

Semi-Annual Management Report of Fund Performance
As at June 30, 2019

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, 2019 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 2019. 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 issues. The Fund will not be leveraged. More details are contained in the Fund’s simplified prospectus.

During the period Canso employed its bottom-up process to buy and sell securities for the Fund.

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

The Fund had returns for the period of 5.24% for Series A and 5.54% for Series F.

This positioning and performance is consistent with the Fund’s fundamental investment objective and strategies. The net assets of the Fund increased to over \$31 million at June 30, 2019 from \$28.1 million at the beginning of the period. There were net subscriptions of \$1.4 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.

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

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Recent Developments

After aggressively raising interest rates in 2018, the U.S. Federal Reserve announced that they no longer planned to raise rates this year and may actually cut rates in the third quarter. This was a major pivot from their previous stance of incremental rate hikes over the last three years and seems to be at least partially driven by prerssure from the Trump administration.

Corporate bonds outperformed U.S. Treasuries as investors reached for higher yields amidst benign inflation. The Fed is encouraged by the growth in household spending and strong labour market. However, in keeping with its dual mandate (maximum employment and stable prices), it is worried about soft business investment and inflation near its threshold of 2 percent.

The Bank of Canada has also kept administered rates on hold in 2019 but seem less inclined to actually cut rates than their counterparts in the U.S. This has started to cause administered interest rates to converge in both countries and provided a recent lift to the Canadian dollar. Meanwhile, the major economies in Europe and Japan are still experimenting with negative interest rates to restart flagging growth. We believe this to be unsustainable.

In this environment both the bond and stock markets did well. This is a puzzle as lower yields in the bond market are normally a signal of a slowing economy. A slowing economy would normally be expected to be negative for corporate profits and, therefore, stock prices. However, equity markets focused on lower interest rates rather than an economic slowdown and continued to rise to new heights.

Canso has concerns about overall market valuations in both equities and bonds and believes that caution is warranted, even though current trends may continue for some time.

Canso has been maintaining a large position in high quality, liquid credits, investing only in BBB and below rated issuers when the additional yield offered compensates for the incremental credit risk. The largest purchases in the period were in AAA rated TD Bank covered bonds and BBB rated Ford Motor Credit, SNC Lavalin and Unicredit Bank. The Fund added high yield positions in issues of Bombardier, Element Fleet Management and Maxar Technologies. Despite these purchases, at year-end, the Fund's weight in high yield issues was reduced to below 20% as we sold out of CIT Group bonds during the first quarter which had become overvalued.

Canso also believes there is significant price risk in longer maturity bonds from the prospect of rising interest rates. This risk has been moderated by concentrating the portfolio in bonds

with short maturities and floating rate notes. At the end of the period, the Fund was 65% invested in floating rate notes and had a duration of 1.2 years.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund. There have been no actual or planned reorganizations, mergers or similar transactions.

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

Related Party Transactions

The Manager provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its 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 \$131,665 (including HST) in management fees to the Manager for the period ended June 30, 2019 (June 30, 2018 - USD \$130,411).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services is included in the management fee.

The Manager paid CAD \$83,606 (including HST) to the Portfolio Manager for the period ended June 30, 2019 (June 30, 2018 - CAD \$79,268).

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-2019 (USD)	31-Dec-2018 (USD)	31-Dec-2017 (USD)	31-Dec-2016 (USD)	31-Dec-2015 (USD)
Net assets per unit¹					
Net assets, beginning of period	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95	\$ 10.00
Operations:					
Total revenue	0.20	0.32	0.36	0.49	0.43
Total expenses	(0.08)	(0.15)	(0.16)	(0.15)	(0.16)
Realized gains (losses)	0.01	0.06	0.09	(0.42)	0.20
Unrealized gains (losses)	0.36	(0.42)	0.08	0.91	(0.98)
Total increase (decrease) from operations²	\$ 0.49	\$ (0.19)	\$ 0.36	\$ 0.83	\$ (0.51)
Distributions:					
From income (excluding dividends)	\$ (0.14)	\$ (0.22)	\$ (0.18)	\$ (0.21)	\$ (0.31)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.14)	\$ (0.22)	\$ (0.18)	\$ (0.21)	\$ (0.43)
Net assets, end of period^{2 3}	\$ 9.76	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95
Ratios and supplemental data					
Net asset value ⁴	\$ 3,044,381	\$ 2,526,963	\$ 2,821,663	\$ 2,487,986	\$ 3,102,035
Units outstanding	312,007	268,691	288,432	259,447	346,465
Management expense ratio ⁵	% 1.58	% 1.51	% 1.66	% 1.70	% 1.71
Management expense ratio before waivers or absorption	1.58	1.51	1.66	1.72	1.75
Portfolio turnover rate ⁶	34.76	63.67	53	69	46
Trading expense ratio ⁷	-	-	-	-	-
Net asset value per unit, end of period	\$ 9.76	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

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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Series F*

Period ended	30-Jun-2019 (USD)	31-Dec-2018 (USD)	31-Dec-2017 (USD)	31-Dec-2016 (USD)	31-Dec-2015 (USD)
Net assets per unit¹					
Net assets, beginning of period	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99	\$ 10.00
Operations:					
Total revenue	0.20	0.32	0.35	0.49	0.43
Total expenses	(0.05)	(0.09)	(0.11)	(0.11)	(0.11)
Realized gains (losses)	0.01	0.06	0.09	(0.37)	0.19
Unrealized gains (losses)	0.35	(0.41)	0.06	0.81	(0.95)
Total increase (decrease) from operations²	\$ 0.51	\$ (0.12)	\$ 0.39	\$ 0.82	\$ (0.44)
Distributions:					
From income (excluding dividends)	\$ (0.15)	\$ (0.22)	\$ (0.24)	\$ (0.42)	\$ (0.29)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.15)	\$ (0.22)	\$ (0.24)	\$ (0.42)	\$ (0.41)
Net assets, end of period^{2 3}	\$ 9.69	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99
Ratios and supplemental data					
Net asset value ⁴	\$ 27,963,857	\$ 25,642,093	\$ 25,484,068	\$ 13,420,052	\$ 8,901,735
Units outstanding	2,885,508	2,749,678	2,637,839	1,416,951	989,684
Management expense ratio ⁵	% 1.01	% 0.97	% 1.09	% 1.13	% 1.15
Management expense ratio before waivers or absorption	1.01	0.97	1.09	1.15	1.17
Portfolio turnover rate ⁶	34.76	63.67	53	69	46
Trading expense ratio ⁷	-	-	-	-	-
Net asset value per unit, end of period	\$ 9.69	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99

Notes

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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.

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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.

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Management Fees

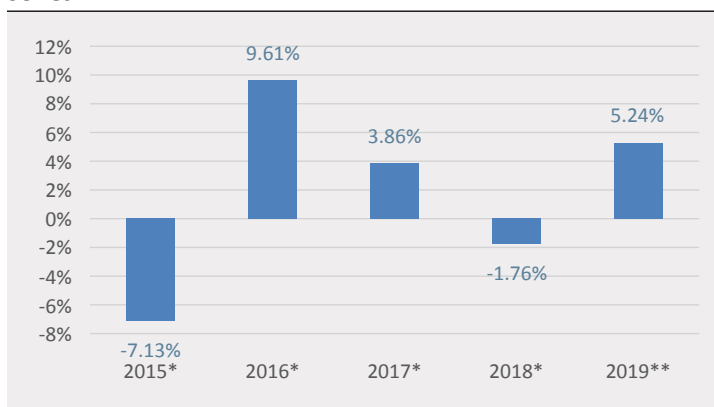
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 1.25% per annum for Series A units and 0.75 % per annum for Series F units.

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

Year-by-Year Returns

Series A

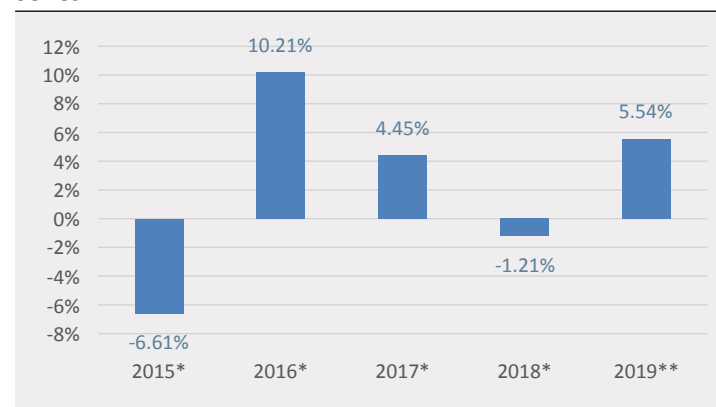


Past Performance

The commencement date of being distributed under a prospectus for Series A and Series F was December 30, 2014. Accordingly, returns are shown for the relevant periods as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

Series F



* For the period January 1 to December 31, ** For the period January 1 to June 30

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Summary of Investment Portfolio

	% of NAV			% of NAV	
Top 25 Issuers			Asset Mix		
GE Capital Canada	%	9.9	Cash and Cash Equivalents	%	6.4
Lloyds Banking Group PLC		8.0	U.S. Fixed Income		42.0
Toronto Dominion Bank		7.9	Canadian Fixed Income		33.3
Royal Bank of Canada		7.9	Canadian Equities		3.0
Unicredit SPA		7.0	Foreign Fixed Income		18.5
AT&T Inc.		7.0	Other Assets less Liabilities		(3.2)
Cash and Cash Equivalents		6.4	Total	%	100.0
Halfmoon Parent Inc.		5.1	Sector		
Ford Motor Credit Co.		4.7	Cash and Cash Equivalents	%	6.4
Morgan Stanley		4.1	Communication Services		15.6
JP Morgan Chase & Co		3.8	Consumer Staples		2.4
Verizon Communications Inc.		2.9	Energy		6.5
Ford Credit Canada Ltd.		2.7	Financials		66.6
Sobeys Inc.		2.4	Health Care		1.9
Enbridge Inc		2.4	Industrials		3.8
Videotron Ltee.		2.2	Other Assets less Liabilities		(3.2)
ClearStream Energy Services Inc. (Equity)		2.0	Total	%	100.0
Goldman Sachs		1.9			
Teva Pharmaceutical Industries Ltd.		1.9			
TransCanada Pipelines		1.7			
Bombardier Inc.		1.7			
Royal Bank of Scotland		1.7			
SNC Lavalin		1.2			
Yellow Pages Digital & Media Solutions Ltd		1.1			
Xplornet Communications Inc. (Equity)		1.0			
Total	%	98.6			



3080 Yonge Street, Suite 3037
Toronto, ON M4N 3N1
www.lysanderfunds.com

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