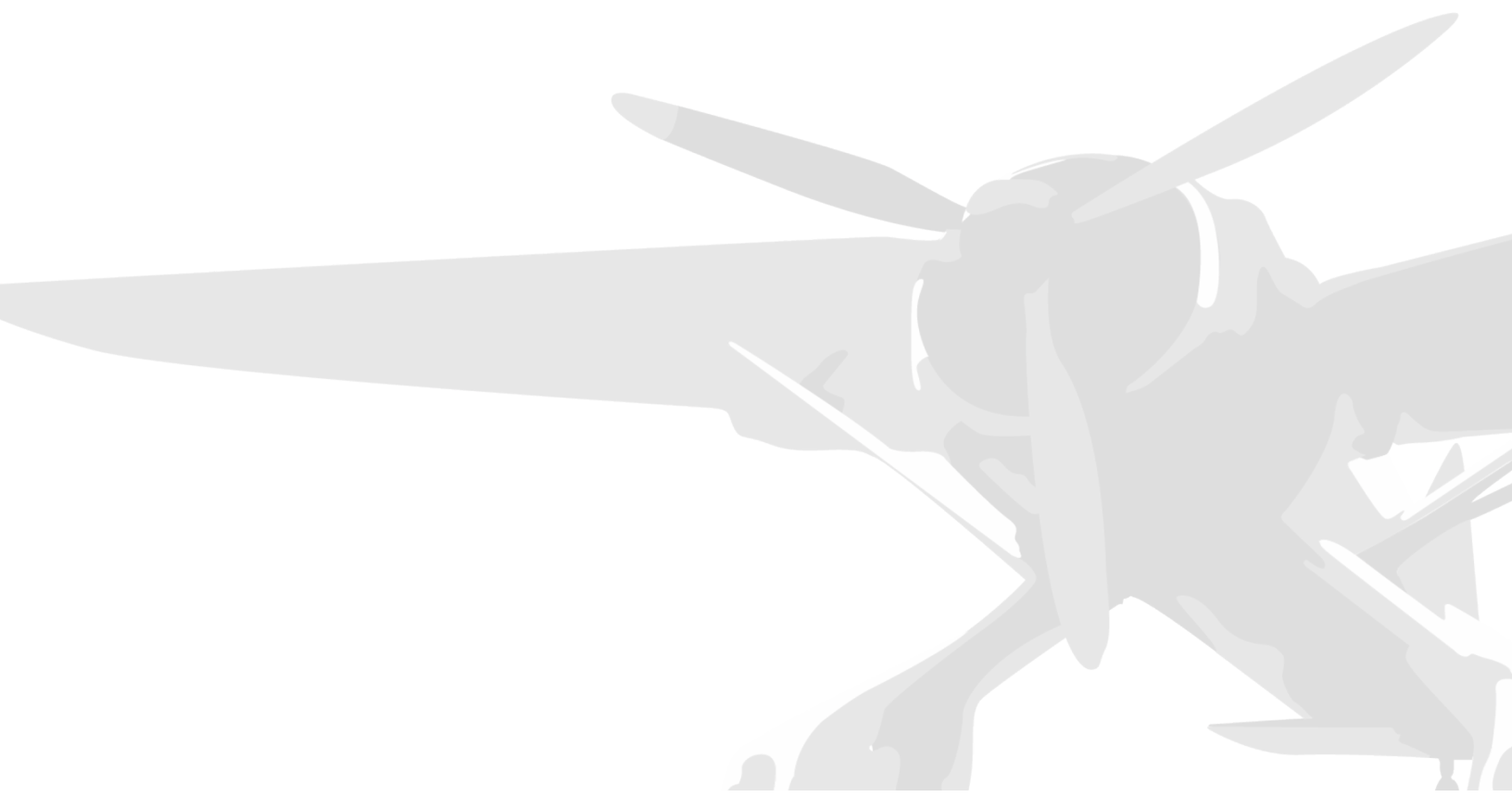


Financial Statements

December 31, 2016

Canso Credit Income Fund



Independent Auditor's Report

To the Unitholders of Canso Credit Income Fund

We have audited the accompanying financial statements of Canso Credit Income Fund, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canso Credit Income Fund as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
Licensed Public Accountants
March 22, 2017

Canso Credit Income Fund

Financial Statements December 31, 2016

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Canso Credit Income Fund

Statements of Financial Position

As at	31-Dec-16	31-Dec-15
Assets		
Financial assets at fair value through profit or loss*	\$ 273,162,267	\$ 347,063,316
Cash and cash equivalents	604,664	2,434,371
Interest receivable	2,052,491	2,770,911
Dividends receivable	83,378	75,972
Total assets	\$ 275,902,800	\$ 352,344,570
Liabilities		
Financial liabilities at fair value through profit or loss at inception*	\$ 57,553,945	\$ 109,684,320
Redemptions payable	119,195	0
Accrued management fees	137,104	153,219
Other accrued expenses	1,069,640	328,918
Distributions payable to holders of redeemable units	789,954	925,933
Payable on forward exchange contracts	139,564	586,399
Total liabilities	\$ 59,809,402	\$ 111,678,789
Net assets attributable to holders of redeemable units	\$ 216,093,398	\$ 240,665,781
Net assets attributable to holders of redeemable units, by class		
Class A	\$ 194,814,504	\$ 212,656,342
Class F	21,278,894	28,009,439
Total net assets	216,093,398	240,665,781
Number of redeemable units outstanding		
Class A	\$ 17,208,747	\$ 19,783,017
Class F	1,753,184	2,442,940
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 11.32	\$ 10.75
Class F	12.14	11.47
* Financial assets, net of short positions at fair value through profit or loss at cost		
	\$ 214,755,413	\$ 255,793,982

Statements of Comprehensive Income

For the years ended	31-Dec-16	31-Dec-15
Income		
Interest for distribution purposes	\$ 14,193,841	\$ 8,021,224
Dividend income	629,532	–
Derivative income	1,604,531	(2,133,291)
Realized and unrealized gain (loss) on investments		
Net realized (loss) gain on investments	(10,010,665)	104,276,360
Net foreign exchange gain on cash	361,213	117,143
Net other gain	50,948	420,693
Change in unrealized gain (loss) on investments	19,714,730	(112,292,098)
Total operating income	\$ 26,544,130	\$ (1,589,969)
Expenses		
Management fees	\$ 1,671,556	\$ 1,278,541
Stock borrow costs	1,481,172	531,674
Service expense	763,596	882,207
Performance fees	726,725	0
Harmonized sales tax	301,929	177,382
Dividend expense, short positions	829,898	151,026
Fund valuation fees	65,272	26,605
Commissions and other portfolio transaction costs	64,070	77,660
Audit fees	31,086	30,999
Regulatory and listing expense	23,579	30,702
Registration and other filing fees	16,547	20,240
Transfer agent	13,487	11,700
Administration fees	13,410	14,984
Legal fees	11,536	129,707
Other expense	9,029	374,846
Trustee fees	5,501	5,500
Independent review committee fees	4,283	4,936
Release of accruals re: net liabilities acquired (Note 1)	(11,054)	(1,334,688)
Total operating expenses	\$ 6,021,622	\$ 2,414,021
Change in net assets attributable to holders of redeemable units	\$ 20,522,508	\$ (4,003,990)
Change in net assets attributable to holders of redeemable units per class		
Class A	\$ 18,265,381	\$ (3,665,423)
Class F	2,257,127	(338,567)
Change in total net assets	\$ 20,522,508	\$ (4,003,990)
Change in net assets attributable to holders of redeemable units per unit		
Class A	\$ 0.99	\$ (0.19)
Class F	1.04	(0.13)

Canso Credit Income Fund

Statements of Changes in Net Assets Attributed to Holders of Redeemable Units

All Classes

For the years ended	31-Dec-16	31-Dec-15
Net assets attributable to holders of redeemable units, beginning of year	\$ 240,665,781	\$ 256,564,938
Change in net assets attributable to holders of redeemable units	20,522,508	(4,003,990)
Distributions to unitholders of redeemable units		
From net investment income	\$ (9,682,017)	\$ 0
From capital gains	0	(79,918,424)
From return of capital	(475,907)	0
	\$ (10,157,924)	\$ (79,918,424)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Class A	\$ 3,753,337	\$ 2,227,961
Class F	-	-
Cost of units redeemed		
Class A	(30,768,994)	
Class F	(7,921,310)	(991,105)
Reinvested distributions		
Class A	-	60,364,887
Class F	-	8,421,514
Change in net assets attributable to holders of redeemable units for the year	(24,572,383)	(15,899,157)
Net assets attributable to holders of redeemable units, end of year	\$ 216,093,398	\$ 240,665,781

Class A

For the years ended	31-Dec-16	31-Dec-15
Net assets attributable to holders of redeemable units, beginning of year	\$ 212,656,342	\$ 223,935,262
Change in net assets attributable to holders of redeemable units	18,265,381	(3,665,423)
Distributions to unitholders of redeemable units		
From net investment income	\$ (8,761,615)	\$ (3,665,423)
From capital gains	0	0
From return of capital	(329,947)	(70,206,345)
	\$ (9,091,562)	\$ (73,871,768)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A	\$ 3,753,337	\$ 2,227,961
Cost of units redeemed	(30,768,994)	0
Reinvested distributions	0	60,364,887
	\$ (27,015,657)	\$ 62,592,848
Change in net assets attributable to holders of redeemable units for the year	\$ (17,841,838)	\$ (11,278,920)
Net assets attributable to holders of redeemable units, end of year	\$ 194,814,504	\$ 212,656,342

Class F

For the years ended	31-Dec-16	31-Dec-15
Net assets attributable to holders of redeemable units, beginning of year	\$ 28,009,439	\$ 32,629,676
Change in net assets attributable to holders of redeemable units	2,257,127	(338,567)
Distributions to unitholders of redeemable units		
From net investment income	\$ (920,402)	\$ 0
From capital gains	0	(9,712,079)
From return of capital	(145,960)	0
	\$ (1,066,362)	\$ (9,712,079)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A	\$ (3,753,337)	\$ (2,227,961)
Cost of units redeemed	(4,167,973)	(763,144)
Reinvested distributions	0	8,421,514
	\$ (7,921,310)	\$ 5,430,409
Change in net assets attributable to holders of redeemable units for the year	\$ (6,730,545)	\$ (4,620,237)
Net assets attributable to holders of redeemable units, end of year	\$ 21,278,894	\$ 28,009,439

Canso Credit Income Fund

Statements of Cash Flows

For the years ended	31-Dec-16	31-Dec-15
Cash flows used in operating activities		
Change in net assets attributable to holders of redeemable units	\$ 20,522,508	\$ (4,003,990)
Adjustments for:		
Foreign exchange (gain) on cash	(361,213)	(117,143)
Net realized loss (gain) on sale of investments and derivatives	10,010,665	(104,276,360)
Net change in unrealized (gain) loss of investments and derivatives	(19,925,298)	112,292,098
Purchase of investments	(68,729,174)	(319,803,439)
Proceeds from the sale of investments	99,967,646	330,549,030
Interest receivable	718,420	(2,770,911)
Dividends receivable	(7,406)	(75,972)
Other liabilities	724,607	62,590
Net cash from operating activities	\$ 42,920,755	\$ 11,855,903
Cash flows from financing activities		
Amount paid on redemptions of units	\$ (34,817,772)	\$ (763,144)
Distributions paid to unitholders	(10,293,903)	(11,134,418)
Net cash from financing activities	\$ (45,111,675)	\$ (11,897,562)
Foreign exchange (loss) on cash and cash equivalents	\$ 361,213	\$ 117,143
(Decrease) Increase in cash and cash equivalents during the year	(2,190,920)	(41,659)
Balance of cash and cash equivalents, beginning of year	2,434,371	2,358,887
Cash and cash equivalents at the end of year	\$ 604,664	\$ 2,434,371

Schedule of Investment Portfolio as at December 31, 2016

Par Value/Number of Shares	Average Cost	Fair Value
Bonds held long		
1,846,000	Bank of Montreal, Series '1', Floating Rate, 1.54%, 2018/03/29	\$ 1,852,468 \$ 1,854,862
3,460,000	Bank of Nova Scotia, Variable Rate, 1.06%, 2085/08/31	2,981,588 3,248,023
2,070,000	Bank of Nova Scotia, Floating Rate, 1.51%, 2018/04/20	2,076,542 2,079,571
8,000,216	Barrett Xplore Inc., Pay-In-Kind, Callable, 13.00%, 2020/10/25	8,270,979 8,768,237
182,845	Bell Canada, Zero Coupon, 2023/06/15	148,087 150,097
182,845	Bell Canada, Zero Coupon, 2026/06/15	123,411 124,749
182,845	Bell Canada, Zero Coupon, 2026/12/15	119,923 122,138
182,845	Bell Canada, Zero Coupon, 2027/06/15	115,502 116,800
182,845	Bell Canada, Zero Coupon, 2027/12/15	110,735 111,759
182,845	Bell Canada, Zero Coupon, 2028/06/15	107,859 108,588
182,845	Bell Canada, Zero Coupon, 2028/12/15	99,710 105,360
2,819,000	Bombardier Inc., 6.12%, 2023/01/15	3,161,042 3,623,154
1,836,000	Bombardier Inc., Callable, 5.75%, 2022/03/15	2,054,502 2,326,748
2,702,000	Bombardier Inc., Callable, 6.00%, 2022/10/15	3,015,189 3,424,224
2,074,000	Bombardier Inc., Callable, 7.50%, 2025/03/15	2,351,456 2,761,924
3,445,000	Canadian Imperial Bank of Commerce, Floating Rate, 1.55%, 2018/02/08	3,459,503 3,463,465
8,183,000	Canadian Imperial Bank of Commerce, Floating Rate, 1.29%, 2018/02/09	8,185,811 8,202,662

Continued on next page ...

Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2016

Par Value/Number of Shares		Average Cost	Fair Value	Par Value/Number of Shares		Average Cost	Fair Value
Bonds held long							
<i>Cont'd</i>							
2,512,000	Canadian Imperial Bank of Commerce, Floating Rate, 1.38%, 2018/06/01	2,518,620	2,520,375	130,800	Loblaw Cos. Ltd., Zero Coupon, 2022/08/17	108,710	111,222
6,596,000	ClearStream Energy Services Inc., 8.00%, 2026/03/23	6,596,000	6,530,040	130,800	Loblaw Cos. Ltd., Zero Coupon, 2023/02/17	105,898	108,675
953,300	ClearStream Energy Services Inc., Convertible, Callable, 10.00%, 2026/03/23	953,300	834,138	130,800	Loblaw Cos. Ltd., Zero Coupon, 2023/08/17	103,187	105,554
12,000	Commerzbank Finance & Covered Bond SA, Floating Rate, 0.68%, 2017/03/20	14,590	16,029	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/02/17	100,655	103,073
18,184,000	Enbridge Inc., Callable, 4.50%, 2044/06/10	18,812,104	22,658,052	130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/08/17	98,312	99,807
3,436,000	Honda Canada Finance Inc., Series '16-3', Floating Rate, Restricted, 1.48%, 2019/06/07	3,436,000	3,442,727	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/02/17	95,625	97,513
48,000	Loblaw Cos. Ltd., 6.65%, 2027/11/08	60,027	59,735	130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/08/17	92,478	93,845
167,000	Loblaw Cos. Ltd., Callable, 6.50%, 2029/01/22	205,979	205,440	130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/02/17	89,519	90,784
3,054,000	Loblaw Cos. Ltd., Callable, 6.45%, 2039/03/01	3,859,024	3,890,784	130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	86,909	87,589
130,800	Loblaw Cos. Ltd., Zero Coupon, 2018/02/17	127,941	128,128	130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/02/17	84,284	84,607
130,800	Loblaw Cos. Ltd., Zero Coupon, 2018/08/17	126,619	126,680	130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/08/17	83,495	83,824
130,800	Loblaw Cos. Ltd., Zero Coupon, 2019/02/17	125,039	125,538	130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/02/17	78,881	79,384
130,800	Loblaw Cos. Ltd., Zero Coupon, 2019/08/17	123,244	123,971	130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/08/17	75,860	76,791
130,800	Loblaw Cos. Ltd., Zero Coupon, 2020/02/17	121,142	122,142	1,487,000	Loblaw Cos. Ltd., Zero Coupon, 2033/02/17	662,212	669,507
130,800	Loblaw Cos. Ltd., Zero Coupon, 2020/08/17	118,986	120,061	5,111,000	Manufacturers Life Insurance Co. (The), Variable Rate, Callable, 2.81%, 2024/02/21	5,172,843	5,195,592
130,800	Loblaw Cos. Ltd., Zero Coupon, 2021/02/17	116,801	117,948	3,941,000	National Bank of Canada, Floating Rate, 1.41%, 2018/06/14	3,941,000	3,954,400
130,800	Loblaw Cos. Ltd., Zero Coupon, 2021/08/17	114,362	115,571	19,247,000	Navient Corp., Series 'A', 5.63%, 2033/08/01	19,688,092	21,423,283
130,800	Loblaw Cos. Ltd., Zero Coupon, 2022/02/17	111,027	112,704	4,710,654.53	NHA MBS Merrill Lynch Canada Inc., Variable Rate, 1.18%, 2020/08/01	4,668,023	4,701,231
				8,358,554.08	Postmedia Network Inc., Callable, 8.25%, 2021/07/15	8,614,535	8,233,176

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Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2016

Par Value/Number of Shares		Average Cost	Fair Value	Par Value/Number of Shares		Average Cost	Fair Value
Bonds held long							
<i>Cont'd</i>							
5,052,000	Royal Bank of Canada, Floating Rate, 1.44%, 2020/02/11	5,017,091	5,067,870	1,955,607	Yellow Pages Ltd., Convertible, 8.00%, 2022/11/30	2,182,457	2,185,391
9,381,000	Royal Bank of Canada, Floating Rate, 1.29%, 2020/03/23	9,361,796	9,387,948	Total bonds held long		\$ 209,368,407	\$ 217,703,006
3,610,000	Royal Bank of Canada, Floating Rate, Callable, 1.19%, 2085/06/29	3,215,425	3,292,010	Bonds held short			
12,140,000	Royal Bank of Scotland PLC (The), Variable Rate, Callable, 6.67%, 2017/10/05	13,869,950	12,919,874	(9,805,000)	Government of Canada, 1.50%, 2023/06/01	\$ (9,753,132)	\$ (9,867,391)
1,653,000	Royal Bank of Scotland PLC (The), Variable Rate, Callable, 10.50%, 2022/03/16	1,855,957	1,680,258	(1,644,000)	Government of Canada, 8.00%, 2027/06/01	(2,706,072)	(2,602,960)
6,458,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09	7,802,405	7,740,758	(4,406,000)	Government of Canada, 5.75%, 2029/06/01	(6,357,343)	(6,217,145)
3,225,000	Sobeys Inc., Callable, 6.64%, 2040/06/07	3,349,012	3,176,287	(2,181,000)	Government of Canada, 5.75%, 2033/06/01	(3,304,251)	(3,245,818)
10,894,749.5	Strait Crossing Development Inc., 6.17%, 2031/09/15	11,470,198	12,070,027	(7,081,000)	Government of Canada, 3.50%, 2045/12/01	(9,019,924)	(8,803,264)
444,000	Teck Resources Ltd., Callable, 6.12%, 2035/10/01	330,207	582,029	(10,765,000)	United States Treasury Bond, 3.12%, 2043/02/15	(13,255,759)	(14,600,588)
2,497,000	Teck Resources Ltd., Callable, 6.25%, 2041/07/15	1,984,228	3,243,724	Total bonds held short		\$ (44,396,481)	\$ (45,337,166)
105,000	Teck Resources Ltd., Callable, 5.20%, 2042/03/01	71,870	124,617	Total of bonds (79.8%)		\$ 164,971,926	\$ 172,365,840
9,616,000	Toronto-Dominion Bank (The), Floating Rate, 1.53%, 2018/03/28	9,655,930	9,663,107	Term Loans			
3,159,000	TransCanada PipeLines Ltd., Variable Rate, Callable, 6.35%, 2067/05/15	3,705,139	3,547,966	4,210,166.07	Black Press US Partnership, Term Loan, 2018/06/28	\$ 4,555,867	\$ 4,679,307
8,720,000	Videotron Ltd., Restricted, Callable, 5.62%, 2025/06/15	8,967,067	8,999,767	3,126,000	Telesat Canada Inc., Term Loan, 2023/11/17	4,159,640	4,223,563
2,326,000	VW Credit Canada Inc., Floating Rate, Restricted, 1.25%, 2017/04/03	2,252,100	2,324,874	Total of Term Loans (4.1%)		\$ 8,715,507	\$ 8,902,870
4,303,592	Yellow Pages Digital & Media Solutions Ltd., Callable, 9.25%, 2018/11/30	4,551,945	4,454,218	Equities held long			
				90,800	Bank of Montreal, Preferred, Class 'B', Series '26', Variable Rate, Perpetual	\$ 2,141,064	\$ 1,808,736
				211,100	Bank of Nova Scotia, Preferred, Series '33', Floating Rate, Perpetual	3,907,461	4,316,995
				5,482	Barrett Xplore Inc., Warrants, 2023/10/23	55	55
				306,500	BCE Inc., Preferred, Series 'AE', Floating Rate, Perpetual	4,887,970	4,667,995
				3,776,300	Bombardier Inc., Class 'B'	7,568,923	8,156,806
				90,000	Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	931,500	927,000

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Canso Credit Income Fund

Schedule of Investment Portfolio as at December 31, 2016

Par Value/Number of Shares		Average Cost	Fair Value
Equities held long			
<i>Cont'd</i>			
190,321	ClearStream Energy Services Inc.	65,661	32,355
167,285	M Split Corp., 7.50%, Preferred, Class 'I', Series 'B'	925,086	873,228
60,695	Postmedia Network Canada Corp.	6,919,292	37,024
1,334,600	TechMediaNetwork Inc., Preferred, Series 'C', Restricted (Purch)	7,464,935	8,250,819
263,600	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	3,512,349	3,242,280
691	Xplornet Communications Inc., Preferred, Class 'F'	691,000	691,000
7,689	Xplornet Communications Inc., Warrants, 2017/05/15	77	594,898
732,459	Yellow Pages Ltd.	14,202,380	12,957,200
Total equities held long		\$ 53,217,753	\$ 46,556,391
Equities held short			
(184,180)	Genworth MI Canada Inc.	\$ (6,291,589)	\$ (6,199,499)
(192,000)	Home Capital Group Inc.	(5,801,128)	(6,017,280)
Total equities held short		\$ (12,092,717)	\$ (12,216,779)
Total of equities (15.9%)		\$ 41,125,036	\$ 34,339,612
Transaction costs			
	Transaction costs	\$ (57,056)	\$
Total transaction costs		\$ (57,056)	\$
Total investment portfolio (99.8%)		\$ 214,755,413	\$ 215,608,322
	Cash and cash equivalents (0.3%)	\$	\$ 604,664
	Other assets less liabilities (-0.1%)		(119,588)
Net assets		\$	\$ 216,093,398

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	3/22/2017	CAD	\$ 49,193,408	USD	\$ 36,821,000	0.748	0.746	\$ (139,564)

Notes

¹ Credit rating of the counterparty is A+.

Canso Credit Income Fund

Notes to the financial statements for December 31, 2016 and 2015

1. Formation of Fund

The address of the Canso Credit Income Fund's (the "Fund") registered office is 100 York Boulevard, Suite 501, Richmond Hill, Ontario.

Lysander Funds Limited (the "Manager") is the manager of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its classes, preparing all offering documents, unitholder recordkeeping and other administrative services.

The Fund is a closed-end investment fund established under the laws of the Province of Ontario on June 28, 2010 pursuant to a declaration of trust. The Manager is an affiliate of the portfolio manager, Canso Investment Counsel Limited, ("Portfolio Manager" or "Canso"), a company under common control. On June 28, 2010, the Fund was settled and issued an initial Class A Unit to the Manager for cash consideration of \$10.

An initial public offering of 11,395,678 Class A Units and 2,604,322 Class F Units (collectively, the "Units") at a price of \$10.00 per Unit was completed on July 16, 2010. The Class A Units commenced trading on the Toronto Stock Exchange on July 16, 2010 under the symbol PBX.UN. The Class F Units are designed for fee-based and/or institutional accounts and are not listed on a stock exchange, but are convertible into Class A Units on a monthly basis.

As a result of changes to the Income Tax Act (Canada), the forward purchases and sale agreement dated July 16, 2010 between the Fund and The Bank of Nova Scotia ("the Counterparty") settled on June 30, 2015 and the Fund did not enter into a new forward agreement. On June 25, 2015 the Fund acquired the assets and liabilities of Canso Credit Trust and has since continued to invest its assets directly in securities of the kind previously held in the Canso Credit Trust. Canso Credit Trust was terminated on June 30, 2015. On December 31, 2016, the Fund released the remaining accruals for certain liabilities of Canso Credit Trust no longer required.

2. Basis of Presentation

These 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 should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

Amendments to IAS 1 Disclosure Initiative

The Fund has applied these amendments for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that the Fund should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the Fund's financial position and financial performance. Regarding the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Fund.

The financial statements were authorized for issue by Lysander's board of directors on March 20, 2017.

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 IAS 39, Financial instruments: recognition and measurement (IAS 39), 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. Accrued interest are designated as loans and receivables and reported at amortized cost. Accrued expenses are designated as financial liabilities and reported at amortized cost. Due to their short term nature, the carrying value of these financial assets and liabilities approximates fair value.

The Fund recognizes financial instruments at fair value upon initial recognition on trade date basis. The Fund classifies its investment in debt and equity securities and derivatives as financial assets or financial liabilities at fair value through profit or loss. These financial assets or financial liabilities are either

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held for trading or designated at fair value through profit or loss at inception.

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 they are 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 are also included in this category. The Fund does not classify any derivatives as hedges in a hedging relationship.

Financial assets or financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy as documented in its simplified prospectus, other public documents and information about these financial assets and liabilities are evaluated by the management of the Fund on a fair value basis together with other relevant financial information. All long fixed income and equity securities are included in this category. All other financial assets and liabilities, including redeemable units, are measured at amortized cost.

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 December 31, 2016 and December 31, 2015, 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 years ended December 31, 2016 and December 31, 2015, 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.

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Fair value measurements

The securities in the Fund's Portfolio are measured at Fair Value Through Profit or Loss ("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 year-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, management will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable Inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received

from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

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. 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,

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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.

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 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, management 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 class representing an equal and rateable share in the assets allocated to each class. The management fee rates are different for each of the classes. Please refer to Note 7 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 class of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each class of units of the Fund is computed by dividing the NAV of a class of units by the total number of units of the class outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. 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 "Act"). 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, 2016, the Fund had \$3,937,018 (December 31, 2015 - \$Nil) net capital losses and \$Nil (December 31, 2015 - \$Nil) non-capital losses.

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Distributions

The Fund makes distributions monthly, please refer to the Fund's Prospectus. 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 management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, management 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.

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for the financial assets under IAS 39, Financial Instruments Recognition and Measurement. The most significant judgment made includes the determination that certain investments are held-for-trading and that the fair value at inception classification can be applied to those which are not.

Future changes in accounting standards

IFRS 9, Financial Instruments:

In July 2014, the IASB issued the final version of IFRS 9, first issued in November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business

model and the nature of the cash flows of the asset. It introduces a forward-looking impairment model for financial assets which will be applicable for all financial instruments subject to impairment accounting and requires more timely recognition of expected credit losses. Finally, it introduces a new hedge accounting model that aligns the accounting for hedge relationships more closely with risk management. IFRS 9 will be effective for the Fund on January 1, 2018. The Fund is currently determining the impact of the amendments on its financial statements.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

5. Forward Agreement

The forward purchase and sale agreement dated July 16, 2010 entered into between the Fund and the Counterparty (the "Forward Agreement") was settled on its scheduled termination date of June 30, 2015 (the "Termination Date") in accordance with its terms and the Fund did not enter into a new forward agreement. After the Termination Date, the Fund did invest its assets directly in securities of the kind that comprise the investment portfolio of Canso Credit Trust, the reference fund of the Fund, using the same, or substantially the same, investment strategies as those employed by Canso Credit Trust prior to the Termination Date.

6. 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

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payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their Net Asset Value.

During the years ended December 31, 2016 and 2015 the number of units redeemed and outstanding was as follows:

Class A			Class F		
For the years ended	31-Dec-16	31-Dec-15	For the years ended	31-Dec-16	31-Dec-15
Units outstanding at beginning of year	19,783,017	19,586,958	Units outstanding at beginning of year	2,442,940	2,696,472
Units converted from Class F to Class A	341,782	196,059	Units converted from Class F to Class A	(318,879)	(184,642)
Units redeemed	(2,916,052)	–	Units redeemed	(370,877)	(68,890)
Units outstanding at end of year	17,208,747	19,783,017	Units outstanding at end of year	1,753,184	2,442,940

7. 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 receives a management fee from the Fund equal to 0.25% per annum of the net asset value of the Fund up to June 30, 2015. Thereafter the management fee from the Fund changed to an annualized rate of 0.75% on Class A and F Units which is calculated daily and payable monthly in arrears, plus applicable taxes. In addition, a service fee amount which is a trailer fee and is calculated daily and paid after the end of each calendar quarter, equal to 0.40% of the net asset value attributable to the Class A Units. In addition for the period ended June 30, 2015, the Manager received a management fee of 0.50% from Canso Credit Trust to the Termination Date of Canso Credit Trust.

The total management fees earned by the Manager for the year ended December 31, 2016 was \$1,671,556 (December 31, 2015 - \$1,278,541), of which \$137,104 (December 31, 2015 - \$153,219) was payable at December 31, 2016.

Performance Fees:

Subject to certain terms and conditions as described in the Amended and Restated Declaration of Trust dated June 24, 2015, the Manager is entitled to receive a Performance Fee (the "Performance Fee") equal to 20% of the Fund's outperformance of the FTSE TSE All Corporate Bond Index as described in the Fund's Annual Information Form. Prior to June 24, 2015 the Performance Fee was paid by Canso Credit Trust.

Performance fees are calculated and accrued monthly and paid annually, if earned. For the year ended December 31, 2016 the Performance Fee accrued by the Fund was \$726,725 (December 31, 2015 - \$Nil).

The Manager paid the Portfolio Manager, an affiliate of the Manager, \$1,361,440 (December 31, 2015 - \$601,076) for managing the portfolio of the Fund. As at December 31, 2016 the amount payable to the Portfolio Manager was \$645,362 (December 31, 2015 - \$71,502).

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8. Fair Value Hierarchy

The fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at December 31, 2016 and 2015.

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed income	\$ –	\$ 226,605,876	\$ –	\$ 226,605,876
Equities	37,019,620	55	9,536,716	46,556,391
Total	\$ 37,019,620	\$ 226,605,931	\$ 9,536,716	\$ 273,162,267
As at December 31, 2016	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income sold short	\$ –	\$ 45,337,166	\$ –	\$ 45,337,166
Equities sold short	12,216,779	–	–	12,216,779
Payable on forward exchange contracts	–	139,564	–	139,564
Total	\$ 12,216,779	\$ 45,476,730	\$ –	\$ 57,693,509
As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial Assets				
Fixed income	\$ –	\$ 279,893,828	\$ 15,395,540	\$ 295,289,368
Equities	42,719,564	–	9,054,384	51,773,948
Total	\$ 42,719,564	\$ 279,893,828	\$ 24,449,924	\$ 347,063,316
As at December 31, 2015	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Fixed income sold short	\$ –	\$ 87,417,912	\$ –	\$ 87,417,912
Equities sold short	22,266,408	–	–	22,266,408
Payable on forward exchange contracts	–	586,399	–	586,399
Total	\$ 22,266,408	\$ 586,399	\$ –	\$ 110,270,719

We have retrospectively corrected a classification error relating to the leveling of our fixed income securities under the fair value hierarchy of IFRS 13. Fixed income securities were previously classified as level 1 in our previously issued financial statements as at December 31, 2015. These fixed income securities should have been classified as level 2 assets to reflect the nature of the inputs used to measure their fair value. As such, we have retrospectively corrected the presentation of these fixed income securities in this note to reflect the appropriate level 2 classification. There was no other impact to the Fund's financial statements.

As at	31-Dec-16	31-Dec-15
Level 3 reconciliation		
Balance, beginning of year	\$ 24,449,924	\$ –
Purchases	–	–
Sales	(745,313)	–
Transfers In	–	24,449,924
Transfers Out	(8,768,292)	–
Realized gains and losses	2,435	–
Change in unrealized appreciation/depreciation	(5,402,038)	–
Balance, end of year	\$ 9,536,716	\$ 24,449,924

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

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fair value techniques for debt and equity investments. The team reports directly to the Chief Investment Officer and the internal valuation team's valuation processes and results are reviewed by 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. There were transfers out, from Level 3 to Level 2 in the amount of \$8,768,292 due to the manager's rationale that there are observable inputs used in the valuation of these securities. There were no additional 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.

Purch Series C Preferred Share

Price: \$4.61

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 audited 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 12%, or an increase or decrease in the security price of \$0.57.

Xplornet Comm Inc. Warrants Series A May 15, 2017 144A

Price: \$77.37

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities and the exchange ratio of warrants for shares.

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 \$23.21.

9. Financial instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category:

As at December 31, 2016	Financial assets at Held for Trading	Financial assets at FVTPL at inception	Loans and Receivables	Total
Assets				
Fixed income securities	\$	\$ 226,605,876	\$	\$ 226,605,876
Equity securities		46,556,391		46,556,391
Cash and cash equivalents		–	604,664	604,664
Accrued interest		–	2,052,491	2,052,491
Accrued dividends			83,378	83,378
Total	\$	\$ 273,162,267	\$ 2,740,533	\$ 275,902,800
As at December 31, 2016	Financial liabilities at Held for Trading	Financial liabilities at FVTPL at inception	Other Financial Liabilities	Total
Liabilities				
Fixed Income securities	\$ –	\$ 45,337,166	\$	\$ 45,337,166
Equity securities	–	12,216,779		12,216,779
Redemptions payable	–	–	119,195	119,195
Accrued management fees	–	–	137,104	137,104
Other accrued expenses	–	–	1,069,640	1,069,640
Distributions payable to holders of redeemable units	–	–	789,954	789,954
Payable on forward exchange contracts	139,564	–		139,564
Total	\$ 139,564	\$ 57,553,945	\$ 2,115,893	\$ 59,809,402

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As at December 31, 2015	Financial assets at Held for Trading	Financial assets at FVTPL at inception	Loans and Receivables	Total
Assets				
Fixed income securities	\$	\$ 295,289,368	\$ –	\$ 295,289,368
Equity securities		51,773,948	–	51,773,948
Cash and cash equivalents		–	2,434,371	2,434,371
Accrued interest		–	2,770,911	2,770,911
Accrued dividends			75,972	75,972
Total	\$	\$ 347,063,316	\$ 5,281,254	\$ 352,344,570

As at December 31, 2015	Financial liabilities at Held for Trading	Financial liabilities at FVTPL at inception	Other Financial Liabilities	Total
Fixed Income securities	\$ –	\$ 87,417,912	\$ –	\$ 87,417,912
Equity securities	–	22,266,408	–	22,266,408
Redemptions payable				0
Accrued management fees	–	–	153,219	153,219
Other accrued expenses	–	–	328,918	328,918
Distributions payable to holders of redeemable units	–	–	925,933	925,933
Payable on forward exchange contracts	586,399	–	–	586,399
Total	\$ 586,399	\$ 109,684,320	\$ 1,408,070	\$ 111,678,789

10. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from brokers or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty ratings.

As at December 31, 2016 and 2015, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets	31-Dec-16	31-Dec-15
Credit exposure		
AAA	% 6.5	% 7.8
AA	13.2	7.4
A	8.0	0.3
BBB	28.9	31.3
Below BB	40.8	48.9
Not Rated	7.5	27

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.

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The following table presents the Fund's liabilities according to their maturity date as at December 31, 2016 and 2015:

As at December 31, 2016	Less Than 3 Months	3 Months - 1 Year	More Than 1 Year
Liquidity risk			
Financial liabilities at fair value through profit or loss at inception	\$ -	\$ -	\$ 45,337,166
Equities sold short	-	-	12,216,779
Redemptions payable	119,195	-	-
Accrued management fees	137,104	-	-
Other accrued expenses	-	1,069,640	-
Distributions payable to holders of redeemable units	789,954	-	-
Payable on forward exchange contracts	-	139,564	-
As at December 31, 2015	Less Than 3 Months	3 Months - 1 Year	More Than 1 Year
Liquidity exposure			
Financial liabilities at fair value through profit or loss at inception	\$ 1,212,955	\$ 4,507,662	\$ 83,884,846
Equities sold short	-	-	22,266,408
Redemptions payable	-	-	-
Accrued management fees	153,219	-	-
Other accrued expenses	-	328,918	-
Distributions payable to holders of redeemable units	925,933	-	-
Payable on forward exchange contracts	-	586,399	-

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	1-3 years	3-5 years	> 5 years	Total
Interest rate exposure					
Fixed income and term loans					
December 31, 2016 - Long	\$ 15,260,777	\$ 44,819,011	\$ 36,634,184	\$ 129,891,904	\$ 226,605,876
December 31, 2016 - Short	-	-	-	45,337,166	45,337,166
	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Interest rate exposure					
Fixed income and term loans					
December 31, 2015 - Long	\$ 17,397,855	\$ 60,536,847	\$ 79,483,639	\$ 137,871,027	\$ 295,289,368
December 31, 2015 - Short	5,720,617	-	-	81,697,295	87,417,912

If interest rates had increased or decreased by 1% at December 31, 2016, with all other variables remaining constant, net assets of the interest bearing financial instruments of the Fund would have decreased or increased by approximately \$8,768,204 (December 31, 2015 - \$7,806,514). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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 if required, however some

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

		31-Dec-16		31-Dec-15	
Currency exposure					
US Dollars	%	10	%	18	

As at December 31, 2016, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors keep constant, the Fund's net asset may have decreased or increased, respectively, by 0.10% (December 31, 2015 - 0.19%). In practice, actual results could differ from this sensitivity analysis and the difference could be material.

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 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 December 31, 2016, approximately 16% (December 31, 2015 - 12%) of the Fund's net assets were invested in these asset types. If prices of these investments had increased or decreased by 5% with all other factors remaining constant, net assets would have increased or decreased, by approximately \$1,716,981 (December 31, 2015 - \$1,475,377). In practice, actual results will differ from this sensitivity analysis and the difference could be material.



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