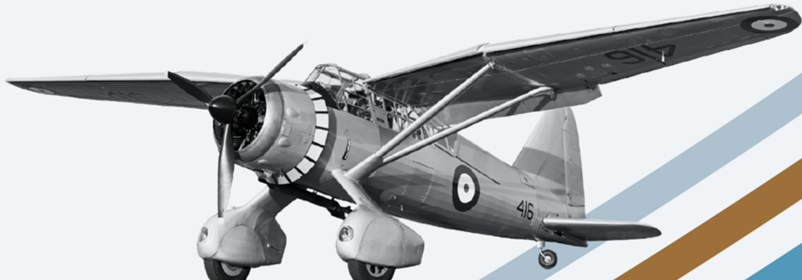
Canso Credit Income Fund

Six-Month Period Ended June 30, 2026

Interim Financial Statements

Unaudited



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, 2026.

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Interim Financial Statements

Canso Credit Income Fund

Interim Statements of Financial Position (unaudited)

As at		June 30, 2026		December 31, 2025
Assets				
Financial assets at fair value through profit or loss*	$	146,901,749	$	186,476,978
Cash and cash equivalents		727,690		891,909
Due from investment dealers		221		368
Accrued Interest		9,171,714		6,506,399
Dividends receivable		98,823		103,819
Receivable on forward exchange contracts		-		52,172
Other receivables		16,679		699
Total assets	**$**	**156,916,876**	**$**	**194,032,344**
Liabilities				
Financial liabilities at fair value through profit or loss*	$	5,189,751	$	44,427,027
Due to investment dealers		449,352		727,363
Redemptions payable		15,850,040		-
Accrued management fees		92,815		94,196
Other accrued expenses		214,649		23,804
Distributions payable to holders of redeemable units		382,990		382,951
Payable on foreign currency forward contracts		384,769		6,566
Total liabilities	**$**	**22,564,366**	**$**	**45,661,907**
Net assets attributable to holders of redeemable units	**$**	**134,352,510**	**$**	**148,370,437**
Net assets attributable to holders of redeemable units, per series				
Series A	$	132,453,841	$	146,379,045
Series F		1,898,669		1,991,392
Total net assets	**$**	**134,352,510**	**$**	**148,370,437**
Number of redeemable units outstanding				
Series A		8,118,129		9,084,187
Series F		101,599		108,099
Net assets attributable to holders of redeemable units per unit				
Series A	$	16.32	$	16.11
Series F		18.69		18.42

* Financial assets at fair value through profit or loss at cost	$	146,344,787	$	144,322,876

The accompanying notes form an integral part of the interim financial statements.

Canso Credit Income Fund

Interim Statements of Comprehensive Income (Loss) (unaudited)

For the periods ended		June 30, 2026		June 30, 2025
Income				
Interest for distribution purposes	$	4,344,511	$	3,852,382
Dividend income		659,313		422,985
Other income		76		208
Realized and unrealized gain (loss) on investments				
Net realized gain (loss) on investments sold		4,091,197		2,481,187
Net realized gain (loss) on foreign currency		(30,480)		(68,778)
Net realized gain (loss) on foreign currency contracts		(329,078)		710,831
Change in unrealized appreciation (depreciation) on foreign currency		18		(1,070)
Change in unrealized appreciation (depreciation) on forward contracts		(430,375)		-
Change in unrealized appreciation (depreciation) on investments		(2,359,862)		(1,230,824)
Total operating income (loss)	**$**	**5,945,320**	**$**	**6,166,921**
Expenses				
Management fees	$	558,736	$	550,159
Interest expense, short positions		99,460		502,037
Performance fees		137,751		309,105
Harmonized sales tax		62,727		107,660
Stock borrow costs		35,378		75,756
Fund valuation fees		20,846		24,030
Administration fees		10,965		1,481
Commissions and other portfolio transaction costs		850,937		32
Regulatory and listing expense		9,901		9,068
Registration and other filing fees		7,265		7,211
Transfer agent		6,981		6,806
Legal fees		2,027		3,863
Audit fees		2,947		2,791
Trustee fees		2,728		2,728
Independent review committee fees		185		243
Other expenses		6,514		34
Total operating expenses	**$**	**1,815,348**	**$**	**1,603,004**
Withholding tax	**$**	**-**	**$**	**14,561**
Total net operating expenses	**$**	**1,815,348**	**$**	**1,617,565**
Change in net assets attributable to holders of redeemable units from operations	**$**	**4,129,972**	**$**	**4,549,356**
Change in net assets attributable to holders of redeemable units from operations per Series				
Series A	$	4,075,228	$	4,462,146
Series F		54,744		87,210
Change in total net assets	**$**	**4,129,972**	**$**	**4,549,356**
Change in net assets attributable to holders of redeemable units from operations per unit				
Series A	$	0.45	$	0.49
Series F		0.53		0.56

The accompanying notes form an integral part of the interim financial statements.

Canso Credit Income Fund

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

For the periods ended		June 30, 2026		June 30, 2025
Net assets attributable to holders of redeemable units, beginning of period	$	148,370,437	$	148,661,488
Change in net assets attributable to holders of redeemable units from operations		4,129,972		4,549,356
Distributions to unitholders of redeemable units				
From net investment income		(2,297,859)		(2,328,304)
Total distributions	**$**	**(2,297,859)**	**$**	**(2,328,304)**
Redeemable unit transactions				
Proceeds from redeemable units issued				
Series A	$	121,530	$	656,356
Total proceeds	**$**	**121,530**	**$**	**656,356**
Cost of units redeemed				
Series A		(15,850,040)		(1,558,578)
Series F		(121,530)		(1,182,314)
Total cost	**$**	**(15,971,570)**	**$**	**(2,740,892)**
Total reinvested	**$**	**-**	**$**	**-**
Change in net assets attributable to holders of redeemable units for the period	**$**	**(14,017,927)**	**$**	**136,516**
Net assets attributable to holders of redeemable units, end of period	**$**	**134,352,510**	**$**	**148,798,004**

Series A

For the periods ended		June 30, 2026		June 30, 2025
Net assets attributable to holders of redeemable units, beginning of period	$	146,379,045	$	145,164,130
Change in net assets attributable to holders of redeemable units from operations		4,075,228		4,462,146
Distributions to unitholders of redeemable units				
From net investment income		(2,271,922)		(2,289,138)
Total distributions	**$**	**(2,271,922)**	**$**	**(2,289,138)**
Redeemable unit transactions				
Proceeds from redeemable units issued		121,530		656,356
Cost of units redeemed		(15,850,040)		(1,558,578)
Total redeemable	**$**	**(15,728,510)**	**$**	**(902,222)**
Change in net assets attributable to holders of redeemable units for the period	**$**	**(13,925,204)**	**$**	**1,270,786**
Net assets attributable to holders of redeemable units, end of period	**$**	**132,453,841**	**$**	**146,434,916**

Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited) (cont'd)

Series F

For the periods ended		June 30, 2026		June 30, 2025
Net assets attributable to holders of redeemable units, beginning of period	$	1,991,392	$	3,497,358
Change in net assets attributable to holders of redeemable units from operations		54,744		87,210
Distributions to unitholders of redeemable units				
From net investment income		(25,937)		(39,166)
Total distributions	**$**	**(25,937)**	**$**	**(39,166)**
Redeemable unit transactions				
Proceeds from redeemable units issued		-		(656,356)
Cost of units redeemed		(121,530)		(525,958)
Total redeemable	**$**	**(121,530)**	**$**	**(1,182,314)**
Change in net assets attributable to holders of redeemable units for the period	**$**	**(92,723)**	**$**	**(1,134,270)**
Net assets attributable to holders of redeemable units, end of period	**$**	**1,898,669**	**$**	**2,363,088**

Canso Credit Income Fund

Interim Statements of Cash Flows (unaudited)

For the periods ended		June 30, 2026		June 30, 2025
Cash flows from (used in) operating activities				
Change in net assets attributable to holders of redeemable units from operations	$	4,129,972	$	4,549,356
Adjustments for:				
Foreign exchange loss (gain) on cash		48,937		8,166
Net realized loss (gain) on sale of investments and currency		(4,091,197)		(2,481,187)
Net change in unrealized depreciation (appreciation) of investments and derivatives		2,359,862		1,230,824
Net change in unrealized depreciation (appreciation) on foreign currency		(18)		1,070
Change in unrealized appreciation (depreciation) on foreign currency forward contracts		430,375		-
Purchase of investments		(64,719,877)		(26,906,781)
Proceeds from the sale of investments		66,789,165		26,972,255
Interest receivable		(2,665,315)		(55,229)
Dividends receivable		4,996		2,498
Due from investment dealers		147		(1,071)
Due to investment dealers		(278,011)		1,505,417
Other receivables		(15,980)		(21,131)
Other liabilities		189,464		(1,309,182)
Net cash from (used in) operating activities	**$**	**2,182,520**	**$**	**3,495,005**
Cash flows from (used in) financing activities				
Distributions paid to holders of redeemable units, net of reinvested distributions	$	(2,297,820)	$	(2,328,095)
Proceeds from issuances of redeemable units		121,530		-
Amounts paid on redemption of redeemable units		(121,530)		-
Net cash from (used in) financing activities	**$**	**(2,297,820)**	**$**	**(2,328,095)**
Foreign exchange gain (loss) on cash and cash equivalents		(48,919)		(9,236)
Change in cash and cash equivalents during the period		(115,300)		1,166,910
Cash and cash equivalents, beginning of period		891,909		673,639
Cash and cash equivalents, end of period	**$**	**727,690**	**$**	**1,831,313**
Supplementary disclosures on cash flow from operating activities				
Interest received	$	1,679,196	$	3,797,153
Interest expense, short positions		99,460		502,037
Dividends received		664,309		425,483
Withholding tax		-		14,561

The accompanying notes form an integral part of the interim financial statements.

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2026 (unaudited)

	Par Value/Number of Shares	Average Cost $	Fair Value $
Fixed Income held long (94.3%)			
407 International Inc., Callable, 4.11%, 2035/10/03	342,000	$ 342,389	$ 342,284
Air Canada, Callable, 4.63%, 2029/08/15	8,509,000	8,468,452	8,577,924
Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 5.75%, 2027/07/15	632,000	787,665	900,569
Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 8.00%, 2031/02/15	253,000	349,625	362,631
Avis Budget Car Rental LLC / Avis Budget Finance Inc., Callable, 8.38%, 2032/06/15	1,155,000	1,631,811	1,651,622
Avis Budget Rental Car Funding (AESOP) LLC, Class 'A', Series '24-1A', Callable, 5.36%, 2030/06/20	207,000	289,172	298,513
Avis Budget Rental Car Funding (AESOP) LLC, Class 'A', Series '24-2A', Callable, 5.13%, 2028/10/20	421,000	571,120	601,165
Bank of Montreal, Variable Rate, Callable, 3.73%, 2031/06/03	1,256,000	1,256,000	1,262,021
Bank of Nova Scotia, Series '1', Variable Rate, Callable, 3.70%, 2081/07/27	1,803,000	1,625,920	1,797,537
Bank of Nova Scotia (The), Variable Rate, Callable, 3.62%, 2032/01/30	3,423,000	3,423,000	3,414,273
Bell Canada, Zero Coupon, 2026/12/15	182,845	179,294	180,139
Bell Canada, Zero Coupon, 2027/06/15	182,845	175,314	177,022
Bell Canada, Zero Coupon, 2027/12/15	182,845	171,042	173,407
Bell Canada, Zero Coupon, 2028/06/15	182,845	167,081	170,050
Bell Canada, Zero Coupon, 2028/12/15	182,845	161,414	166,952
Black Press Ltd., 10.00%, 2029/03/22	1,441,316	1,278,785	1,286,173
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.65%, 2032/01/13	3,254,000	3,247,069	3,249,866
Cineplex Inc., Callable, 7.63%, 2029/03/31	1,106,000	1,106,000	1,149,802
Cineplex Inc., Convertible, Callable, 7.75%, 2030/03/01	89,000	92,559	116,913
Corus Entertainment Inc., Restricted, Callable, 6.00%, 2030/02/28	1,490,000	1,490,000	454,450
GE Capital Canada Funding Co., 5.73%, 2037/10/22	5,871,000	5,997,227	6,134,083
Government of Canada, 0.50%, 2030/12/01	4,289,000	3,834,761	3,854,600
Government of Canada, 2.00%, 2032/06/01	461,000	429,557	433,655
Government of Canada, Real Return, 4.25%, 2026/12/01	5,762,000	6,637,048	5,939,571
Government of Canada, Real Return, 4.00%, 2031/12/01	2,552,000	3,329,766	3,321,024
Government of Canada, Real Return, 0.50%, 2050/12/01	1,163,000	822,609	801,224
Great-West Lifeco Inc., Series '1', Variable Rate, Callable, 3.60%, 2081/12/31	1,970,000	1,970,000	1,937,982
Hertz Corp. (The), Callable, 12.63%, 2029/07/15	3,984,000	5,359,530	4,603,303
Hertz Corp. (The), Callable, 5.00%, 2029/12/01	3,959,000	4,332,588	1,758,880
Hertz Corp. (The), Payment-In-Kind, Convertible, Callable, 8.00%, 2029/07/15	191,370	352,343	142,004
Hertz Vehicle Financing LLC, Class 'A', Series '21-2A', Callable, 1.68%, 2027/12/27	346,000	457,259	487,038
Hydro One Inc., Callable, 3.90%, 2033/11/21	2,610,000	2,608,408	2,624,552
Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	130,800	130,073	130,297
Loblaw Cos. Ltd., Zero Coupon, 2027/02/17	130,800	127,229	128,095
Loblaw Cos. Ltd., Zero Coupon, 2027/08/17	130,800	124,709	126,141
Loblaw Cos. Ltd., Zero Coupon, 2028/02/17	130,800	121,445	123,985
Loblaw Cos. Ltd., Zero Coupon, 2028/08/17	130,800	118,381	121,929
Loblaw Cos. Ltd., Zero Coupon, 2033/02/17	1,487,000	1,066,183	1,103,437
Manulife Financial Corp., Variable Rate, Callable, 4.10%, 2082/03/19	9,375,000	9,117,284	9,285,157
MassMutual Global Funding II, 4.13%, 2032/07/15	563,000	562,747	568,955
Metropolitan Life Global Funding I, 4.15%, 2033/06/06	3,117,000	3,117,000	3,141,129
NEW YORK LIFE GLOBAL FUNDING, 4.00%, 2032/06/17	1,523,000	1,520,609	1,533,647
New York Life Global Funding, 4.20%, 2033/05/09	78,000	78,689	79,004
NHA MBS CIBC World Markets Inc., 3.24%, 2030/06/01	2,412,195	2,392,849	2,408,208
NHA MBS CIBC World Markets Inc., 3.12%, 2031/01/01	2,270,016	2,258,144	2,257,760
NHA MBS Equitable Bank, 3.90%, 2029/03/01	2,589,873	2,560,608	2,631,495
NHA MBS First National, 3.24%, 2030/07/01	1,081,960	1,076,670	1,081,333
NHA MBS Home Trust Co., 3.00%, 2030/09/01	474,190	471,539	471,260
NHA MBS Laurentian Bank of Canada, 3.24%, 2030/07/01	1,593,402	1,586,567	1,591,235

The accompanying notes form an integral part of the interim financial statements.

Canso Credit Income Fund

Interim Schedule of Investment Portfolio as at June 30, 2026 (unaudited) (cont'd)

	Par Value/Number of Shares		Average Cost $		Fair Value $
Fixed Income held long (94.3%) (cont'd)					
NHA MBS MCAP Service, 3.64%, 2027/11/01	29		30		30
NHA MBS Scotia Capital Inc., 3.85%, 2029/09/01	416,167		424,453		423,109
NHA MBS TD Securities, 3.04%, 2030/07/01	1,933,565		1,907,403		1,919,264
NHA MBS TD Securities Inc., 3.14%, 2030/09/01	2,866,324		2,872,859		2,857,237
Pacific Life Global Funding II, 4.20%, 2032/07/29	1,238,000		1,238,000		1,257,125
Royal Bank of Canada, Floating Rate, Convertible, Callable, 4.17%, 2085/06/29	3,610,000		3,215,425		4,711,953
Royal Bank of Canada, Variable Rate, Callable, 3.99%, 2031/07/22	1,318,000		1,318,000		1,336,573
Royal Bank of Canada, Variable Rate, Callable, 3.57%, 2031/12/09	5,245,000		5,246,440		5,231,655
Strait Crossing Development Inc., 6.17%, 2031/09/15	5,558,735		5,852,341		5,729,663
Sun Life Financial Inc., Series '21-1', Variable Rate, Callable, 3.60%, 2081/06/30	2,968,000		2,970,528		2,942,030
Toronto-Dominion Bank (The), Floating Rate, Callable, 4.13%, 2033/01/09	2,243,000		2,243,000		2,278,131
Toronto-Dominion Bank (The), Series '1', Variable Rate, Callable, 3.60%, 2081/10/31	2,480,000		2,480,000		2,462,539
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.61%, 2031/09/10	2,394,000		2,396,367		2,390,437
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.69%, 2032/01/09	2,985,000		2,985,000		2,988,545
TransCanada PipeLines Ltd., Variable Rate, Callable, 6.12%, 2067/05/15	3,159,000		3,705,139		4,131,466
WTH Car Rental ULC, Series '23-1', Sinkable, 6.03%, 2027/02/20	642,000		642,000		650,188
WTH Car Rental ULC, Series 'A', Sinkable, 3.67%, 2030/02/20	212,000		212,000		212,357
Total fixed income held long		**$**	**129,084,519**	**$**	**126,676,598**
Fixed Income held short (3.9%)					
Government of Canada, 1.50%, 2031/12/01	(5,627,000)		(5,131,824)		(5,189,751)
Total fixed income held short		**$**	**(5,131,824)**	**$**	**(5,189,751)**
Total of fixed income (90.4%)		**$**	**123,952,695**	**$**	**121,486,847**
Equities held long (15.1%)					
Aegis Brands Inc.	915,463		444,000		247,175
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	58,300		699,809		1,246,454
Bird Construction Inc.	24,171		274,178		1,564,589
Black Press Media Ltd., Class 'A'	152,810		161,247		152,810
Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	90,000		931,500		972,000
FLINT Corp.	3,909,767		9,187,582		5,512,771
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	2,200		37,091		55,022
MDA Ltd.	43,214		605,000		2,532,340
NorthStar Gaming Holdings Inc.	157,793		72,948		1,578
Postmedia Network Canada Corp., Restricted	29,367		-		27,458
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	2,700		27,621		51,543
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	3,000		44,340		74,550
TC Fund I L.P. Class 'B'	6,240		106,614		64,759
Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	270,300		3,584,087		3,946,380
X-Spectrum 1 Inc.	75,886		371,840		20,489
X-Spectrum 2 Inc.	124,321		177,779		-
Yellow Pages Ltd.	292,236		5,666,456		3,755,233
Total of equities held long		**$**	**22,392,092**	**$**	**20,225,151**
Total of equities (15.1%)			22,392,092		20,225,151
Total investment portfolio (105.5%)		**$**	**146,344,787**	**$**	**141,711,998**
Cash and cash equivalents (0.5%)					727,690
Other assets less liabilities (-6.0%)					(8,087,178)
Net assets				**$**	**134,352,510**

The accompanying notes form an integral part of the interim financial statements.

Foreign Exchange Contracts

Counterparty	Counterparty Credit Rating	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
CANADIAN IMPERIAL BANK OF COMMERCE	A+	14-Sep-26	CAD	22,282,573	USD	16,035,000	0.720	0.707	$ (383,632)
CANADIAN IMPERIAL BANK OF COMMERCE	A+	14-Sep-26	USD	1,400,000	CAD	1,980,101	1.414	1.414	(1,137)

1 Credit rating of counterparty is A+.

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 an amended and restated master declaration of trust dated as of February 20, 2020, as may be amended and/or 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 IFRS Accounting Standards as issued 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 27, 2026.

3. Material Accounting Policy Information

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.

3. Material Accounting Policy Information (continued):

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") (continued):

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or 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, 2026 and December 31, 2025, 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, 2026 and December 31, 2025, 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).

3. Material Accounting Policy Information (continued):

Recognition/Derecognition (continued):

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. 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.

3. Material Accounting Policy Information (continued):

Fair value measurements (continued):

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 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 period of the revision and future periods, if the revision affects both current and future periods.

3. Material Accounting Policy Information (continued):

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.

As at December 31, 2025, the Fund had no net capital losses (December 31, 2024 - Nil) and no non-capital losses (December 31, 2024 - 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.

Significant 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.

3. Material Accounting Policy Information (continued):

New accounting standards and Future changes in accounting standards

Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued the new standard IFRS 18 – Presentation and Disclosure in Financial Statements that will replace IAS 1 – Presentation of Financial Statements. The new standard introduces newly defined subtotals on the income statement, requirements for aggregation and disaggregation of information, and disclosure of Management Performance Measures ("MPMs") in the financial statements. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with early adoption permitted. The Fund is assessing the impacts to the 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.

There are no Class A units issued with an applicable service fee.

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, 2026 and 2025, the number of units issued, redeemed and outstanding were as follows:

Series A

For the periods ended	30-Jun-26	30-Jun-25
Units oustanding at beginning of period	9,084,187	9,116,797
Units Coverted from Class F to Class A	7,433	41,221
Redeemable units redeemed	(973,491)	(96,667)
Units oustanding at end of period	**8,118,129**	**9,061,351**

5. Issuance and Redemption of Units (continued):

Series F

For the periods ended	30-Jun-26	30-Jun-25
Units oustanding at beginning of period	108,099	192,890
Units Coverted from Class F to Class A	(6,500)	(36,200)
Redeemable units redeemed	-	(28,591)
Units oustanding at end of period	**101,599**	**128,099**

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, 2026, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 7.7% (December 31, 2025 - 17.1%).

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.

During the period ended June 30, 2026, the Manager paid the Portfolio Manager, an affiliate of the Manager, $558,736 (December 31, 2025 - $1,113,025) for managing the portfolio of the Fund. As at June 30, 2026 the amount payable to the Portfolio Manager was $92,815 (December 31, 2025 - $94,196).

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.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the period ended June 30, 2026, the Performance Fee accrued by the Fund was $137,751 (December 31, 2025 - $4,293).

During the year ended December 31, 2025, the Manager paid the Portfolio Manager, an affiliate of the Manager, $272,374, including performance fees (December 31, 2025 - $522,846) for managing the portfolio of the Fund. As at December 31, 2025 the amount payable to the Portfolio Manager was $54,944 (December 31, 2025 - $47,393).

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, 2026 and December 31, 2025:

As at June 30, 2026	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	$ 13,641,144	$ -	$ 238,058	$ 13,879,202
Fixed income	-	125,390,425	1,286,173	126,676,598
Preferred shares	6,345,949	-	-	6,345,949
Total	**$ 19,987,093**	**$ 125,390,425**	**$ 1,524,231**	**$ 146,901,749**

7. Fair Value Hierarchy (continued):

As at June 30, 2026	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income sold short	$ -	$ 5,189,751	$ -	$ 5,189,751
Payable on foreign currency forward contracts	-	384,769	-	384,769
Total	**$ -**	**$ 5,574,520**	**$ -**	**$ 5,574,520**

As at December 31, 2025	Level 1	Level 2	Level 3	Total
Financial Assets				
Equities	$ 18,653,476	$ -	$ 276,349	$ 18,929,825
Fixed income	-	159,878,946	1,363,638	161,242,584
Preferred shares	6,304,569	-	-	6,304,569
Receivable on forward exchange contracts	-	52,172	-	52,172
Total	**$ 24,958,045**	**$ 159,878,946**	**$ 1,639,987**	**$ 186,476,978**

As at December 31, 2025	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income sold short	$ -	$ 44,427,027	$ -	$ 44,427,027
Payable on foreign currency forward contracts	-	6,566	-	6,566
Total	**$ -**	**$ 44,433,593**	**$ -**	**$ 44,433,593**

As at	30-Jun-26	31-Dec-25
Level 3 reconciliation		
Balance, beginning of period	1,639,987	3,869,351
Purchases	-	-
Sales	(77,000)	(49,000)
Transfers In	-	-
Transfers Out	-	(4,058,387)
Realized gains and losses	11,964	7,613
Change in unrealized appreciation (depreciation)	(50,720)	1,870,410
Balance, end of period	**1,524,231**	**1,639,987**

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 period ended June 30, 2026 there were no transfers between levels. During the year ended December 31, 2025, the Fund held Flint Corp Series 1 Preferred Shares and Flint Corp Series 2 Preferred Shares, which were classified within Level 3 of the fair value hierarchy due to the use of significant unobservable inputs. As a result of a mandatory corporate action completed by Flint Corp, these preferred shares were automatically converted into Flint Corp Common Shares, which are traded in an active market and therefore qualify for Level 1 classification. These instruments were transferred out of Level 3 and into Level 1 upon conversion at a fair value of $4,058,387.

The following section 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.

7. Fair Value Hierarchy (continued):

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: Since the company emerged from protection under the Companies' Creditors Arrangement Act ("CCAA") in Spring 2024 - a Canadian federal statute that allows insolvent companies with debts exceeding $5 million to restructure under court supervision - and continues to have significant debt ranking ahead of equity, a reasonably possible change to 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 of net assets of $76,405.

Black Press Ltd., 10.00%, 2029/03/22
Price: $89.06
Valuation Technique: A discounted cash flow model.
Unobservable Inputs: The model discounts the bond's future cash flows using a discount rate that reflects (i) yields on Government of Canada bonds with the closest matching maturity, (ii) yields on comparably rated corporate bonds, and (iii) a liquidity premium.
Change in input values:A reasonably possible change in yields of similarly rated companies could result in a decrease of 20%, or a decrease in the security price of $17.81, or an increase or decrease of net assets of $256,698.

TC Fund I L.P. Class 'B'
Price: $10.378
Valuation Technique: Internally developed model.
Unobservable Inputs: The primarily unobservable inputs for this security include TC Fund I FY25 Q4 Financial Statements, the market value of Blue Ant's equity, intrinsic value of Blue Ant's warrants, TC Fund's book value of Equity on the balance sheet of Boreal and Sing Tao, our 15% ownership stake in TC Fund I and the amount payable to Rivett LP upon distribution of the partnership, of which is in relation to the tax benefit received.
Change in input values: A reasonably possible change in the value of the investments could result in an increase or decrease of 50%, or an increase or decrease in the security price of $5.19, or an increase or decrease of net assets of $32,386.

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 of net assets of $8,347.

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 portfolio manager believes that 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.

8. Risk Management

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.

8. Risk Management (continued):

Credit risk (continued):

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, 2026 and December 31, 2025, the Fund had directly invested in debt instruments with the following credit ratings:

As at	30-Jun-26 (%)	31-Dec-25 (%)
Credit exposure		
AAA	20.1	18.3
AA	4.9	2.6
A	33.3	24.8
BBB	19.4	19.8
BB	8.3	7.3
B	5.6	5.2
CCC	1.4	2.8
D	0.3	0.4
Not Rated	1.8	1.7

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, 2026 and December 31, 2025:

As at June 30, 2026	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Fixed income sold short	$ -	$ -	$ 5,189,751
Due to investment dealers	449,352	-	-
Redemptions payable	15,850,040	-	-
Accrued management fees	92,815	-	-
Other accrued expenses	-	214,649	-
Distributions payable to holders of redeemable units	382,990	-	-
Payable on forward exchange contracts	-	384,769	-

As at December 31, 2025	Less Than One Month	1-3 Months	3 Months – 1 Year
Liquidity exposure			
Fixed income sold short	$ -	$ -	$ 44,427,027
Due to investment dealers	727,363	-	-
Accrued management fees	94,196	-	-
Other accrued expenses	-	23,804	-
Distributions payable to holders of redeemable units	382,951	-	-
Payable on forward exchange contracts	-	6,566	-

8. Risk Management (continued):

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.

Interest rate exposure	Less than 1 year	1-5 years	More than 5 years
June 30, 2026 - Long	$ 7,120,580	$ 7,938,737	$ 111,617,280
June 30, 2026 - Short	-	-	5,189,751

Interest rate exposure	Less than 1 year	1-5 years	More than 5 years
December 31, 2025 - Long	$ 7,231,014	$ 72,116,257	$ 81,895,313
December 31, 2025 - Short	-	12,977,130	31,449,897

If interest rates had increased or decreased by 1% at June 30 2026, with all other variables remaining constant, net assets of the Fund would have decreased or increased by approximately $3,815,675 (December 31, 2025 - $4,075,347).

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 (before hedging, if any) to currency risk as at:

Currency exposure	30-Jun-26 (%)	31-Dec-25 (%)
US Dollar	14.8	16.6

As at June 30, 2026, 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 0.1% (December 31, 2025 - 0.2%).

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, 2026, approximately 15.1% (December 31, 2025 - 16.9%) 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, 2026 with all other factors remaining constant, net assets would have increased or decreased, by approximately $1,011,258 (December 31, 2025 - $1,261,720).

9. Subsequent Events

On July 28, 2026, the Fund converted from a closed end fund to an exchange-traded fund (the "ETF") under the law of the Province of Ontario by an amended and restated master declaration of trust dated July 16, 2026. The Fund name was changed to Lysander-Canso Credit Income ActivETF and units of the ETF commenced trading on the Toronto Stock Exchange under symbol PBY. The conversion was approved by unitholders of the Fund at a special meeting held on June 4, 2026, together with related changes to facilitate and implement the conversion. Class A units of the Fund converted to units of the ETF on a 1:1 basis and Class F units of the Fund converted to units of the ETF at an exchange ratio based on the net asset value per Class F unit relative to the net asset value per Class A unit, determined at the time of the conversion.

Canso Credit Income Fund

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