Semi-Annual Management Report of Fund Performance

As at June 30, 2020

Canso Credit Income Fund

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A Note About Forward Looking Statements

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

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

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

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

About This Report

This semi-annual Management Report of Fund Performance of Canso Credit Income Fund (the “Fund”) contains financial highlights for the period ended June 30, 2020 but does not contain the complete financial statements of the investment fund. This report should be read in conjunction with the annual financial statements of the Fund for the period ended June 30, 2020. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 3037, Toronto, Ontario, M4N 3N1, by visiting our website at www.lysanderfunds.com or at SEDAR at www.sedar.com.

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

Investment objective

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

Investment Strategies

The Fund is managed by Canso Investment Counsel Ltd. (“Canso” or “Portfolio Manager”), a company under common control as the Manager. The Fund's portfolio holdings are not restricted by credit ratings. In addition, Canso engages in short selling of securities primarily to hedge credit and interest rate risk. This allows the Fund's portfolio to be positioned more defensively in both rising interest rate environments and credit downturns.

Risks

The risks of this Fund remain as discussed in the Fund’s most recently filed public disclosure documents.

Results of Operations

The Fund had returns for the period of 2.69% for Class A units and 2.90% for Class F units. At the end of the period, the Fund held approximately 109% of its net asset value in short positions. These primarily consisted of short positions in Government of Canada bonds and U.S. Treasury bonds.

The net assets of the Fund were $119.7 million at June 30, 2020 compared to $156.6 million at the beginning of the period. This was mainly due to appreciation and net earnings of the Fund offset by cash distributions of approximately $3.3 million and net redemptions of approximately $37.3 million.

Other than as discussed in the section below, 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.

The Fund did not borrow money during the period except for immaterial short-term cash overdrafts. As of June 30, 2020, the Fund's bank overdraft was 20% of the nets as of the Fund. The Fund's cash balance was in a positive position by July 6, 2020.

Recent Developments

The COVID-19 pandemic has changed the world in ways that were unimaginable at the beginning of the period. Equity and credit markets peaked in mid-February driven by the 2019 monetary ease from the U.S. Federal Reserve. Markets then crashed in March when the full scope of the COVID-19 pandemic and the economic damage it would wreak became apparent. Selling was indiscriminate and the lack of bids caused the Canadian corporate bond market to largely seize up in March. The Canadian equity market was down over 28% in the first quarter and other equity markets were all down well over 20% with small cap stocks generally doing worse. Corporate bonds also experienced negative single digit returns in the first quarter as credit spreads widened. Lower rated BBB and high yield bonds did worse.

The situation in markets dramatically changed on March 23 when the U.S. Federal Reserve announced a range of tools to support households, businesses, and the U.S. economy overall. This included support for critical market functioning through the purchase of U.S. Treasury securities and supporting the flow of credit in general. In addition, the Fed announced it would purchase in the secondary market corporate bonds issued by investment grade U.S. companies and U.S.-listed exchange-traded funds. The Bank of Canada announced similar programs, on a smaller scale.

The huge liquidity assistance provided by central banks to the markets caused a sharp rally in equity markets and considerably narrowed credit spreads so that corporate bonds rallied. By the end of the period, equity markets had regained much of their March losses and corporate bond returns were positive for the entire period. Federal Government bond returns were higher as Government bond yields declined in the period as central banks pledged to keep administered interest rates at very low levels for some time, potentially many years.

The obvious central question going forward is how the effects of the pandemic will play out. It seems clear that the countries that have implemented the most restrictive social distancing and lockdowns have fared the best with the COVID-19 pandemic. It took some time from the March lockdowns, social distancing, and other measures to work and for the economy to start rebounding. Things indeed did start to improve in June. A major problem now is the U.S. cannot seem to muster the political will or societal patience to follow its own public health advice. Things now seem to have opened up too early and too quickly in many areas of the U.S. The U.S. is now showing a huge increase in infections and hospitalizations and many states, like Florida, Texas and California, have had to close down again

Recent surveys in the U.S. indicate retail shopper traffic to stores showed business activity slowed in the second week of July, in part from renewed virus fears. Amazon announced on July 15 it was extending a work-from-home order for eligible employees from October to January, and Delta Airlines said on July 14 it was cutting back plans to add flights in August and beyond, citing flagging consumer demand. The biggest banks in the U.S. also warned in July that they are setting aside billions of dollars to cover anticipated losses as customers fail to pay their mortgages and other loans in the months to come. This means the U.S. economy will be much slower than its developed world peers in recovering to “normal”.

Other regions and countries, like the Europeans and New Zealand, have made steady progress through effective social distancing programs to the point where they have very few cases and the rate of transmission is very much under control. They are now getting their economies back up and running. Canada is also making good progress at recovery, although there is likely to be increased weakness as various Government support programs start to wind down.

The financial markets seem to be looking through the COVID-19 pandemic and discounting an end to social distancing. The fiscal and monetary stimulus has been incredible in scale and rapidity, but equity valuations are high. In credit markets, there is now a split between companies largely unaffected by the pandemic and those that are. It is in the latter group where the best investment opportunities lie, but success will depend on careful and detailed analysis of each individual company’s prospects going forward.

The Fund experienced increased trading activity in the first half of 2020 as volatility in the credit markets presented attractive buying opportunities. In both the investment grade and high yield markets, corporate credit spreads widened to decade-high levels as investors began to assess the impact of COVID-19 lockdowns. The Fund took advantage of these market conditions by increasing the number of hedged long-corporate bond positions within the portfolio and by shifting the credit profile of the Fund to increase the weight in high-yield securities. As a result, the cumulative long high-yield weight within the Fund increased to 76% from 26% at the beginning of the period.

The Fund was an active buyer in both the primary and secondary markets, adding several new positions in the first half of the year. New additions to the portfolio included bonds issued by Air Canada, AMC Entertainment, American Airlines, Avis, Boeing, Exxon Mobil, Fedex Corp, Hertz, Howmet Aerospace and Spirit Aerosystems, among others. In addition, the Fund established a new position in North American oil and gas producers, taking advantage of a sharp sell-off in the price of oil during the months of March and April.

At the end of the period, the Fund held long positions that were approximately 209.8% of the net asset value of the Fund.

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.

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

Related Party Transactions

The Manager provides or arranges 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 classes, 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 Fund's most recently filed Annual Information Form.

The Fund paid $552,216 (excluding HST) in management fees to the Manager for the period ended June 30, 2020 (June 30, 2019- $599,787).

The Manager is also entitled to receive a performance fee from the Fund (the "Performance Fee") under certain conditions as described in the Fund's most recently filed Annual Information Form. For the period ended June 30, 2020, the Performance Fee accrued payable by the Fund was Nil (excluding HST) (June 30, 2019 -Nil).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services is included in the management fee. The Manager will also pay to Canso a percentage of any Performance Fee that the Manager receives from the Fund, such percentage to be agreed upon between the Manager and the Portfolio Manager from time to time.

The Manager paid $257,701 (excluding HST) to the Portfolio Manager for the period ended June 30, 2020 (June 30, 2019 - $276,951) including performance fees, if applicable.

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

Class A

Period ended	30-Jun-20	31-Dec-2019	31-Dec-2018	31-Dec-2017	31-Dec-2016	31-Dec-2015
Net assets per unit[1]						
Net assets, beginning of period	$ 11.34	$ 10.70	$ 11.65	$ 11.32	$ 10.75	$ 11.43
Operations:						
Total revenue	0.55	0.75	0.49	0.78	0.76	0.26
Total expenses	(0.20)	(0.34)	(0.30)	(0.41)	(0.26)	(0.11)
Realized gains (losses)	0.69	(0.15)	0.21	0.21	(0.46)	4.66
Unrealized gains (losses)	(0.77)	0.88	(0.84)	0.21	0.95	(5.00)
Total increase (decrease) from operations[2]	**$ 0.27**	**$ 0.14**	**$ (0.44)**	**$ 0.79**	**$ 0.99**	**$ (0.19)**
Distributions:						
From income (excluding dividends)	$ (0.25)	$ -	$ (0.11)	$ (0.52)	$ (0.48)	$ -
From dividends	-	(0.02)	(0.03)	(0.02)	-	-
From capital gains	-	-	-	-	-	(3.55)
From return of capital	-	(0.48)	(0.36)	-	(0.02)	-
Total distributions[2 3]	**$ (0.25)**	**$ (0.50)**	**$ (0.50)**	**$ (0.54)**	**$ (0.50)**	**$ (3.55)**
Net assets, end of period[2 3]	**$ 11.37**	**$ 11.13**	**$ 10.70**	**$ 11.65**	**$ 11.32**	**$ 10.75**

Ratios and supplemental data						
Net asset value[4] (thousands)	$ 110,320	$ 142,866	$ 138,957	$ 153,038	$ 194,815	$ 212,656
Units outstanding	9,702,999	12,603,943	12,986,466	13,139,530	17,208,747	19,783,017
Management expense ratio[5]	% 1.65	% 1.52	% 1.50	% 2.73	% 2.33	% 1.77
Portfolio turnover rate[6]	62.40	48.10	34.94	43.11	31.33	128.59
Trading expense ratio[7]	0.01	0.01	0.02	0.01	0.03	-
Net asset value per unit, end of period	11.37	11.34	10.70	11.65	11.32	10.75
Closing Market price per unit[4]	$ 11.25	$ 10.90	$ 11.16	$ 11.32	$ 10.86	$ 10.50

Notes

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

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

3 Distributions were paid in cash. A portion of the distributions in 2015 and 2017 were paid in cash ($0.50/unit) and the remainder was paid as a special non-cash distribution.

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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Class F

Period ended		30-Jun-20		31-Dec-2019		31-Dec-2018		31-Dec-2017		31-Dec-2016		31-Dec-2015
Net assets per unit[1]												
Net assets, beginning of period	$	12.39	$	11.62	$	12.55	$	12.14	$	11.47	$	12.10
Operations:												
Total revenue		0.60		0.82		0.53		0.85		0.82		0.27
Total expenses		(0.20)		(0.32)		(0.28)		(0.41)		(0.26)		(0.07)
Realized gains (losses)		0.74		(0.16)		0.23		0.20		(0.49)		5.01
Unrealized gains (losses)		(0.87)		0.94		(0.88)		0.27		0.97		(5.34)
Total increase (decrease) from operations[2]	**$**	**0.27**	**$**	**1.28**	**$**	**(0.40)**	**$**	**0.91**	**$**	**1.04**	**$**	**(0.13)**
Distributions:												
From income (excluding dividends)	$	(0.25)	$	-	$	(0.1)	$	(0.53)	$	(0.43)	$	-
From dividends		-		(0.02)		(0.04)		(0.03)		-		-
From capital gains		-		-		-		-		-		(3.95)
From return of capital		-		(0.48)		(0.36)		-		(0.07)		-
Total distributions[2 3]	**$**	**(0.25)**	**$**	**(0.50)**	**$**	**(0.50)**	**$**	**(0.56)**	**$**	**(0.50)**	**$**	**(3.95)**
Net assets, end of period[2 3]	**$**	**12.48**	**$**	**12.12**	**$**	**12.58**	**$**	**12.55**	**$**	**12.14**	**$**	**11.47**

Ratios and supplemental data												
Net asset value[4] (thousands)	$	9,389	$	13,749	$	17,052	$	20,160	$	21,279	$	28,009
Units outstanding		752,551		1,109,959		1,467,453		1,606,525		1,753,184		2,442,940
Management expense ratio[5]	%	1.27	%	1.16	%	1.14	%	2.51	%	2.11	%	1.33
Portfolio turnover rate[6]		62.40		48.1		34.94		43.11		31.33		128.59
Trading expense ratio[7]		0.01		0.01		0.02		0.01		0.03		-
Net asset value per unit, end of period	$	12.48	$	12.39	$	11.62	$	12.55	$	12.14	$	11.47

Notes

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3 Distributions were paid in cash. A portion of the distributions in 2015 and 2017 were paid in cash ($0.50/unit) and the remainder was paid as a special non-cash distribution.

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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.

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 monthly management fee, based on the net asset value of each Class, calculated daily and payable monthly. The Fund pays a management fee of 0.75% per annum for Class A and Class F units.

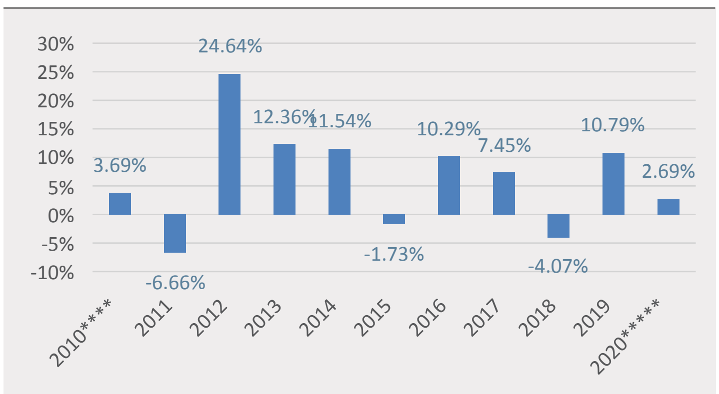
Service fees or trailing commissions ("Service Amount") are calculated and paid by the Fund after the end of each calendar quarter, equal to 0.40% per annum of the net asset value attributable to the Class A Units of the Fund. The Fund paid the Service Amount to brokers based on the number of Class A Units of the Fund held by clients of such brokers at the end of the relevant quarter. The Service Amount was discontinued effective July 1, 2020.

Past Performance

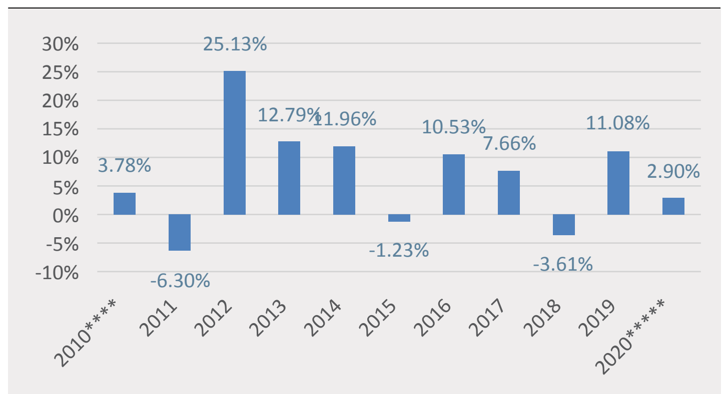
The following charts and table show the past performance of the Fund. Past performance does not necessarily indicate how the Fund will perform in the future. The information shown assumes that cash distributions made by the Fund in the years/periods shown were reinvested in additional units of the Fund.

Year-by-Year Returns

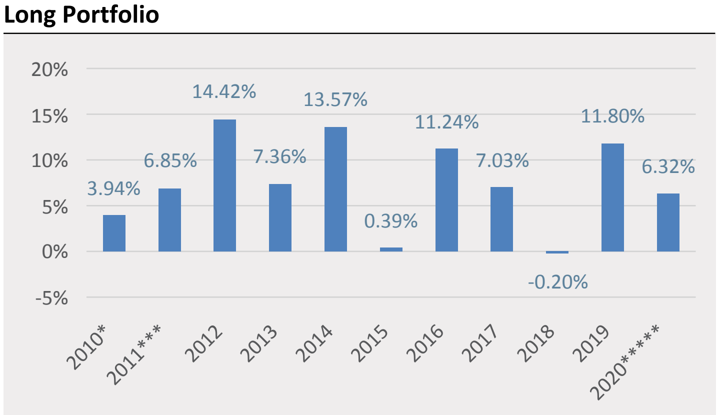
Class A



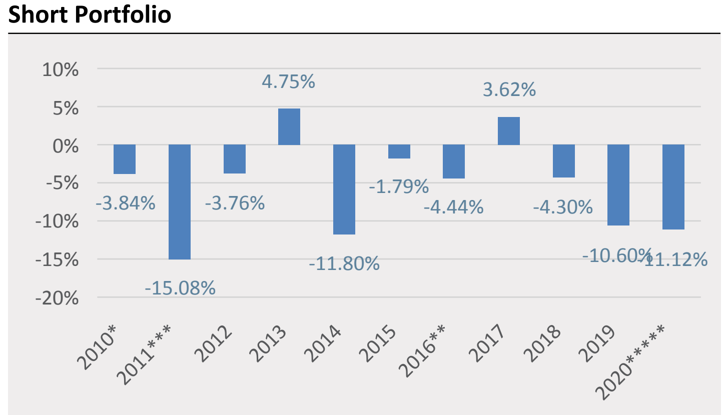
Class F



Long Portfolio



Short Portfolio



* For the period July 16 to December 31, ** Restated performance for short portfolio for January 1 to December 31, *** Restated performance for January 1 to December 31, **** Restated performance for July 16 to December 31, ***** For the period January 1 to June 30

Summary of Investment Portfolio

Top 25 Issuers		% of NAV
Long positions:		
Shaw Communications Inc (Debt)	%	13.0
Suncor Energy Inc. (Debt)		10.0
Ford Credit Canada Co (Debt)		9.5
Strait Crossing Development (Debt)		8.9
Maxar Technologies Inc. (Debt)		8.7
AT&T Inc (Debt)		8.1
Fedex Corporation (Debt)		8.1
Pembina Pipeline Corp (Debt)		8.1
Exxon Mobil Corp (Debt)		8.0
Enbridge Inc (Debt)		7.8
Air Canada (Debt)		7.7
Transcanada Pipelines Ltd (Debt)		7.4
Boeing Co (Debt)		7.4
Kraft Heinz Foods Co (Debt)		6.7
Oracle Corp (Debt)		6.1
Cenovus Energy Inc (Debt)		5.6
Bombardier Inc (Debt)		5.6
GE Capital Canada (Debt)		5.1
Yellow Pages Limited (Equity)		4.8
Occidental Petroleum Corp (Debt)		4.5
American Airlines Inc (Debt)		3.9
Spirit Aerosystems Inc (Debt)		3.6
Short positions:		
Cash and Cash Equivalents		(19.5)
U S TREASURY BOND (Debt)		(33.1)
GOVERNMENT OF CANADA (Debt)		(56.3)
Total	**%**	**49.7**
Total Portfolio Long Positions	%	209.8
Total Portfolio Short Positions		(109.8)

Asset Mix		% of NAV
Canadian Bonds - Corporate	%	123.2
Foreign Bonds - Corporate		81.5
Canadian Equities		14.6
Foreign Equities		2.2
Options		0.1
Canadian Equities - Short		(1.0)
Canadian Government Debt - Short		(56.3)
Foreign Government Debt - Short		(33.1)
Cash and Cash Equivalents		(19.5)
Other Assets less Liabilities		(11.7)
Total	**%**	**100.0**

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