

Interim Financial Statements (unaudited)
For the six month periods ended June 30, 2019 and 2018

Lysander-Canso Broad Corporate Bond Fund



Lysander-Canso Broad Corporate Bond Fund

Interim Financial Statements Six-Month Period Ended June 30, 2019 (unaudited)

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Lysander-Canso Broad Corporate Bond Fund

Interim Statements of Financial Position (unaudited)

As at	30-Jun-19	31-Dec-18
Assets		
Financial assets at fair value through profit or loss*	\$ 48,079,852	\$ 52,451,107
Cash and cash equivalents	2,324,108	348,098
Subscriptions receivable	1,061,790	124,341
Accrued interest	375,108	471,949
Receivable from forward exchange contracts	164,652	–
Due from investment dealer	158,676	–
Total assets	\$ 52,164,186	\$ 53,395,495
Liabilities		
Redemptions payable	\$ 145,921	\$ 3,765
Accrued expenses	46,046	51,956
Payable on forward exchange contracts	–	177,092
Total liabilities	\$ 191,967	\$ 232,813
Net assets attributable to holders of redeemable units	\$ 51,972,219	\$ 53,162,682
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 1,232,337	\$ 5,117,093
Series F	50,739,882	48,045,589
Total net assets	\$ 51,972,219	\$ 53,162,682
Number of redeemable units outstanding		
Series A	118,172	520,770
Series F	4,933,137	4,897,805
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 10.43	\$ 9.83
Series F	10.29	9.81
* Financial assets at fair value through profit or loss at cost	\$ 46,906,566	\$ 52,992,229

Interim Statements of Comprehensive Income (unaudited)

For the periods ended	30-Jun-19	30-Jun-18
Income		
Interest for distribution purposes	\$ 1,014,508	\$ 454,796
Other income	3,648	3,412
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments sold	680,530	(21,215)
Net realized (loss) on foreign currency	(87,145)	(55,757)
Change in (depreciation) unrealized on foreign currency	(193)	(44)
Change in appreciation (depreciation) unrealized on forward contracts	341,744	(27,391)
Change in appreciation (depreciation) unrealized on investments	1,714,408	(64,978)
Total operating income	\$ 3,667,500	\$ 288,823
Expenses		
Management fees	\$ 221,165	\$ 131,330
Fund administration fees	14,780	10,437
Filing fees	8,500	10,437
Custodial fees	3,691	6,946
Audit fees	2,600	10,437
Unitholder reporting expense	1,624	1,382
Regulatory fees expense	1,365	618
Independent review committee fees	400	1,491
Legal fees	300	2,982
Bank charges	269	31
Total operating expenses	\$ 254,694	\$ 176,091
Total net operating expenses	\$ 254,694	\$ 176,091
Change in net assets attributable to holders of redeemable units from operations	\$ 3,412,806	\$ 112,732
Change in net assets attributable to holders of redeemable units from operations, per series		
Series A	\$ 226,119	\$ 12,292
Series F	3,186,687	100,440
Change in total net assets	\$ 3,412,806	\$ 112,732
Change in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ 0.76	\$ 0.03
Series F	0.63	0.04

Lysander-Canso Broad Corporate Bond Fund

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

All Series

For the periods ended	30-Jun-19	30-Jun-18
Net assets attributable to holders of redeemable units, beginning of period	\$ 53,162,682	\$ 24,637,123
Change in net assets attributable to holders of redeemable units from operations	3,412,806	112,732
Distributions to unitholders of redeemable units		
From net investment income	\$ (772,973)	\$ (289,316)
From management fee rebate income	(3,268)	(3,412)
	\$ (776,241)	\$ (292,728)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 107,471	\$ 2,218,525
Series F	22,555,791	10,593,536
Total proceeds	\$ 22,663,262	\$ 12,812,061
Cost of units redeemed		
Series A	\$ (4,218,346)	\$ (321,700)
Series F	(22,659,136)	(4,148,504)
Total cost	\$ (26,877,482)	\$ (4,470,204)
Reinvested distributions		
Series A	\$ 1,006	\$ 34,890
Series F	386,186	170,524
Total reinvested	\$ 387,192	\$ 205,414
Change in net assets attributable to holders of redeemable units for the period	\$ (1,190,463)	\$ 8,367,275
Net assets attributable to holders of redeemable units, end of period	\$ 51,972,219	\$ 33,004,398

Series A

For the periods ended	30-Jun-19	30-Jun-18
Net assets attributable to holders of redeemable units, beginning of period	\$ 5,117,093	\$ 3,289,377
Change in net assets attributable to holders of redeemable units from operations	226,119	12,292
Distributions to unitholders of redeemable units		
From net investment income	\$ -	\$ (36,120)
From management fee rebate income	(1,006)	(1,254)
Total distributions	\$ (1,006)	\$ (37,374)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 107,471	\$ 2,218,525
Cost of units redeemed	(4,218,346)	(321,700)
Reinvested distributions	1,006	34,890
Total redeemable	\$ (4,109,869)	\$ 1,931,715
Change in net assets attributable to holders of redeemable units for the period	\$ (3,884,756)	\$ 1,906,633
Net assets attributable to holders of redeemable units, end of period	\$ 1,232,337	\$ 5,196,010

Series F

For the periods ended	30-Jun-19	30-Jun-18
Net assets attributable to holders of redeemable units, beginning of period	\$ 48,045,589	\$ 21,347,746
Change in net assets attributable to holders of redeemable units from operations	3,186,687	100,440
Distributions to unitholders of redeemable units		
From net investment income	\$ (772,973)	\$ (253,196)
From management fee rebate income	(2,262)	(2,158)
Total distributions	\$ (775,235)	\$ (255,354)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 22,555,791	\$ 10,593,536
Cost of units redeemed	(22,659,136)	(4,148,504)
Reinvested distributions	386,186	170,524
Total redeemable	\$ 282,841	\$ 6,615,556
Change in net assets attributable to holders of redeemable units for the period	\$ 2,694,293	\$ 6,460,642
Net assets attributable to holders of redeemable units, end of period	\$ 50,739,882	\$ 27,808,388

Lysander-Canso Broad Corporate Bond Fund

Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-19	30-Jun-18
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ 3,412,806	\$ 112,732
Adjustments for:		
Net realized (gain) loss on sales of investments	(680,530)	21,215
Change in unrealized (appreciation) depreciation on investments	(1,714,408)	64,978
Change in unrealized depreciation on foreign currency	193	44
Purchase of investments	(23,543,441)	(15,681,723)
Proceeds from sale and maturity of investments	30,309,634	5,928,776
Redemptions payable	142,156	-
Accrued interest	96,841	(41,306)
Accrued expenses	(5,910)	29,225
Due from investment dealers	(158,676)	(495)
Receivable from forward exchange contracts	(164,652)	27,391
Payable on forward exchange contracts	(177,092)	-
Subscriptions receivable	(937,449)	(171,590)
Reimbursements receivable	-	7,618
Due to investment dealers	-	1,418,000
Net cash from (used in) operating activities	\$ 6,579,472	\$ (8,285,135)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (389,049)	\$ (87,314)
Proceeds from issuances of redeemable units	22,663,262	12,812,061
Amounts paid on redemption of redeemable units	(26,877,482)	(4,470,204)
Net cash from (used in) financing activities	\$ (4,603,269)	\$ 8,254,543
Foreign exchange (loss) on cash and cash equivalents	\$ (193)	\$ (44)
Increase (Decrease) in cash and cash equivalents during the period	1,976,203	(30,592)
Balance of cash and cash equivalents, beginning of period	348,098	669,818
Cash and cash equivalents at the end of period	\$ 2,324,108	\$ 639,182
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 1,108,306	\$ 413,480
Interest paid	269	31

Interim Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income (50.0%)		
2,674,000	\$ 2,670,887	\$ 2,678,737
100,000	99,059	99,125
488,000	648,542	641,475
200,000	212,725	214,772
161,800	158,693	137,530
267,000	282,054	279,593
50,000	54,537	52,932
333,000	354,859	344,875
45,318	52,909	51,197
420,000	406,480	421,050
82,000	82,000	88,048
1,083,000	1,034,317	1,185,784
307,000	291,177	308,541
1,005,000	1,005,933	1,034,568
536,000	536,000	553,203
500,000	530,533	523,058
212,000	219,701	213,088
442,649	590,203	599,551

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Interim Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income (50.0%)				Foreign Fixed Income (29.0%)			
<i>Cont'd</i>							
338,000	Hwy 407 Jr Secured 7.125% 26 Jul 2040	534,875	533,018	1,212,000	TD CB FRN Jun 28, 2023 (3M CDOR + 31)	1,212,699	1,218,483
1,283,000	Kraft Canada Inc. FRN July 6, 2020 (Q CDOR +105)	1,290,493	1,290,928	486,000	TransCanada Pipelines 6.89% Aug 7, 2028	606,557	628,587
88,000	Loblaws 6.45% Feb 09 2028	112,631	109,449	128,000	TransCanada Pipelines 8.29% Feb 5, 2026	174,470	168,801
96,000	Loblaws 6.45% Mar, 1, 2039	127,653	130,267	886,000	TransCanada Pipelines FRN May 15, 2067 (3M LIBOR+221) (USD)	1,080,656	896,640
25,000	Loblaws 6.50% Jan 22, 2029	31,791	31,607	72,000	Union Gas 3.59% Nov 22, 2047	72,931	78,686
2,300,000	Manufacturers Life Insurance FF 2.10% Jun 1, 2020/2025	2,298,712	2,298,333	347,000	Videotron Ltee 5.75% Jan 15, 2026	360,274	366,880
459,600	Nav Canada (amort) 7.56% Mar 1, 2027	554,383	553,479	308,000	Videotron Ltee Sr Notes 5.625% Jun 15, 2025	320,860	329,367
85,000	Nav Canada 3.293% Mar 30, 2048	87,380	93,235	266,000	Yellow Pages Digital & Media Solutions Ltd 8.0% Nov 30, 2022	253,565	266,000
80,000	Pembina Pipeline Corp 3.62% April 3, 2029	79,974	83,104	157,000	Yellow Pages Digital & Media Solutions Ltd. 10% Nov 1, 2022	159,030	161,073
150,000	Pembina Pipeline Corp 4.75% Mar 26, 2048	149,904	165,337	Total		\$ 25,666,269	\$ 26,000,903
28,766	Postmedia Network Inc. 8.25% Jul 15, 2021	25,471	28,766	Foreign Fixed Income (29.0%)			
2,607,000	RBC CB FRN Jun 27, 2022 (3M CDOR + 14)	2,607,000	2,610,024	2,642,000	Apple Inc. 2.513% Aug 19, 2024	\$ 2,590,845	\$ 2,687,623
20,000	RBC FRN June 29, 2085(USD)(Q LIMEAN+25)	21,709	20,668	802,000	AT&T Inc. 4.85% May 25, 2047	806,661	846,392
1,750,000	Shaw Communications Inc. 6.75% Nov 9, 2039	2,191,062	2,336,596	991,000	AT&T Inc. 5.10% Nov 25, 2048	985,926	1,082,923
207,000	SNC Lavalin 2.689% Nov 24, 2020	205,240	206,471	13,000	BZ Holdings Inc. 3% May 22, 2022	17,273	17,025
113,000	SNC Lavalin 3.235% Mar 2, 2023	109,590	112,883	203,000	Eurofima 4.55% Mar 30, 2027	231,042	237,331
18,000	SNC Lavalin 6.19% Jul 3, 2019	19,615	18,003	608,000	GE Capital Corp 6.875% Jan 10, 2039 (USD)	861,416	1,002,897
403,000	SNC Lavalin FRN Mar 2, 2021 (Q CDOR + 54)	398,479	395,521	163,000	GE Capital Corp FRN May 5, 2026 (USD) (Q LIBOR +38)	171,398	194,320
366,000	Sobeys Inc. 4.7% Aug 8, 2023	380,879	387,357	189,000	GE Capital Int. Funding 4.418% Nov 15, 2035 (USD)	208,932	244,494
587,000	Sobeys Inc. 5.79% Oct 6, 2036	616,386	666,621	50,000	Heathrow Funding Limited 3.25% May 21, 2025	51,109	51,816
216,000	Sobeys Inc. 6.06% Oct 29, 2035	232,132	250,615	39,000	KFW 4.65% Feb 28, 2023	43,785	42,796
109,000	Sobeys Inc. 6.64% Jun 7, 2040	119,259	136,977	273,000	KFW 5.05% Feb 4, 2025	318,034	318,387

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Lysander-Canso Broad Corporate Bond Fund

Interim Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Foreign Fixed Income (29.0%)							
<i>Cont'd</i>							
2,309,000	Lloyds Bank PLC FRN Jul 11, 2023 (3M CDOR + 55)	2,304,806	2,292,877	228,170	MCAP Service NHA MBS FRN (98003260) Dec 1, 2023 (M CDOR-6.68)	226,557	227,010
240,000	Metlife Global Funding I FRN Sep 27, 2019 (3M CDOR +35)	240,719	240,144	442,758	MCAP Service NHA MBS FRN (98003539) May 1, 2024 (M CDOR+8.62)	441,695	442,343
208,000	Navient Corp 5.625% Aug 1, 2033 (USD)	228,084	228,130	88,320	Merrill Lynch FRN NHA MBS FRN(98002156)Jun 1, 2022(M CDOR+24)	88,038	88,479
752,000	PepsiCo Inc. 2.15% May 6, 2024	728,361	753,339	62,818	Merrill Lynch NHA MBS FRN (98001384) Oct 1, 2020 (M CDOR+39)	63,148	63,037
10,000	Royal Bank of Scotland Group PLC 5.125% May 28, 2024(USD)	13,505	13,831	145,375	Merrill Lynch NHA MBS FRN (98003230)Jan 1, 2024(M CDOR-16.6)	143,892	144,235
431,000	SES Global Americas Holding 5.3% Mar 25, 2044 144A (USD)	492,553	545,907	167,075	RBC NHA MBS (97507794) 1.45% Oct 1, 2021	163,512	165,905
306,000	SES SA 5.3% Apr 4, 2043 144A (USD)	353,268	389,228	730,313	Scotia Capital Inc. NHA MBS (97514157) 2.05% Feb 1, 2024	727,677	733,830
64,000	Tennessee Gas Pipeline 8.375% Jun 15, 2032 (USD)	109,958	113,610	54,582	TD Bank NHA MBS (99007890) 5.375% Nov 1, 2023	60,646	60,704
339,000	Teva Pharmaceuticals 3.15% Oct 1, 2026 (USD)	356,794	346,281	Total		\$ 5,074,259	\$ 5,109,946
1,498,000	TWDC Enterprises 18 Corp. 2.758% Oct 7, 2024	1,478,009	1,541,254	Preferreds (0.1%)			
1,023,000	UniCredit S.p.A Sr Pref 4.625% Apr 12, 2027 (USD) 144A	1,191,535	1,357,397	46	ClearStream Energy Services Inc. Series 1 Preferred Share	\$ 44,530	\$ 46,000
383,000	UniCredit S.p.A S Non-Pref FRN Jan 14, 2022 (3M L+390) (USD)	509,851	521,940	Total		\$ 44,530	\$ 46,000
Total		\$ 14,293,864	\$ 15,069,942	Private Placements (3.6%)			
Mortgage Backed Securities (9.8%)							
2,275,888	First National NHA MBS (96500891) 2.4% Sept 1, 2029	\$ 2,280,440	\$ 2,297,108	134,868	Bankers Hall LP (amort) 4.377% November 20, 2023	\$ 137,794	\$ 139,125
82,921	First National NHA MBS (97508460) 1.7% Feb 1, 2022	82,693	82,727	177,689	Capital City Link GP 4.386% Mar 31, 2046	195,464	202,927
387,343	First National NHA MBS (97513654) 2.4% Feb 1, 2024	391,545	393,875	128,511	Green Timbers LP (amort) 6.838% Jun 30, 2037	165,237	168,776
263,966	First National NHA MBS (99000211) 2.65% Oct 15, 2027	265,476	271,077	104,000	Inpower BC GP (amort) 4.471% Mar 31, 2033	110,369	113,376
139,209	MCAP Service NHA MBS FRN (98002125)May 1, 2022 (M CDOR+22)	138,940	139,616	203,000	Kruger Packaging Holdings L.P. 6% Jun 1, 2026	203,136	206,743

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Interim Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

Par Value/Number of Shares Average Cost (\$) Fair Value (\$)

Private Placements (3.6%)

Cont'd

154,000	Maple Leaf Sports & Entertainment Ltd 4.94% Jun 30, 2023	166,224	161,922
1,875	Maritime & NE Pipe LP (amort) 4.34% Nov 30, 2019	1,913	1,889
221,198	N.B. Highway (amort) 6.47% Nov 30, 2027	264,143	260,771
81,136	North Battleford Power L.P (amort) 4.958% Dec 31, 2032	88,843	91,972
122,085	ORNGE Issuer Trust (amort) 5.727% Jun 11, 2034	141,946	144,681
136,421	Strait Crossing Dev. Inc. (amort) 6.17% Sep 15, 2031	151,575	153,349
201,000	WTH Car Rental ULC (AVIS) 3.279% Jul 20, 2023	201,000	207,530
Total		\$ 1,827,644	\$ 1,853,061

US Equities (0.0%)

3,404	BZ Holdings Inc. Convertible Bond Warrants	\$ -	\$ -
Total		\$ -	\$ -

Total investment portfolio (98.7%) \$ 46,906,566 \$ 48,079,852

	Cash and cash equivalents (4.5%)	\$	\$ 2,324,108
	Other assets less liabilities (3.0%)		1,568,259
Net assets		\$	\$ 51,972,219

Foreign Exchange Contracts

CounterParty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Canadian Imperial Bank of Commerce ¹	2019-09-18	CAD	\$ 7,567,045	USD	\$ 5,659,000	0.748	0.765	\$ 167,084
Canadian Imperial Bank of Commerce ¹	2019-09-18	USD	280,000	CAD	368,573	1.316	1.308	(2,432)

Notes

¹ Credit rating of counterparty is A+.

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

Lysander-Canso Broad Corporate Bond Fund

Notes to the interim financial statements for the six-month period ended June 30, 2019 (unaudited)

1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee 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 of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Canso Broad Corporate Bond Fund (the "Fund") is an open-end fund formed under the laws of the Province of Ontario by a declaration of trust dated December 30, 2016. The Fund is qualified for distribution by simplified prospectus.

The Fund's objective is to earn income and some capital gains by investing primarily in fixed income securities anywhere in the world.

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 International Financial Reporting Standards ("IFRS") as published 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 21, 2019.

3. Significant Accounting Policies

The significant 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, 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:

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.

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 introduced the expected credit loss model ("ECL") as the new 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

Lysander-Canso Broad Corporate Bond Fund

Notes to the interim financial statements for the six-month period ended June 30, 2019 (unaudited)

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.

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, 2019 and December 31, 2018, 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, 2019 and December 31, 2018, 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.

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 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.

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.

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 gain 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

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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.

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 represents the coupon

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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.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. 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.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series 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. 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, 2018, the Fund had \$78,173 net capital losses (December 31, 2017 - Nil) and no non-capital losses (December 31, 2017 - Nil).

Distributions

The Fund makes distributions of net income quarterly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Critical 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

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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.

Future changes in accounting standards

As of June 30, 2019, there are no future standards that could have a material impact on the Fund.

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 on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 0.50% per annum on the Series A units, exclusive of any applicable taxes.

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.

During the periods ended June 30, 2019 and 2018 the number of units issued, redeemed and outstanding were as follows:

Series A

For the periods ended	30-Jun-19	30-Jun-18
Units outstanding at beginning of period	520,770	329,725
Redeemable units issued	10,456	223,121
Redeemable units redeemed	(413,154)	(32,377)
Redeemable units issued on reinvestments	100	3,510
Units outstanding at end of period	118,172	523,979

Series F

For the periods ended	30-Jun-19	30-Jun-18
Units outstanding at beginning of period	4,897,805	2,131,540
Redeemable units issued	2,219,713	1,059,850
Redeemable units redeemed	(2,222,248)	(415,217)
Redeemable units issued on reinvestments	37,867	17,078
Units outstanding at end of period	4,933,137	2,793,251

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 the investment management services and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At June 30, 2019, 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 2.2% (December 31, 2018 - 2.0%).

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 1.20% on Series A units and up to 0.70%

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on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

2018 - \$52,187) for managing the portfolio of the Fund. As at June 30, 2019 the amount payable to the Portfolio Manager was \$14,272 (December 31, 2018 - \$16,163).

During the period ended June 30, 2019, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$94,169 (June 30,

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, 2019 and December 31, 2018.

As at June 30, 2019	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	-	\$	-	\$	46,000	\$ 46,000
Fixed income		775,098		47,241,729		17,025	48,033,852
Total	\$	775,098	\$	47,241,729	\$	63,025	\$ 48,079,852

As at December 31, 2018	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	-	\$	-	\$	46,000	\$ 46,000
Fixed income		593,360		51,794,004		17,743	52,405,107
Total	\$	593,360	\$	51,794,004	\$	63,743	\$ 52,405,107

As at	30-Jun-19		31-Dec-18	
Level 3 reconciliation				
Balance, beginning of period		\$ 63,743		\$ 36,301
Purchases		-		-
Sales		-		(22,027)
Transfers In		-		44,530
Transfers Out		-		-
Realized gains and losses		-		768
Change in unrealized appreciation/depreciation		(718)		4,171
Balance, end of period		\$ 63,025		\$ 63,743

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, 2019 there were no transfers between levels.

The following sections 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.

BZ Holdings Inc. 3% May 22, 2022

Price: \$100.00 USD

Valuation Technique: Internal Model which uses a combination of three techniques: 1) discounted value of expected cash flows, 2) relative value and 3) option pricing methodologies. The output of the model is compared to recent private placement funding rounds to confirm its reasonability.

Unobservable Inputs: The primary unobservable inputs for this security include financial statement data, recent private offering valuation multiples of competitors, and liquidation preference rights.

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Change in input values: A reasonably possible change in the key inputs to the model could result in an increase or decrease of 9%, or an increase or decrease in the security price of \$9.00 USD.

BZ Holdings Inc. Convertible Bond Warrants

Price: \$0.00 USD

Valuation Technique: Internal Model which uses a combination of three techniques: 1) discounted value of expected cash flows, 2) relative value and 3) option pricing methodologies. The output of the model is compared to recent private placement funding rounds to confirm its reasonability.

Unobservable Inputs: The primary unobservable inputs for this security include financial statement data, recent private offering valuation multiples of competitors, and liquidation preference rights.

Change in input values: A reasonably possible change in the key inputs to the model could result in an increase or decrease of 0%, or an increase or decrease in the security price of \$0.

ClearStream Energy Services Inc. Series 1 Preferred Share

Price: \$1,000.00

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The last transacted price unless there is a material subsequent event that warrants a review. The preferred shares were issued on Jan 16, 2018 at \$1,000. There have been no subsequent material events affecting value.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$300.00

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 investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

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, 2019 and December 31, 2018, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		30-Jun-19		31-Dec-18
Credit exposure				
AAA	%	23.4	%	16.9
AA		7.3		14.0
A		18.1		21.1
BBB		34.3		34.6
BB		5.2		9.3
B		1.5		1.2
CCC		1.2		0.5
Not Rated		1.4		1.1

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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, 2019 and December 31, 2018:

As at 30-Jun-2019	Less Than One Month		1-3 Months	3 Months - 1 Year
Liquidity exposure				
Redemption Payable	\$ -	\$ -	145,921	\$ -
Accrued expenses	-	-	46,046	-
As at 31-Dec-2018				
Liquidity exposure				
Redemption Payable	\$ 3,765	\$ -	\$ -	\$ -
Accrued expenses	-	-	51,956	-
Payable on forward exchange contracts	-	-	177,092	-

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. 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. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments.

	Less than 1 year		1-5 years	More than 5 years
Interest rate exposure				
June 30, 2019	\$ 2,558,369	\$ 19,779,297	\$ 25,696,186	
December 31, 2018	743,831	21,533,167	30,128,109	

If interest rates had increased or decreased by 1% at June 30, 2019, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$2,353,659 (December 31, 2018 - \$708,537).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. 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. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's net exposure (before hedging, if any) to currency risk as at:

	30-Jun-19		31-Dec-18	
Currency exposure				
US Dollars	%	13.0	%	16.7

As at June 30, 2019, if the CAD had strengthened or weakened by 1% in relation to the above currency, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.1% (December 31, 2018 - 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. This risk is managed through a careful selection of securities and other financial instruments within the parameters of the

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investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. In practice, actual results will differ from this sensitivity analysis and the difference could be material.

As at June 30, 2019, approximately 0.1% (December 31, 2018 - 0.1%) 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, 2019 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$2,300 (December 31, 2018 - \$2,300).



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