

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

Lysander-Canso Credit Opportunities 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 Credit Opportunities 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 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 by investing in, or gaining exposure to, a diversified portfolio composed primarily of debt and money market securities. The Fund will use alternative investment strategies such as engaging in short sales and purchasing securities on margin or with borrowed funds.

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 will seek to achieve returns through a portfolio that primarily invests in, or has exposure to,

corporate bonds of Canadian and foreign issuers. Portfolio investments may include higher risk securities and the Fund may take large portfolio exposures to specific countries, market sectors, market movements or other investment insights. The Fund may invest up to 100% of its assets at the time in foreign securities. More details are contained in the Fund’s simplified prospectus.

Risks

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus.

Results of Operations

This positioning and performance is consistent with the Fund’s fundamental investment objective and strategies. The net assets of the Fund increased to approximately \$13.0 million at June 30, 2020 from \$5.8 million at the beginning of the period. This was mainly due to net subscriptions of \$6.9 million during the period.

On February 20, 2020, the trustee and investment fund manager of the Fund changed from Canso Fund Management Ltd., an affiliate of the Manager, to the Manager. Prior to May 11, 2020, securities of the Fund were offered only on a private placement basis. On May 11, 2020, the Fund became a reporting issuer by filing a prospectus with securities regulatory authorities in each province and territory in Canada. While these were fundamental changes that occurred to the Fund, neither the Manager nor the Portfolio Manager are of the view that these changes affected the Fund’s investment strategies in any material fashion.

In addition, there were no other unusual events or transactions, economic changes or market conditions that affected

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performance beyond what has been described or would be reasonably expected.

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

Recent Developments

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 Fund experienced increased trading activity in the first half of 2020 as volatility in the credit markets presented attractive buying opportunities. In both the investment grade and high yield markets, corporate credit spreads widened to decade-high levels as investors began to assess the impact of COVID-19 lockdowns. After being conservatively positioned over the past several years, the Fund began a credit shift that increased its exposure to BBB & lower rated securities at attractive levels. As a result, the high-yield weight within the Fund increased to 40% from 31% at the beginning of the period.

The Fund was an active buyer in both the primary and secondary markets, adding several new positions in the first half of the year. New additions to the portfolio included bonds issued by Air Canada, AMC Entertainment, American Airlines, Avis, Boeing, Hertz, Howmet Aerospace and Spirit Aerosystems, among others. In addition, the Fund established a new position in North American oil and gas producers, taking advantage of a sharp sell-off in the price of oil during the months of March and April.

As noted in the results of operations, there were changes to the Manager of the Fund. There have been no 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

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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 \$29,707 (including HST) in management fees to the Manager for the period ended June 30, 2020 (June 30, 2019 - Nil).

The Manager is also entitled to receive a performance fee from the Fund (the "Performance Fee") under certain conditions as described in the Fund's most recently filed Prospectus. For the period ended June 30, 2020, the Performance Fee accrued payable by the Fund was \$128.44 (including HST) (June 30, 2019 - Nil).

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 \$9,877 (including HST) to the Portfolio Manager for the period ended June 30, 2020 (June 30, 2019 - Nil).

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	
Net assets per unit¹		
Net assets, beginning of period	\$	10.00
Operations:		
Total revenue		0.10
Total expenses		(0.24)
Realized gains (losses)		0.47
Unrealized gains (losses)		0.57
Total increase (decrease) from operations ²	\$	0.90
Distributions:		
From income (excluding dividends)	\$	(0.06)
From dividends		(0.02)
From capital gains		-
Total distributions ^{2 3}	\$	(0.08)
Net assets, end of period ^{2 3}	\$	10.91
Ratios and supplemental data		
Net asset value ⁴	\$	25,181
Units outstanding		2,309
Management expense ratio ⁵	%	10.40
Management expense ratio before waivers or absorption		10.59
Portfolio turnover rate ⁶		104.27
Trading expense ratio ⁷		-
Net asset value per unit, end of period	\$	10.91

Notes

* The Fund became a reporting issuer on May 11, 2020 and accordingly prior period numbers are not presented.

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 C*

Period ended	30-Jun-2020	
Net assets per unit¹		
Net assets, beginning of period	\$	12.14
Operations:		
Total revenue		0.36
Total expenses		(0.05)
Realized gains (losses)		0.76
Unrealized gains (losses)		1.41
Total increase (decrease) from operations ²	\$	2.48
Distributions:		
From income (excluding dividends)	\$	(0.29)
From dividends		(0.03)
From capital gains		-
Total distributions ^{2 3}	\$	(0.32)
Net assets, end of period ^{2 3}	\$	11.74
Ratios and supplemental data		
Net asset value ⁴	\$	1,747,696
Units outstanding		148,830
Management expense ratio ⁵	%	0.87
Management expense ratio before waivers or absorption		1.43
Portfolio turnover rate ⁶		104.27
Trading expense ratio ⁷		-
Net asset value per unit, end of period	\$	11.74

Notes

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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-2020	
Net assets per unit¹		
Net assets, beginning of period	\$	9.47
Operations:		
Total revenue		0.27
Total expenses		(0.06)
Realized gains (losses)		0.38
Unrealized gains (losses)		(0.76)
Total increase (decrease) from operations ²	\$	(0.17)
Distributions:		
From income (excluding dividends)	\$	(0.12)
From dividends		(0.01)
From capital gains		-
Total distributions ^{2 3}	\$	(0.13)
Net assets, end of period ^{2 3}	\$	9.18
Ratios and supplemental data		
Net asset value ⁴	\$	11,201,513
Units outstanding		1,220,434
Management expense ratio ⁵	%	1.33
Management expense ratio before waivers or absorption		1.65
Portfolio turnover rate ⁶		104.27
Trading expense ratio ⁷		-
Net asset value per unit, end of period	\$	9.18

Notes

* The Fund became a reporting issuer on May 11, 2020 and accordingly prior period numbers are not presented.

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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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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. Effective May 11, 2020, the Fund paid a management fee of 1.25% per annum for Series A units, 0.50% per annum for Series C and 0.75% (formerly 1.00%) 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.

Past Performance

The Fund became a reporting issuer on May 11, 2020 and accordingly prior period numbers are not presented.

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
Long positions:		Canadian Equities	%
Suncor Energy Inc. (Debt)	5.2	Canadian Equities - Short	1.9
Pembina Pipeline Corp. (Debt)	5.1	Canadian Fixed Income	(0.5)
Boeing Co. (Debt)	5.0	Cash and Cash Equivalents	53.2
Air Canada (Debt)	4.8	Fixed Income - Short	(1.1)
Fedex Corporation (Debt)	4.7	Foreign Fixed Income	(45.9)
AT&T Inc. (Debt)	4.6	Other assets less liabilities	54.6
Exxon Mobil Corporation (Debt)	4.5	Preferred Shares	31.7
Shaw Communications Inc. (Debt)	4.5	Private Placements	5.1
TransCanada Pipelines (Debt)	4.2	Total	%
Shell International Finance BV (Debt)	4.0		100.0
Ford Credit Canada Ltd. (Debt)	3.7	Sector	
Enbridge Inc. (Debt)	3.4	Cash and Cash Equivalents	%
Maxar Technologies Inc. (Debt)	3.1	Communication Services	(1.1)
Oracle Corp. (Debt)	3.1	Consumer Staples	20.8
Cenovus Energy Inc. (Debt)	2.9	Energy	4.4
GE Capital Corp. Ltd. (Debt)	2.7	Federal	40.1
GE Capital Canada (Debt)	2.6	Financials	(45.9)
American Airlines Inc. (Debt)	2.6	Industrials	14.9
Occidental Petroleum Corp. (Debt)	2.5	Information Technology	24.4
Videotron Ltee. (Debt)	2.5	Infrastructure	9.7
Kraft Heinz Co. (Debt)	2.3	Other Assets less Liabilities	1.0
Bombardier Inc. (Debt)	2.1	Total	%
Dell International LLC / EMC Corp. (Debt)	2.0		100.0
Short positions:			
U.S. Treasury Bond (Debt)	(20.8)		
Government of Canada (Debt)	(25.1)		
Total	%		
	36.2		
Total Portfolio Long Positions	%		
	147.5		
Total Portfolio Short Positions	(47.5)		



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