<b>\$</b>	<b>141,572,191</b>

# 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	9/10/2024	CAD	\$ 38,224,127	USD	\$ 27,994,000	0.732	0.732	\$ (18,110)
Canadian Imperial Bank of Commerce	9/10/2024	CAD	3,412,861	USD	2,495,000	0.731	0.732	4,474
Canadian Imperial Bank of Commerce	9/10/2024	USD	1,339,000	CAD	1,838,742	1.373	1.366	(9,551)

### Notes

1 Credit rating of counterparty is A+.

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

## 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 interim financial statements (the "financial statements") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The financial statements were authorized for issue by Lysander's board of directors on August 21, 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 Fund. 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

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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.

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 June 30, 2024 and December 31, 2023, 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 periods ended June 30, 2024 and December 31, 2023, 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 period 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.

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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.

## 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 period-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

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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 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 period in which the estimate is revised if the revision affects only that period, or in the periods of the revision and future periods, if the revision affects both current and future periods.

## 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.

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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 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 June 30, 2024, 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 periods ended June 30, 2024 and 2023, the number of units issued, redeemed and outstanding were as follows:

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

## Class A

For the years ended	30-Jun-24	30-Jun-23
Units outstanding at beginning of year	9,093,749	10,123,880
Units converted from Class F to Class A	22,336	9,237
Units redeemed	(418)	(1,041,619)
<b>Units outstanding at end of year</b>	<b>9,115,667</b>	<b>9,091,498</b>

## Class F

For the years ended	30-Jun-24	30-Jun-23
Units outstanding at beginning of year	234,125	303,844
Units converted from Class F to Class A	(19,800)	(8,225)
Units redeemed	(2,435)	(57,394)
<b>Units outstanding at end of year</b>	<b>211,890</b>	<b>238,225</b>

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.

The total management fees earned by the Manager for the period ended June 30, 2024 was \$526,146 (June 30, 2023 - \$569,140), of which \$87,591 (December 31, 2023 - \$88,467) was payable at June 30, 2024.

### 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.

## 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 June 30, 2024, the Manager had an ownership interest in the Fund amounting to 11.8%. (December 31, 2023 - 14.1%)

Performance fees are calculated and accrued monthly and paid annually, if earned. For the period ended June 30, 2024, the Performance Fee accrued by the Fund was \$1,061,065 (December 31, 2023 - \$2,163,423).

During the period ended June 30, 2024, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$245,545 including performance fees (June 30, 2023 - \$265,599) for managing the portfolio of the Fund. As at June 30, 2024 the amount payable to the Portfolio Manager was \$40,876 (December 31, 2023 - \$1,772,023).

## 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 June 30, 2024 and December 31, 2023:

As at June 30, 2024	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
Equities	\$	13,969,804	\$	-	\$	278,946	\$ 14,248,750
Fixed income		-		171,203,855		1,221,620	172,425,475
Preferred shares		-		-		2,119,749	2,119,749
<b>Total</b>	<b>\$</b>	<b>13,969,804</b>	<b>\$</b>	<b>171,203,855</b>	<b>\$</b>	<b>3,620,315</b>	<b>\$ 188,793,974</b>
<b>Financial Liabilities</b>							
Fixed income sold short	\$	-	\$	56,404,840	\$	-	\$ 56,404,840
<b>Total</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>56,404,840</b>	<b>\$</b>	<b>-</b>	<b>\$ 56,404,840</b>



# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

As at December 31, 2023	Level 1		Level 2		Level 3		Total
<b>Financial Assets</b>							
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
<b>Total</b>	<b>\$</b>	<b>13,001,780</b>	<b>\$</b>	<b>163,740,835</b>	<b>\$</b>	<b>3,612,070</b>	<b>\$ 180,354,685</b>
<b>Financial Liabilities</b>							
Fixed income sold short	\$	–	\$	50,140,653	\$	–	\$ 50,140,653
<b>Total</b>	<b>\$</b>	<b>–</b>	<b>\$</b>	<b>50,140,653</b>	<b>\$</b>	<b>–</b>	<b>\$ 50,140,653</b>

As at	30-Jun-24		31-Dec-23		
<b>Level 3 reconciliation</b>					
Balance, beginning of period		\$	3,612,070	\$	5,267,733
Purchases			1,414,524		280,952
Sales			(1,376,095.05)		(2,495,959)
Transfers In			–		1,452,077
Transfers Out			–		–
Realized gains and losses			(75,981.93)		655,579
Change in unrealized appreciation (depreciation)			45,797.98		(1,548,312)
<b>Balance, end of period</b>		<b>\$</b>	<b>3,620,315</b>	<b>\$</b>	<b>3,612,070</b>

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 periods ended June 30, 2024 and December 31, 2023, there were no transfers between levels.

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: \$522.62

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 \$156.79, or an increase or decrease in net assets of \$589,530.

#### FLINT Corp., Preferred, Series 2

Price: \$522.62

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 \$156.79, or an increase or decrease in net assets of \$46,410.

#### TC Fund I LP Class B

Price: \$16.93

Valuation Technique: Internally developed model.

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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**Unobservable Inputs:** The primarily unobservable inputs for this security include TC Fund I FY24 Q1 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 \$8.47, or an increase or decrease in net assets of \$52,853.

Black Press Media Ltd., Class 'A'

Price: \$1.00

**Valuation Technique:** The private placement financing technique.

**Unobservable Inputs:** The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities.

**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 50%, or an increase or decrease in the security price of \$0.50, or an increase or decrease in net assets of \$76,405.

Black Press Group Ltd. 10% Mar 22, 2029

Price: \$83.24

**Valuation Technique:** Internally developed model.

**Unobservable Inputs:** The primary unobservable inputs for this security is the recovery expectations, yields of similarly rated companies, and a liquidity discount are all factored into the internal model.

**Change in input values:** A reasonably possible change to 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 \$25, or an increase or decrease in net assets of \$366,897.

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 believe 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 \$8,347.

## 8. Risk Management

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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.

# Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

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 June 30, 2024 and December 31, 2023, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		30-Jun-24	31-Dec-23
<b>Credit exposure</b>			
AAA	%	1.5 %	(0.4)
AA		3.5	3.0
A		12.3	11.4
BBB		32.5	34.0
BB		12.8	15.8
B		7.6	11.5
CCC		6.0	5.1
Not Rated		7.2	8.4

## 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 June 30, 2024 and December 31, 2023:

As at 30-Jun-2024	Less Than One Month		1-3 Months	3 Months – 1 Year
<b>Liquidity exposure</b>				
Fixed income sold short	\$	–	\$	–
Due to investment dealers		1,535,928		56,404,840
Redemptions payable		47,920	–	–
Accrued management fees		87,591	–	–
Other accrued expenses		–	1,188,489	–
Distributions payable to holders of redeemable units		388,705	–	–
Payable on forward exchange contracts		–	27,661	–
<b>As at 31-Dec-2023</b>				
<b>Liquidity exposure</b>				
Fixed income sold short	\$	–	\$	–
Redemptions payable		30,157	–	50,140,653
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	–

## 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.

The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments.

## Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2024 (unaudited)

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
<b>Interest rate exposure</b>					
Fixed income and term loans					
June 30, 2024 - Long	\$ 6,626,040	\$ 48,436,755	\$ 31,957,810	\$ 85,404,870	\$ 172,425,475
June 30, 2024 - Short	-	14,092,562	1,729,164	40,583,114	56,404,840
<b>Interest rate exposure</b>					
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

If interest rates had increased or decreased by 1% at June 30, 2024, with all other variables remaining constant, net assets of the Fund would have decreased or increased by approximately \$1,941,429 (December 31, 2023 - \$1,897,069).

### 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:

	30-Jun-24	31-Dec-23
<b>Currency exposure</b>		
US Dollars	% 0.2 %	(0.5)

As at June 30, 2024, 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 0.0% (December 31, 2023 - 0.3%).

### 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 June 30, 2024, approximately 11.6% (December 31, 2023 - 11.0%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at June 30, 2024 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$818,425 (December 31, 2023 - \$761,719).



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