

**Annual Management Report of Fund Performance**  
As at December 31, 2024

**Canso Credit Income Fund**



# Canso Credit Income Fund

Annual Management Report of Fund Performance as at December 31, 2024

## A Note About Forward Looking Statements

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

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

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

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

## About This Report

This annual Management Report of Fund Performance of Canso Credit Income Fund (the “Fund”) contains financial highlights for the year ended December 31, 2024 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the annual financial statements of the Fund for the year ended December 31, 2024. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to Lysander Funds Limited, 3080 Yonge St., Suite 4000, Toronto, Ontario, M4N 3N1, by visiting our website at [www.lysanderfunds.com](http://www.lysanderfunds.com) or at SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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 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.

## Investment Strategies

The Fund's portfolio manager is Canso Investment Counsel Ltd. (“Canso” or “Portfolio Manager”), a company under common control as the Manager. The Fund's 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 returns for the year ended December 31, 2024 were 10.79% for Series A and 11.45% for Series F.

At the end of the year, the Fund held approximately 17.3% 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 approximately \$148.6 million at December 31, 2024 from \$138.9 million at the beginning of the year. There were net subscriptions of approximately \$387.6 thousand and cash distributions of \$4.6 million during the year.

During the year, the Fund paid a performance fee of \$1,662,223 (including HST). A performance fee, if applicable, will be equal to 20% of each of Class A and Class F’s outperformance of the FTSE Canada All Corporate Bond Index.

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

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

## Recent Developments

The U.S. Federal Reserve made two additional quarter-point interest rate cuts during the fourth quarter. The central bank acknowledged that economic activity is strong, and the labour market reasonable. While inflation has come down, it remains higher than their two percent objective. Investors were surprised when the Federal Reserve cautioned about continued aggressive rate cuts into the future. Inflation numbers going forward may be muddled with the President-elect imposing tariffs and deporting unauthorized immigrants. His other election promises of tax cuts and looser regulation may also prove inflationary.

The Bank of Canada reduced its overnight interest rate as economic activity softened due to lower business investment and exports. However, consumer spending and housing activity picked up following lower interest rates. Employment growth has slowed, but wage growth remains elevated. Lower immigration and tariffs from the incoming U.S. administration are expected to weaken our economic growth. The Canadian dollar has depreciated significantly against the U.S. dollar, which may affect consumer sentiment and increase import prices.

The Fund maintains a substantial weight in liquid securities as both credit and interest rate risks remained elevated. The Fund's weight in BB & below rated securities is 34% as spreads on high yield bonds remain tight. The Fund had a net positive exposure of 10.4% to AAA/AA rated securities.

The Fund exited its positions in American Airlines, AMC, Enbridge Inc, Gannett and reduced its positions in Bombardier Inc, Air Canada and Loblaws. The top performers for the fund were LRCNs, Bird Construction Inc. and TransCanada Pipelines FRN May 15, 2067.

The Fund continues to only take on duration when it believes its being compensated for the incremental interest rate risk or where it can effectively hedge by shorting government securities. The Fund's duration was 2.8 years at the end of the year.

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.

Effective June 30, 2024, Paul Fahey resigned as a member of the Fund's Independent Review Committee ("IRC"). Effective July 1,

2024, Donna Peters-Imbrogno was appointed as a member of the 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 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 \$1,076,989 (excluding HST) in management fees to the Manager for the year ended December 31, 2024 (December 31, 2023 - \$1,089,396).

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 year ended December 31, 2024, the Performance Fee accrued payable by the Fund was \$1,470,964 (excluding HST) (December 31, 2023 - \$2,163,423).

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. Portfolio management fees for the Portfolio Manager's services are paid from 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 \$1,679,390 (excluding HST) to the Portfolio Manager for the year ended December 31, 2024 (December 31, 2023 - \$2,239,124) 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.

# Canso Credit Income Fund

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## Financial Highlights

### Class A

Year ended	31-Dec-2024	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 14.85	\$ 14.71	\$ 15.29	\$ 13.69	\$ 11.34
Operations:					
Total revenue	0.81	1.18	0.59	1.20	1.45
Total expenses	(0.52)	(0.57)	(0.28)	(1.17)	(0.84)
Realized gains (losses)	0.35	(0.07)	1.58	1.88	1.25
Unrealized gains (losses)	0.94	0.08	(1.97)	0.18	0.67
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.58</b>	<b>\$ 0.62</b>	<b>\$ (0.08)</b>	<b>\$ 2.09</b>	<b>\$ 2.53</b>
Distributions:					
From income (excluding dividends)	\$ (0.32)	\$ (0.29)	\$ (0.36)	\$ (0.41)	\$ (0.31)
From dividends	(0.12)	(0.12)	(0.19)	(0.08)	(0.07)
From capital gains	(0.14)	(0.34)	(0.51)	(1.70)	(1.70)
From return of capital	-	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.58)</b>	<b>\$ (0.75)</b>	<b>\$ (1.06)</b>	<b>\$ (2.19)</b>	<b>\$ (2.08)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 15.92</b>	<b>\$ 14.85</b>	<b>\$ 14.71</b>	<b>\$ 15.29</b>	<b>\$ 13.69</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup> (thousands)	\$ 145,164	\$ 135,004	\$ 148,933	\$ 152,808	\$ 132,886
Units outstanding	9,116,797	9,093,749	10,123,880	9,992,726	9,706,083
Management expense ratio <sup>5</sup>	% 2.08	% 2.53	% 0.96	% 6.85	% 5.40
Management expense ratio before waivers or absorption	2.08	2.53	0.96	6.85	5.40
Portfolio turnover rate <sup>6</sup>	63.61	41.43	52.27	37.82	86.43
Trading expense ratio <sup>7</sup>	0.12	0.13	0.07	0.01	-
Net asset value per unit, end of year	15.92	14.85	14.71	15.29	13.69
Closing Market price per unit <sup>4</sup>	\$ 15.95	\$ 14.22	\$ 13.66	\$ 15.15	\$ 13.41

### Notes

- The information is derived from the Fund's audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").
- 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. A portion of the distributions in 2017, 2020, 2021, 2022, 2023 and 2024 were paid in cash (\$0.50/unit) and the remainder was paid as a special non-cash distribution.
- 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. Prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees. Effective December 31, 2023 the management expense ratio excludes the stock borrows costs which will be reflected in the trading expense ratio.
- 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. Effective December 31, 2023 the stock borrows costs will be reflected in the trading expense ratio.

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## Class F

Year ended	31-Dec-2024	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
<b>Net assets per unit<sup>1</sup></b>					
Net assets, beginning of year	\$ 16.74	\$ 16.52	\$ 17.09	\$ 15.01	\$ 12.39
Operations:					
Total revenue	0.92	1.33	0.66	1.32	1.57
Total expenses	(0.63)	(0.64)	(0.32)	(1.11)	(0.88)
Realized gains (losses)	0.40	(0.10)	1.83	1.88	1.35
Unrealized gains (losses)	1.06	0.07	(2.48)	0.59	0.55
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>\$ 1.75</b>	<b>\$ 0.66</b>	<b>\$ (0.31)</b>	<b>\$ 2.68</b>	<b>\$ 2.59</b>
Distributions:					
From income (excluding dividends)	\$ (0.33)	\$ (0.33)	\$ (0.15)	\$ (0.30)	\$ (0.37)
From dividends	(0.13)	(0.13)	(0.08)	(0.06)	(0.08)
From capital gains	(0.10)	(0.34)	(0.97)	(2.87)	(1.77)
From return of capital	-	-	-	-	-
<b>Total distributions<sup>2 3</sup></b>	<b>\$ (0.56)</b>	<b>\$ (0.80)</b>	<b>\$ (1.20)</b>	<b>\$ (3.23)</b>	<b>\$ (2.22)</b>
<b>Net assets, end of year<sup>2 3</sup></b>	<b>\$ 18.13</b>	<b>\$ 16.74</b>	<b>\$ 16.52</b>	<b>\$ 17.09</b>	<b>\$ 15.01</b>
<b>Ratios and supplemental data</b>					
Net asset value <sup>4</sup> (thousands)	\$ 3,497	\$ 3,919	\$ 5,019	\$ 7,747	\$ 11,253
Units outstanding	192,890	234,125	303,844	453,278	749,740
Management expense ratio <sup>5</sup>	% 2.28	% 2.50	% 0.98	% 5.77	% 5.21
Management expense ratio before waivers or absorption	2.28	2.50	0.98	5.77	5.21
Portfolio turnover rate <sup>6</sup>	63.61	41.43	52.27	37.82	86.43
Trading expense ratio <sup>7</sup>	0.12	0.13	0.07	0.01	-
Net asset value per unit, end of year	\$ 18.13	\$ 16.74	\$ 16.52	\$ 17.09	\$ 15.01

## Notes

- The information is derived from the Fund's audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").
- 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. A portion of the distributions in 2017, 2020, 2021, 2022, 2023 and 2024 were paid in cash (\$0.50/unit) and the remainder was paid as a special non-cash distribution.
- 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. Prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees. Effective December 31, 2023 the management expense ratio excludes the stock borrows costs which will be reflected in the trading expense ratio.
- 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. Effective December 31, 2023 the stock borrows costs will be reflected in the trading expense ratio.

# Canso Credit Income Fund

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

The Fund may also pay a performance fee under certain conditions as described in the Fund's most recent Annual Information Form.

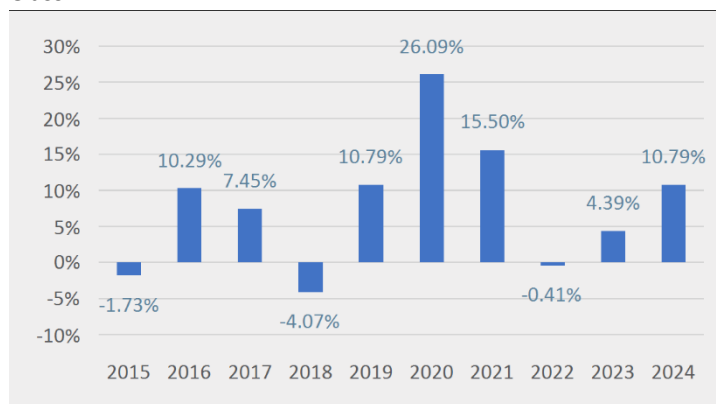
## Past Performance

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.

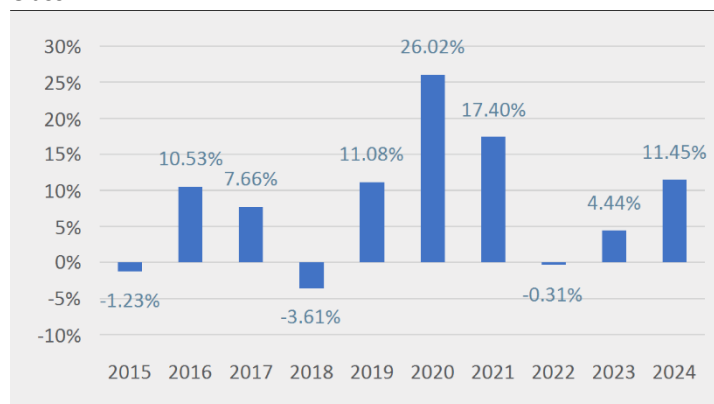
Prior to June 25, 2015, the Fund used a fund-on-fund investment strategy whereby the Fund gained exposure to Canso Credit Trust through a forward agreement. On June 25, 2015, as a result of changes to the Income Tax Act (Canada), CCIF changed its investment objectives, ceased to use a fund-on-fund strategy and began investing in securities directly. In addition, prior to July 1, 2020, the Fund paid servicing fees at 0.40% per annum on Class A units. On July 1, 2020, the Fund discontinued the payment of servicing fees. These changes could have affected the performance of the Fund or a class of units of the Fund had these changes been in effect throughout the performance measurement period.

## Year-by-Year Returns

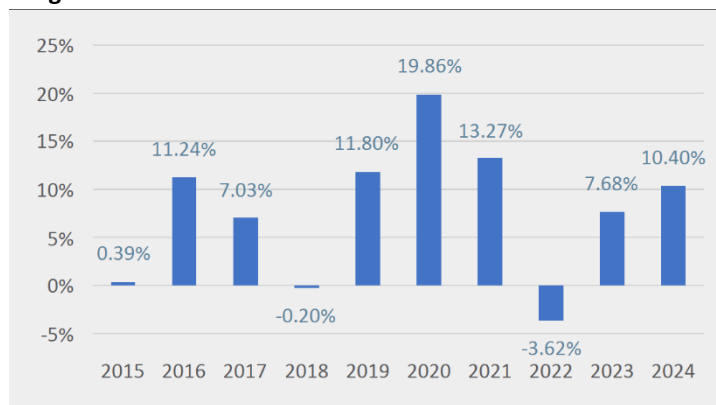
### Class A



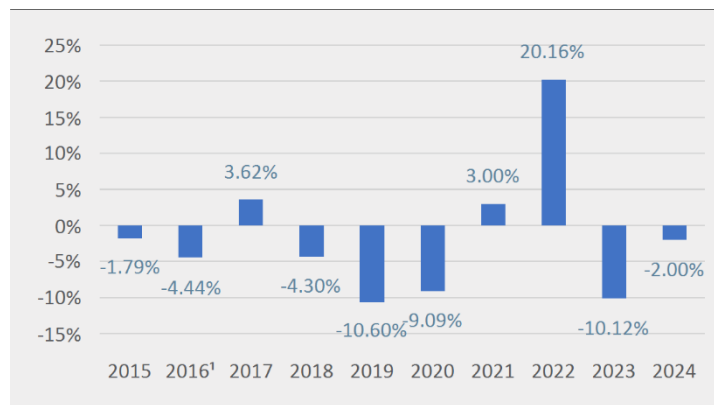
### Class F



### Long Portfolio



### Short Portfolio



<sup>1</sup> Restated performance for short portfolio for January 1 to December 31

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## Annual Compound Returns

The following table shows the Fund's annual compound return for each period indicated, compared with the FTSE Canada All Corporate Bond Index (the "Index"). The Index is divided into sub-indices based on credit rating: a combined AAA/AA sector, a single A sector, and a BBB sector. The returns of the Index are calculated without the deduction of fees and expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

For years ended December 31, 2024		1 Year		3 Year <sup>2</sup>		5 Year <sup>2</sup>		10 Year <sup>2</sup>	
Annual Compound Return									
Class A <sup>1</sup>	%	10.79	%	4.82	%	10.95	%	7.60	
Class F <sup>1</sup>		11.45		5.08		11.46		8.03	
Long Portfolio <sup>1</sup>		10.40		4.60		9.20		7.60	
Short Portfolio <sup>1</sup>		(2.00)		1.90		(0.20)		(1.90)	
FTSE Canada All Corporate Bond Index <sup>3</sup>	%	6.97	%	1.47	%	2.31	%	3.04	

## Notes

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

<sup>2</sup> Compound period returns are annualized.

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## Summary of Investment Portfolio

% of NAV			% of NAV		
<b>Top 25 Issuers</b>			<b>Asset Mix</b>		
Long positions:			Canadian Fixed Income	%	77.6
Government of Canada	%	19.5	Foreign Fixed Income		22.0
Air Canada		7.2	Canadian Equities		6.5
The Hertz Corp.		6.1	US Equities		2.4
Manulife Financial Corp.		5.7	Preferred Shares		5.5
Pembina Pipeline Corp.		4.6	Cash and Cash Equivalents		0.5
Avis Budget Car Rental		4.6	Canadian Fixed Income - Short		(13.0)
TD Bank Group		4.5	Foreign Fixed Income - Short		(4.3)
Strait Crossing Development Inc.		4.5	Other Assets less Liabilities		2.8
General Electric Capital Canada		4.0	<b>Total</b>	<b>%</b>	<b>100.0</b>
Royal Bank of Canada		3.2	<b>Sector</b>		
FLINT Corp.		3.1	Cash and Cash Equivalents	%	0.5
TransCanada Pipelines Ltd.		2.9	Communication Services		10.8
Yellow Pages Ltd. (Equity)		2.7	Consumer Discretionary		10.0
Thomson Reuters Corp. (Equity)		2.7	Consumer Staples		16.5
Spirit AeroSystems Inc.		2.4	Energy		12.2
Bird Construction Inc. (Equity)		2.4	Financials		29.3
Boeing Co. (Equity)		2.3	Government		3.3
Bank of Nova Scotia		2.2	Industrials		14.6
Equitable Bank		2.2	Other Assets less Liabilities		2.8
Sun Life Financial Inc.		1.8	<b>Total</b>	<b>%</b>	<b>100.0</b>
NatWest Group PLC		1.7			
AT&T Inc.		1.5			
Flint Corp. (Equity)		1.5			
<b>Total</b>	<b>%</b>	<b>93.3</b>			
Short positions:					
Government of Canada	%	(12.9)			
Government of USA		(4.4)			
<b>Total</b>	<b>%</b>	<b>(17.3)</b>			
<b>Total Portfolio Long Positions</b>	<b>%</b>	<b>117.3</b>			
<b>Total Portfolio Short Positions</b>	<b>%</b>	<b>(17.3)</b>			





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