

Semi-Annual Management Report of Fund Performance
As at June 30, 2020

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, 2020 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, 2020. 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 positive returns in the period of 4.90% for Series A and 5.19% 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 \$39.6 million at June 30, 2020 from \$36.2 million at the beginning of the period. There were net subscriptions of \$1.8 million during the period.

Other than as discussed in the section below, 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

The COVID-19 pandemic has changed the world in ways that were unimaginable at the beginning of the period. Equity and credit markets peaked in mid-February driven by the 2019 monetary ease from the U.S. Federal Reserve. Markets then crashed in March when the full scope of the COVID-19 pandemic and the economic damage it would wreak became apparent. Selling was indiscriminate and the lack of bids caused the Canadian corporate bond market to largely seize up in March. The Canadian equity market was down over 28% in the first quarter and other equity markets were all down well over 20% with small cap stocks generally doing worse. Corporate bonds also experienced negative single digit returns in the first quarter as credit spreads widened. Lower rated BBB and high yield bonds did worse.

The situation in markets dramatically changed on March 23 when the U.S. Federal Reserve announced a range of tools to support households, businesses, and the U.S. economy overall. This included support for critical market functioning through the purchase of U.S. Treasury securities and supporting the flow of credit in general. In addition, the Fed announced it would purchase in the secondary market corporate bonds issued by investment grade U.S. companies and U.S.-listed exchange-traded funds. The Bank of Canada announced similar programs, on a smaller scale.

The huge liquidity assistance provided by central banks to the markets caused a sharp rally in equity markets and considerably narrowed credit spreads so that corporate bonds rallied. By the end of the period, equity markets had regained much of their March losses and corporate bond returns were positive for the entire period. Federal Government bond returns were higher as Government bond yields declined in the period as central banks pledged to keep administered interest rates at very low levels for some time, potentially many years.

The obvious central question going forward is how the effects of the pandemic will play out. It seems clear that the countries that have implemented the most restrictive social distancing and lockdowns have fared the best with the COVID-19 pandemic. It took some time for the March lockdowns, social distancing, and other measures to work and for the economy to start rebounding. Things indeed did start to improve in June. A major problem now is the U.S. cannot seem to muster the political will or societal patience to follow its own public health advice. Things now seem to have opened up too early and too quickly in many areas of the U.S. The U.S. is now showing a huge increase in infections and hospitalizations and many states, like Florida, Texas and California, have had to close down again.

Recent surveys in the U.S. indicate retail shopper traffic to stores showed business activity slowed in the second week of July, in part from renewed virus fears. Amazon announced on July 15 it was extending a work-from-home order for eligible employees from October to January, and Delta Airlines said on July 14 it was cutting back plans to add flights in August and beyond, citing flagging consumer demand. The biggest banks in the U.S. also warned in July that they are setting aside billions of dollars to cover anticipated losses as customers fail to pay their mortgages and other loans in the months to come. This means the U.S. economy will be much slower than its developed world peers in recovering to “normal”.

Other regions and countries, like the Europeans and New Zealand, have made steady progress through effective social distancing programs to the point where they have very few cases and the rate of transmission is very much under control. They are now getting their economies back up and running. Canada is also making good progress at recovery, although there is likely to be increased weakness as various Government support programs start to wind down.

The financial markets seem to be looking through the COVID-19 pandemic and discounting an end to social distancing. The fiscal and monetary stimulus has been incredible in scale and rapidity, but equity valuations are high. In credit markets, there is now a split between companies largely unaffected by the pandemic and those that are. It is in the latter group where the best investment opportunities lie, but success will depend on careful and detailed analysis of each individual company's prospects going forward.

The recent market pullback due to the COVID-19 pandemic provided an opportunity to purchase bonds at spreads not seen since the 2008-2009 great recession. As liquidity evaporated from the market, we were able to purchase issues of Ford, Bombardier, Spirit AeroSystems, AMC Entertainment and Boeing at distressed levels and yields between 7-22%. The Fed's intervention in late March provided some stability to the Investment Grade bond market, however, the oil market continued to struggle due to demand destruction from the virus and an ongoing price war between Russia and Saudi Arabia. During this period, we added bonds of Cenovus Energy Inc., Continental Resources and Occidental Petroleum Corp at prices as low as \$0.40 on the dollar. Historic supply cuts eventually led to a stabilization of oil prices and significant appreciation in those names.

The travel restrictions imposed by governments had disastrous ramifications for the airlines and car rental agencies. As these companies looked to improve their liquidity by issuing secured debt, we purchased new issues of Air Canada and American

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Airlines at attractive yields of 9.5% and 12%, respectively and bonds of Avis Car Rental LLC at 11.25%.

As of June 30, 2020, the Fund was 33% invested in BBB names and 54% in High Yield names versus 41% and 20% respectively at the beginning of the period.

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

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 \$167,218 (including HST) in management fees to the Manager for the period ended June 30, 2020 (June 30, 2019 - USD \$131,665).

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

The Manager paid CAD \$106,735 (including HST) to the Portfolio Manager for the period ended June 30, 2020 (June 30, 2019 - CAD \$83,606).

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-2020 (USD)	31-Dec-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	\$ 9.88	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95	\$ 10.00
Operations:						
Total revenue	0.20	0.37	0.32	0.36	0.49	0.43
Total expenses	(0.08)	(0.15)	(0.15)	(0.16)	(0.15)	(0.16)
Realized gains (losses)	0.03	(0.04)	0.06	0.09	(0.42)	0.20
Unrealized gains (losses)	0.34	0.54	(0.42)	0.08	0.91	(0.98)
Total increase (decrease) from operations²	\$ 0.49	\$ 0.72	\$ (0.19)	\$ 0.36	\$ 0.83	\$ (0.51)
Distributions:						
From income (excluding dividends)	\$ (0.12)	\$ (0.27)	\$ (0.22)	\$ (0.18)	\$ (0.21)	\$ (0.31)
From capital gains	-	-	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.12)	\$ (0.27)	\$ (0.22)	\$ (0.18)	\$ (0.21)	\$ (0.43)
Net assets, end of period^{2 3}	\$ 10.24	\$ 9.88	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95

Ratios and supplemental data						
Net asset value ⁴	\$ 4,518,176	\$ 3,683,051	\$ 2,526,963	\$ 2,821,663	\$ 2,487,986	\$ 3,102,035
Units outstanding	441,083	372,651	268,691	288,432	259,447	346,465
Management expense ratio ⁵	% 1.58	% 1.56	% 1.51	% 1.66	% 1.70	% 1.71
Management expense ratio before waivers or absorption	1.58	1.56	1.51	1.66	1.72	1.75
Portfolio turnover rate ⁶	82.63	44.97	63.67	53	69	46
Trading expense ratio ⁷	-	-	-	-	-	-
Net asset value per unit, end of period	\$ 10.24	\$ 9.88	\$ 9.40	\$ 9.78	\$ 9.59	\$ 8.95

Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
- Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
- Distributions were paid in cash or reinvested in additional units, or both.
- This information is provided at the end of the period shown.
- The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.
- The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Series F

Period ended	30-Jun-2020 (USD)	31-Dec-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	\$ 9.85	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99	\$ 10.00
Operations:						
Total revenue	0.20	0.37	0.32	0.35	0.49	0.43
Total expenses	(0.05)	(0.10)	(0.09)	(0.11)	(0.11)	(0.11)
Realized gains (losses)	0.04	(0.03)	0.06	0.09	(0.37)	0.19
Unrealized gains (losses)	0.24	0.54	(0.41)	0.06	0.81	(0.95)
Total increase (decrease) from operations²	\$ 0.43	\$ 0.78	\$ (0.12)	\$ 0.39	\$ 0.82	\$ (0.44)
Distributions:						
From income (excluding dividends)	\$ (0.15)	\$ (0.27)	\$ (0.22)	\$ (0.24)	\$ (0.42)	\$ (0.29)
From capital gains	-	-	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.15)	\$ (0.27)	\$ (0.22)	\$ (0.24)	\$ (0.42)	\$ (0.41)
Net assets, end of period^{2 3}	\$ 10.2	\$ 9.85	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99
Ratios and supplemental data						
Net asset value ⁴	\$ 35,107,590	\$ 32,612,431	\$ 25,642,093	\$ 25,484,068	\$ 13,420,052	\$ 8,901,735
Units outstanding	3,441,377	3,311,921	2,749,678	2,637,839	1,416,951	989,684
Management expense ratio ⁵	% 1.02	% 1.00	% 0.97	% 1.09	% 1.13	% 1.15
Management expense ratio before waivers or absorption	1.02	1.00	0.97	1.09	1.15	1.17
Portfolio turnover rate ⁶	82.63	44.97	63.67	53	69	46
Trading expense ratio ⁷	-	-	-	-	-	-
Net asset value per unit, end of period	\$ 10.20	\$ 9.85	\$ 9.33	\$ 9.66	\$ 9.47	\$ 8.99

Notes

- The information is derived from the Fund's unaudited semi-annual and/or audited annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
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Management Fees

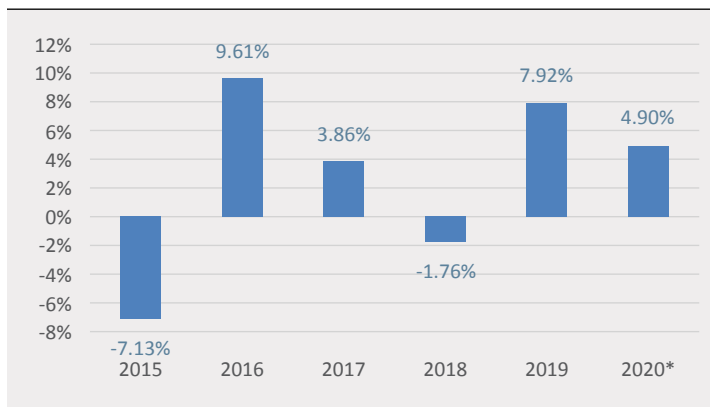
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee 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

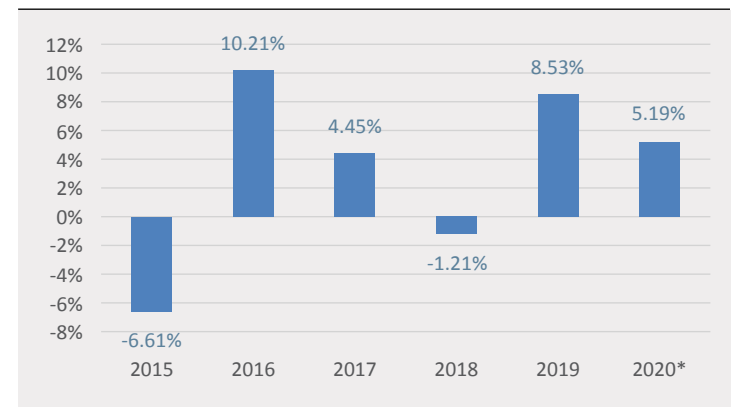


Past Performance

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 years/period 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 June 30

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Air Canada	6.9	Cash and Cash Equivalents	0.1
Maxar Technologies Inc.	6.5	U.S. Fixed Income	57.4
Ford Motor Credit Co.	6.5	Canadian Fixed Income	29.9
Unicredit SPA	5.5	Canadian Equities	1.1
GE Capital Corp Ltd	5.1	Foreign Fixed Income	10.4
Met Life Global Funding	5.0	Other Assets less Liabilities	1.1
Bombardier Inc.	5.0	Total	100.0
Royal Bank of Scotland	4.9	Sector	
General Motors Financial	3.8	Cash and Cash Equivalents	0.1
American Airlines Inc	3.7	Communication Services	5.7
Spirit Aerosystems Inc.	3.6	Consumer Staples	2.3
Occidental Petroleum Corp.	3.2	Energy	16.8
Videotron Ltee.	3.0	Financials	33.0
Cenovus Energy Inc.	3.0	Industrials	32.6
Continental Resources, Inc.	2.7	Information Technology	8.3
Avis Budget Group, Inc.	2.6	Infrastructure	0.1
Suncor Energy Inc.	2.4	Other Assets less Liabilities	1.1
Hertz Global Holdings Inc.	2.1	Total	100.0
Ford Credit Canada Ltd.	2.0		
TransCanada Pipelines	2.0		
Sobeys Inc.	1.8		
Ryder System Inc.	1.6		
Boeing Co.	1.5		
Howmet Aerospace Inc.	1.4		
AMC Entertainment Holdings Inc.	1.2		
Total	87.0		



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