

Semi-Annual Management Report of Fund Performance
As at June 30, 2023

Lysander-Canso U.S. Credit Fund



Lysander-Canso U.S. Credit 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 Lysander-Canso U.S. Credit Fund (the “Fund”) contains financial highlights for the period ended June 30, 2023 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the interim financial statements of the Fund for the period ended June 30, 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 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 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 period 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 six-month period ended June 30, 2023 were 4.5% for Series A, 4.8% for Series F and 5.3% for Series O.

The net assets of the Fund were approximately \$180.1 million at June 30, 2023 from \$164.8 million at the beginning of the period. There were net subscriptions of over \$8.1 million during the period.

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 period except for immaterial short-term cash overdrafts.

Recent Developments

Government bond yields rose during the second quarter as the U.S. banking crisis abated and the economy demonstrated resilience despite higher interest rates. Early in the period, bonds rallied as investors worried about the collapse of U.S. regional banks and its potential impact on credit flow to households and businesses. However, yields rebounded higher as the quarter ended because of favourable economic news including the resolution of the U.S. debt-ceiling debate. The labour market remains strong and while inflation has trended lower, it is still at a very high level. There is optimism among one segment of investors who believe that the U.S. Federal Reserve can tame price increases without tipping the economy into recession. On the other side are investors pointing to the persistent inversion of the yield curve, where short bond yields are higher than long bond yields. The inversion of the yield curve generally precedes an economic recession.

Corporate bond spreads tightened in the quarter but the underlying rise in government yields resulted in the U.S. Corporate Bond Index return of 3.2% period-to-date. The U.S. High Yield Bond Index return was 5.4% period-to-date. The Canadian FTSE Universe Bond Index return was 2.5% period-to-date. The FTSE Corporate Bond Index return was 3.0% period-to-date.

At the beginning of June, the Bank of Canada surprised the markets by raising its overnight policy rate to 4.75% after not hiking at its previous two meetings. The central bank admitted to inflation remaining stubbornly high. Consumption and services growth has been strong and spending on interest-sensitive goods including housing has increased. Demand for labour continues to be strong and even with higher immigration, new workers have found employment. The Bank of Canada believes its monetary policy is not sufficiently restrictive to bring inflation sustainably to its 2% target.

The Fund continues to barbell credit risk with 34.0% in securities rated AA and above and 33.4% 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 bonds prices were significantly impacted by 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. The duration of the Fund is 2.1 years at the end of the period.

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 \$765,799 (including HST) in management fees to the Manager for the period ended June 30, 2023 (June 30, 2022 - USD \$868,480).

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 \$357,147 (including HST) to the Portfolio Manager for the period ended June 30, 2023 (June 30, 2022 - CAD \$521,391).

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

Period ended	30-Jun-2023 (USD)	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)
Net assets per unit¹						
Net assets, beginning of period	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40	\$ 9.78
Operations:						
Total revenue	0.27	0.46	0.46	0.49	0.37	0.32
Total expenses	(0.08)	(0.17)	(0.18)	(0.16)	(0.15)	(0.15)
Realized gains (losses)	(0.06)	0.25	0.60	0.10	(0.04)	0.06
Unrealized gains (losses)	0.33	(1.36)	(0.13)	1.66	0.54	(0.42)
Total increase (decrease) from operations²	\$ 0.46	\$ (0.82)	\$ 0.75	\$ 2.09	\$ 0.72	\$ (0.19)
Distributions:						
From income (excluding dividends)	\$ (0.21)	\$ (0.31)	\$ (0.26)	\$ (0.31)	\$ (0.27)	\$ (0.22)
From dividends	(0.01)	(0.02)	(0.04)	(0.01)	-	-
From capital gains	-	(0.30)	(0.53)	-	-	-
Total distributions^{2 3}	\$ (0.22)	\$ (0.63)	\$ (0.83)	\$ (0.32)	\$ (0.27)	\$ (0.22)
Net assets, end of period^{2 3}	\$ 10.72	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40
Ratios and supplemental data						
Net asset value ⁴	\$ 20,262,576	\$ 16,591,584	\$ 22,011,234	\$ 8,483,661	\$ 3,683,051	\$ 2,526,963
Units outstanding	1,890,885	1,587,787	1,860,127	735,635	372,651	268,691
Management expense ratio ⁵	% 1.49	% 1.50	% 1.50	% 1.53	% 1.56	% 1.51
Management expense ratio before waivers or absorption	1.49	1.50	1.50	1.53	1.56	1.51
Portfolio turnover rate ⁶	23.48	65.86	28.50	85.23	44.97	63.67
Trading expense ratio ⁷	-	-	0.01	0.02	-	-
Net asset value per unit, end of period	\$ 10.72	\$ 10.45	\$ 11.83	\$ 11.53	\$ 9.88	\$ 9.40

Notes

- 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.
- 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

Period ended	30-Jun-2023 (USD)	31-Dec-2022 (USD)	31-Dec-2021 (USD)	31-Dec-2020 (USD)	31-Dec-2019 (USD)	31-Dec-2018 (USD)
Net assets per unit¹						
Net assets, beginning of period	\$ 10.43	\$ 11.84	\$ 11.5	\$ 9.85	\$ 9.33	\$ 9.66
Operations:						
Total revenue	0.27	0.46	0.46	0.48	0.37	0.32
Total expenses	(0.05)	(0.10)	(0.11)	(0.10)	(0.10)	(0.09)
Realized gains (losses)	(0.06)	0.33	0.61	0.10	(0.03)	0.06
Unrealized gains (losses)	0.34	(1.42)	(0.15)	1.6	0.54	(0.41)
Total increase (decrease) from operations²	\$ 0.50	\$ (0.73)	\$ 0.81	\$ 2.08	\$ 0.78	\$ (0.12)
Distributions:						
From income (excluding dividends)	\$ (0.24)	\$ (0.35)	\$ (0.3)	\$ (0.35)	\$ (0.27)	\$ (0.22)
From dividends	(0.01)	(0.02)	(0.04)	(0.01)	-	-
From capital gains	-	(0.34)	(0.49)	-	-	-
Total distributions^{2 3}	\$ (0.25)	\$ (0.71)	\$ (0.83)	\$ (0.36)	\$ (0.27)	\$ (0.22)
Net assets, end of period^{2 3}	\$ 10.69	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85	\$ 9.33
Ratios and supplemental data						
Net asset value ⁴	\$ 155,935,821	\$ 144,842,082	\$ 182,445,386	\$ 61,070,481	\$ 32,612,431	\$ 25,642,093
Units outstanding	14,586,037	13,882,612	15,412,945	5,309,423	3,311,921	2,749,678
Management expense ratio ⁵	% 0.92	% 0.93	% 0.93	% 0.97	% 1.00	% 0.97
Management expense ratio before waivers or absorption	0.92	0.93	0.93	0.97	1.00	0.97
Portfolio turnover rate ⁶	23.48	65.86	28.5	85.23	44.97	63.67
Trading expense ratio ⁷	-	-	0.01	0.02	-	-
Net asset value per unit, end of period	\$ 10.69	\$ 10.43	\$ 11.84	\$ 11.50	\$ 9.85	\$ 9.33

Notes

- 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.
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Series O*

Period ended	30-Jun-2023 (USD)		31-Dec-2022 (USD)		31-Dec-2021 (USD)	
Net assets per unit¹						
Net assets, beginning of period	\$	8.50	\$	9.64	\$	10.00
Operations:						
Total revenue		0.22		0.39		0.23
Total expenses		-		(0.01)		(0.01)
Realized gains (losses)		(0.05)		0.03		0.28
Unrealized gains (losses)		0.27		(1.00)		(0.23)
Total increase (decrease) from operations²	\$	0.44	\$	(0.59)	\$	0.27
Distributions:						
From income (excluding dividends)	\$	(0.23)	\$	(0.32)	\$	(0.33)
From dividends		(0.01)		(0.02)		(0.03)
From capital gains		-		(0.31)		(0.47)
Total distributions^{2 3}	\$	(0.24)	\$	(0.65)	\$	(0.83)
Net assets, end of period^{2 3}	\$	8.72	\$	8.50	\$	9.64
Ratios and supplemental data						
Net asset value ⁴	\$	3,853,580	\$	3,355,625	\$	4,901,575
Units outstanding		442,059		394,688		508,562
Management expense ratio ⁵	%	0.08	%	0.09	%	0.09
Management expense ratio before waivers or absorption		0.08		0.09		0.09
Portfolio turnover rate ⁶		23.48		65.86		28.5
Trading expense ratio ⁷		-		-		0.01
Net asset value per unit, end of period	\$	8.72	\$	8.50	\$	9.64

Notes

* Series O commenced operations on May 18, 2021.

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 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

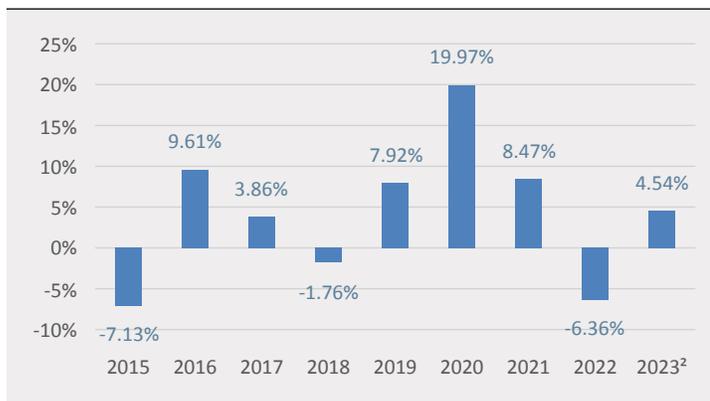
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

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.

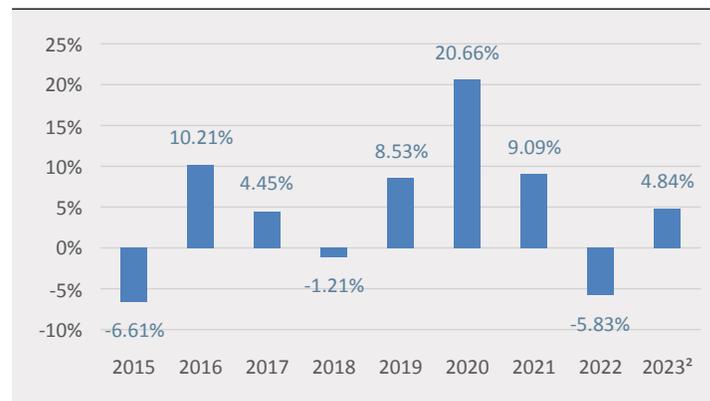
Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises 40% of the management fee of Series A units.

Year-by-Year Returns

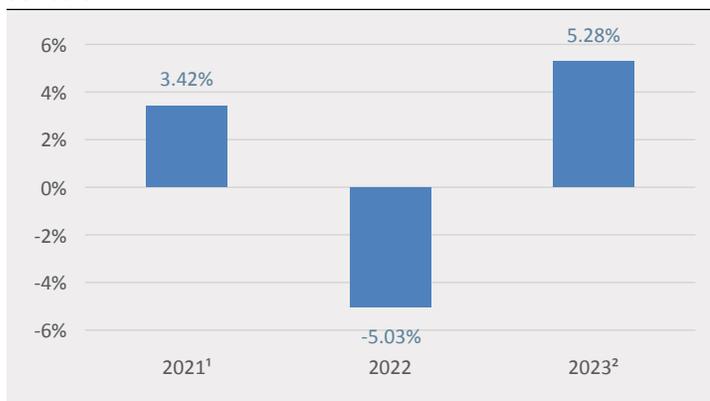
Series A



Series F



Series O



1 For the period May 18 to December 31, 2 For the period January 1 to June 30

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Summary of Investment Portfolio

	% of NAV	% of NAV
Top 25 Issuers		
US Government	17.8	
Air Canada	7.8	
Scotia Capital	5.2	
Transcanada Pipelines	5.1	
Met Life Glob Funding	4.2	
Credit Suisse Group Ag	3.6	
Avis Budget Car/Finance	3.6	
Bombardier Inc.	3.5	
Manulife Financial Corp.	3.5	
Pacific Life GF LI	3.3	
Spirit Aerosystems Inc.	2.9	
Ford Credit Canada Co.	2.7	
The Goldman Sachs Group, Inc.	2.4	
American Airlines Inc.	2.1	
Latam Airlines Group Sa	2.1	
Skymiles Ip Ltd.	2.1	
Royal Bank Of Canada	1.9	
Great-West Lifeco Inc.	1.9	
Honda Canada Finance Inc.	1.7	
Hertz Corp.	1.7	
Bank Of Nova Scotia	1.6	
AMC Entertainment Holdings	1.6	
Natwest Group PLC	1.5	
Steinbach CU	1.4	
SNC-Lavalin Group Inc.	1.4	
Total	86.6	
Asset Mix		
Canadian Equities		0.1
Canadian Fixed Income		34.1
Cash and Cash Equivalents		0.6
Foreign Bank Loans		3.0
Foreign Fixed Income		48.2
Mortgage Backed Securities		8.8
Preferred Shares		3.4
Private Placements		1.8
Total	100.0	
Sector		
Cash and Cash Equivalents		0.6
Communication Services		2.1
Consumer Discretionary		19.7
Consumer Staples		5.3
Energy		6.4
Financials		37.5
Government		17.8
Industrials		10.6
Total	100.0	



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