

Interim Financial Statements (unaudited)
For the six month periods ended June 30, 2018 and 2017

Canso Credit Income Fund



Canso Credit Income Fund

Interim Financial Statements Six-Month Period Ended June 30, 2018 (unaudited)

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Canso Credit Income Fund

Interim Statements of Financial Position (unaudited)

As at	30-Jun-18	31-Dec-17
Assets		
Financial assets at fair value through profit or loss*	\$ 245,987,002	\$ 212,173,917
Cash and cash equivalents	2,348,676	14,809,878
Due from investment dealers	–	56,474
Accrued interest	1,638,065	1,093,781
Dividends receivable	103,545	98,803
Receivable on forward exchange contracts	446,901	814,586
Total assets	\$ 250,524,189	\$ 229,047,439
Liabilities		
Financial liabilities at fair value through profit or loss*	\$ 68,508,017	\$ 52,858,748
Due to investment dealers	7,604,000	–
Redemptions payable	3,317,328	6,887
Accrued management fees	107,420	110,422
Other accrued expenses	838,297	2,258,884
Distributions payable to holders of redeemable units	602,069	614,321
Total liabilities	\$ 80,977,131	\$ 55,849,262
Net assets attributable to holders of redeemable units	\$ 169,547,058	\$ 173,198,177
Net assets attributable to holders of redeemable units, per class		
Class A	\$ 150,546,719	\$ 153,037,953
Class F	19,000,339	20,160,224
Total net assets	\$ 169,547,058	\$ 173,198,177
Number of redeemable units outstanding		
Class A	12,941,382	13,139,530
Class F	1,510,590	1,606,525
Net assets attributable to holders of redeemable units per unit		
Class A	\$ 11.63	\$ 11.65
Class F	12.58	12.55
* Financial assets at fair value through profit or loss at cost	\$ 173,110,648	\$ 155,839,108

Interim Statements of Comprehensive Income (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
Income		
Interest for distribution purposes	\$ 3,565,417	\$ 5,394,112
Dividend Income	403,908	291,374
Derivative income	(855,321)	92,510
Other income	742	–
Realized and unrealized gain (loss) on investments		
Net realized gain on investments sold	3,009,679	6,268,035
Net realized gain (loss) on foreign currency	12,591	115,221
Net other gain (loss)	(391,676)	404,326
Change in (depreciation) unrealized on investments	524,591	(4,197,141)
Total operating income	\$ 6,269,931	\$ 8,368,437
Expenses		
Management fees	\$ 648,857	\$ 804,446
Performance fees	541,337	–
Interest expense, short positions	658,688	611,348
Stock borrow costs	133,302	560,989
Service expense	297,916	379,830
Dividend expense, short positions	173,129	211,998
Harmonized sales tax	158,624	107,190
Fund valuation fees	27,568	28,636
Legal fees	–	26,933
Regulatory and listing expense	19,155	22,017
Commissions and other portfolio transaction costs	32,594	15,760
Audit fees	15,372	15,372
Administration fees	21,606	10,530
Registration and other filing fees	13,211	8,183
Transfer agent	6,670	6,670
Trustee fees	2,720	2,720
Independent review committee fees	2,503	2,503
Other expenses	699	750
Total operating expenses	\$ 2,753,951	\$ 2,815,875
Total net operations expenses	\$ 3,515,980	\$ 5,552,562
Change in net assets attributable to holders of redeemable units from operations	\$ 13,415,393	\$ 20,522,508
Change in net assets attributable to holders of redeemable units, per class		
Class A	\$ 3,084,050	\$ 4,998,279
Class F	431,930	554,283
Change in net assets attributable to holders of redeemable units per unit		
Class A	\$ 0.24	\$ 0.29
Class F	0.27	0.32

Canso Credit Income Fund

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

All Classes

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 173,198,177	\$ 216,093,398
Change in net assets attributable to holders of redeemable units	3,515,980	5,552,562
Distributions to unitholders of redeemable units		
From net investment income	\$ (3,672,663)	\$ (4,564,516)
	\$ (3,672,663)	\$ (4,564,516)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Class A	\$ 463,962	\$ 804,174
Class F	-	-
Cost of units redeemed		
Class A	(2,759,815)	(47,502,797)
Class F	(1,198,583)	(1,345,537)
Reinvested distributions		
Class A	-	-
Class F	-	-
Change in net assets attributable to holders of redeemable units for the period	(3,651,119)	(47,056,114)
Net assets attributable to holders of redeemable units, end of period	\$ 169,547,058	\$ 169,037,284

Class A

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 153,037,953	\$ 194,814,504
Change in net assets attributable to holders of redeemable units	3,084,050	4,998,279
Distributions to unitholders of redeemable units		
From net investment income	\$ (3,279,431)	\$ (4,137,404)
	\$ (3,279,431)	\$ (4,137,404)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A		
	\$ 463,962	\$ 804,174
Cost of units redeemed	(2,759,815)	(47,502,797)
	\$ (2,295,853)	\$ (46,698,623)
Change in net assets attributable to holders of redeemable units for the period	\$ (2,491,234)	\$ (45,837,748)
Net assets attributable to holders of redeemable units, end of period	\$ 150,546,719	\$ 148,976,756

Class F

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 20,160,224	\$ 21,278,894
Change in net assets attributable to holders of redeemable units	431,930	554,283
Distributions to unitholders of redeemable units		
From net investment income	\$ (393,232)	\$ (427,112)
	\$ (393,232)	\$ (427,112)
Redeemable unit transactions		
Proceeds from redeemable units issued due to conversion F to A		
	\$ (463,962)	\$ (804,174)
Cost of units redeemed	(734,621)	(541,363)
	\$ (1,198,583)	\$ (1,345,537)
Change in net assets attributable to holders of redeemable units for the period	\$ (1,159,885)	\$ (1,218,366)
Net assets attributable to holders of redeemable units, end of period	\$ 19,000,339	\$ 20,060,528

Canso Credit Income Fund

Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	\$ 3,515,980	\$ 5,552,562
Adjustments for:		
Foreign exchange (gain) loss on cash	(12,591)	(115,221)
Net realized (gain) loss on sale of investments and derivatives	(3,009,679)	(6,268,035)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(604,583)	4,125,786
Purchase of investments	(65,595,511)	(50,860,041)
Proceeds from the sale of investments	59,074,116	53,110,366
Interest receivable	(396,228)	286,074
Dividends receivable	(4,742)	31,842
Other liabilities	(1,423,589)	(819,286)
Net cash from (used in) operating activities	\$ (8,456,827)	\$ 5,044,047
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units	\$ (3,684,915)	\$ (4,740,199)
Amounts paid on redemption of redeemable units	(183,995)	(119,195)
Net cash from (used in) financing activities	\$ (3,868,910)	\$ (4,859,394)
Foreign exchange (loss) on cash and cash equivalents	\$ 12,591	\$ 115,221
(Decrease) Increase in cash and cash equivalents during the period	(12,325,737)	184,653
Balance of cash and cash equivalents, beginning of period	14,809,878	604,664
Cash and cash equivalents at the end of period	\$ 2,496,732	\$ 904,538
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 3,169,189	\$ 5,680,186
Interest expense, short positions	658,688	611,348
Dividends received	399,166	323,216
Dividend expense, short positions	173,129	211,998

Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)	
Bonds held long			
11,000,000	AT&T Inc., Callable, Restricted, 4.85%, 2047/05/25	\$ 10,929,490	\$ 10,899,817
14,546,000	Bank of Montreal, Series '14', Floating Rate, 1.93%, 2023/02/01	14,526,300	14,505,999
3,460,000	Bank of Nova Scotia, Variable Rate, 1.56%, 2085/08/31	2,981,588	3,777,709
182,845	Bell Canada, Zero Coupon, 2023/06/15	155,506	156,956
182,845	Bell Canada, Zero Coupon, 2026/06/15	131,333	137,275
182,845	Bell Canada, Zero Coupon, 2026/12/15	127,771	134,888
182,845	Bell Canada, Zero Coupon, 2027/06/15	123,350	131,326
182,845	Bell Canada, Zero Coupon, 2027/12/15	118,585	127,415
182,845	Bell Canada, Zero Coupon, 2028/06/15	115,557	124,789
182,845	Bell Canada, Zero Coupon, 2028/12/15	107,571	117,316
3,701,400	ClearStream Energy Services Inc., 8.00%, 2026/03/23	3,701,400	3,590,358
8,221,000	Enbridge Inc., Callable, 4.57%, 2044/03/11	8,549,265	8,276,576
1,931,000	Enbridge Inc., Callable, 5.75%, 2039/09/02	2,211,343	2,242,783
2,295,000	Honda Canada Finance Inc., Floating Rate, 2.12%, 2020/08/28	2,306,960	2,300,210
2,810,000	Honda Canada Finance Inc., Floating Rate, 2.04%, 2020/12/18	2,812,102	2,807,780
1,390,000	Kraft Canada Inc., Floating Rate, Restricted, 2.79%, 2020/07/06	1,405,804	1,405,679
7,604,000	Lloyds Bank PLC, Floating Rate, 2023/07/11	7,604,000	7,604,000
130,800	Loblaw Cos. Ltd., Zero Coupon, 2018/08/17	130,461	130,478

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Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

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>							
130,800	Loblaw Cos. Ltd., Zero Coupon, 2019/02/17	129,053	128,948	1,487,000	Loblaw Cos. Ltd., Zero Coupon, 2033/02/17	713,795	762,980
130,800	Loblaw Cos. Ltd., Zero Coupon, 2019/08/17	127,495	127,254	5,111,000	Manufacturers Life Insurance Co. (The), Variable Rate, Callable, 2.81%, 2024/02/21	5,172,843	5,131,533
130,800	Loblaw Cos. Ltd., Zero Coupon, 2020/02/17	125,667	125,395	4,770,000	Metropolitan Life Global Funding I, 1.88%, 2020/04/16	4,735,326	4,717,098
130,800	Loblaw Cos. Ltd., Zero Coupon, 2020/08/17	123,727	123,261	1,793,000	National Grid Electricity Transmission PLC, Restricted, 2.90%, 2019/11/26	1,855,647	1,806,882
130,800	Loblaw Cos. Ltd., Zero Coupon, 2021/02/17	121,690	121,231	6,077,000	Navient Corp., Series 'A', 5.63%, 2033/08/01	6,216,270	6,794,891
130,800	Loblaw Cos. Ltd., Zero Coupon, 2021/08/17	119,439	119,117	875,245	NHA MBS Merrill Lynch Canada Inc., Variable Rate, 1.74%, 2020/06/01	872,663	876,315
130,800	Loblaw Cos. Ltd., Zero Coupon, 2022/02/17	116,463	116,991	3,565,690	NHA MBS Merrill Lynch Canada Inc., Variable Rate, 1.94%, 2020/08/01	3,533,421	3,585,230
130,800	Loblaw Cos. Ltd., Zero Coupon, 2023/02/17	111,499	113,211	2,648,585	NHA MBS Merrill Lynch Canada Inc., Variable Rate, 1.88%, 2022/05/01	2,639,395	2,660,477
130,800	Loblaw Cos. Ltd., Zero Coupon, 2023/08/17	108,863	110,853	5,718,000	Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26	5,714,340	5,822,018
130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/02/17	106,342	108,628	5,242,554	Postmedia Network Inc., Callable, 8.25%, 2021/07/15	5,403,107	4,928,001
130,800	Loblaw Cos. Ltd., Zero Coupon, 2024/08/17	103,977	106,284	1,377,000	Royal Bank of Canada, 1.40%, 2019/04/26	1,371,464	1,370,059
130,800	Loblaw Cos. Ltd., Zero Coupon, 2025/02/17	101,298	104,232	9,381,000	Royal Bank of Canada, Floating Rate, 2.10%, 2020/03/23	9,361,796	9,419,837
130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/02/17	98,209	96,419	3,610,000	Royal Bank of Canada, Floating Rate, Callable, 2.56%, 2085/06/29	3,215,425	3,914,177
130,800	Loblaw Cos. Ltd., Zero Coupon, 2026/08/17	95,257	97,590	10,968,000	Shaw Communications Inc., Callable, 6.75%, 2039/11/09	13,397,169	13,817,324
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/02/17	89,935	87,885	2,259,000	SNC-Lavalin Group Inc., Series '2', Floating Rate, Restricted, 2.10%, 2019/03/04	2,259,000	2,259,384
130,800	Loblaw Cos. Ltd., Zero Coupon, 2027/08/17	88,942	92,639	3,225,000	Sobeys Inc., Callable, 6.64%, 2040/06/07	3,349,012	3,837,444
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/02/17	84,428	86,052				
130,800	Loblaw Cos. Ltd., Zero Coupon, 2028/08/17	81,369	82,114				

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Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

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>							
10,317,533	Strait Crossing Development Inc., 6.17%, 2031/09/15	10,862,494	11,390,792	(8,448,000)	United States Treasury Bond, 3.00%, 2048/02/15	(10,545,194)	(11,141,138)
2,017,000	Teck Resources Ltd., Callable, 5.4%, 2043/02/01	2,393,404	2,394,570	Total bonds held short			
10,608,000	Teck Resources Ltd., Callable, 6.25%, 2041/07/15	14,108,249	13,954,293	\$ (61,284,013) \$ (60,628,797)			
1,692,000	Teva Pharmaceutical Finance Netherlands III BV, 3.15%, 2026/10/01	1,772,653	1,792,006	Total of bonds (81.0%)			
2,551,000	Teva Pharmaceutical Finance Netherlands III BV, Callable, 6.75%, 2028/03/01	3,308,636	3,426,158	\$ 133,998,676 \$ 137,401,387			
4,744,000	Toronto-Dominion Bank (The), Floating Rate, 2.09%, 2023/06/28	4,744,000	4,744,000	Term Loans			
16,728,000	Toronto-Dominion Bank (The), Series 'CBL14', 1.68%, 2021/06/08	16,511,538	16,316,171	573,199	Black Press US Partnership, Term Loan, 2018/11/28	\$ 553,137	\$ 541,673
3,159,000	TransCanada PipeLines Ltd., Variable Rate, Callable, 4.55%, 2067/05/15	3,705,139	3,905,761	609,683	Black Press US Partnership, Term Loan, 2018/11/28	729,488	757,898
4,032,000	Videotron Ltd., Restricted, Callable, 5.62%, 2025/06/15	4,146,240	4,237,905	Total of Term Loans (0.8%)			
1,569,323	Yellow Pages Digital & Media Solutions Ltd., Callable, 10.00%, 2022/11/01	1,558,365	1,602,802	\$ 1,282,625 \$ 1,299,571			
1,955,607	Yellow Pages Ltd., Convertible, 8.00%, 2022/11/30	2,182,457	1,937,029	Equities held Long			
Total bonds held long				90,800	Bank of Montreal, Preferred, Class 'B', Series '26', Floating Rate, Perpetual	\$ 2,141,065	\$ 2,123,812
\$ 195,282,689 \$ 198,030,184				211,100	Bank of Nova Scotia, Preferred, Series '33', Floating Rate, Perpetual, Callable	3,907,461	4,984,071
Bonds held short							
(9,805,000)	Government of Canada, 1.50%, 2023/06/01	\$ (9,753,132)	\$ (9,541,735)	306,500	BCE Inc., Preferred, Series 'AE', Floating Rate, Perpetual	4,887,971	6,398,188
(1,644,000)	Government of Canada, 8.00%, 2027/06/01	(2,706,072)	(2,420,680)	474,700	Bombardier Inc., Class 'B'	951,452	2,468,440
(4,406,000)	Government of Canada, 5.75%, 2029/06/01	(6,357,343)	(5,925,406)	90,000	Canadian Life Cos. Split Corp., 6.25%, Preferred, Series 'B'	931,500	917,100
(7,081,000)	Government of Canada, 3.50%, 2045/12/01	(9,019,924)	(8,942,075)	190,321	ClearStream Energy Services Inc.	65,661	12,371
(20,213,000)	Government of Canada, 2.75%, 2048/12/01	(22,902,348)	(22,657,763)	3,760	ClearStream Energy Services Inc., Preferred	3,760,300	3,760,000
				167,285	M Split Corp., 7.50%, Preferred, Class 'I', Series 'B'	925,086	869,882
				1,334,600	Purch Group Inc., Preferred, Series 'C', Restricted (TechMediaNetwork Inc.)	7,464,935	8,093,314
				263,600	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate	3,512,349	5,206,100
				913	Xplornet Communications Inc., Preferred, Class 'F'	924,976	1,121,636
				8,404	Xplornet Communications Inc., Warrants, 2018/12/20	39,402	798,827

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Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

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

Equities held Long

Cont'd

6,970	Xplornet Communications Inc., Warrants, 2023/10/23	406,398	3,289,401
732,459	Yellow Pages Ltd.	14,202,380	6,614,105
Total equities held long		\$ 44,120,936	\$ 46,657,247

Equities held short

(184,180)	Genworth MI Canada Inc.	\$ (6,291,589)	\$ (7,879,220)
Total equities held short		\$ (6,291,589)	\$ (7,879,220)

Total of equities (22.9%) **\$ 37,829,347** **\$ 38,778,027**

Transaction costs

	Transaction costs	\$ -	\$ -
Total transaction costs		\$ -	\$ -

Total investment portfolio (104.7%) **\$ 173,110,648** **\$ 177,478,985**

	Cash and cash equivalents (1.4%)	\$	\$ 2,348,676
	Other assets less liabilities (-6.1%)		(10,280,603)
Net assets		\$	\$ 169,547,058

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	9/19/2018	CAD	\$ 39,435,830	USD	\$ 29,678,000	0.753	0.761	\$ 446,901

Notes

¹ Credit rating of counterparty is A+.

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

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

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 PBY.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.

The Fund's objective is to (i) maximize total returns for unitholders while reducing risk and (ii) provide unitholders with monthly cash distributions by taking long and short positions in a portfolio of primarily of corporate bonds and other income securities.

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 interim financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The Fund has adopted the following standards, interpretations and amendments for the first time for the period beginning on January 1, 2018:

IFRS 9 Financial Instruments ("IFRS 9")

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9, the Fund's financial assets and liabilities previously classified as at fair value through profit or loss ("FVTPL") and amortized cost under IAS 39 "Financial Instruments: Recognition and Measurement", continued to be classified at FVTPL and amortized cost.

The financial statements were authorized for issue by Lysander's board of directors on August 20, 2018.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9, which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss:

Assets

The Fund classifies its investments in debt and equity securities and investment funds based on its business model for managing

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Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income ("FVOCI") has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a future decline in its market value, or used as an arbitrage strategy.

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 on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. The Fund's financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the trade receivables, this amendment has not had a material impact on the financial statements and these trade receivables are not considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2018 and December 31, 2017, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended June 30, 2018 and December 31, 2017, 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

Canso Credit Income Fund

Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at 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 period-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, 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 and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable

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assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon 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,

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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, 2017, the Fund had \$3,519,088 (December 31, 2016 - \$3,937,018) net capital losses and no non-capital losses (December 31, 2016 - Nil)

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.

Future changes in accounting standards

As of June 30, 2018, there are no future standards that could have a material impact on the Fund.

4. Expenses

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

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

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holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their Net Asset Value.

The Fund received approval from the Toronto Stock Exchange ("TSX") for a normal course issuer bid for the period from July 17, 2017 to July 16, 2018. Pursuant to the issuer bid, the Fund was permitted to purchase up to 1,310,810 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price on the TSX.

During the periods ended June 30, 2018 and 2017, the number of units redeemed and outstanding was as follows:

Class A

For the periods ended	30-Jun-18	30-Jun-17
Units outstanding at beginning of period	13,139,530	17,208,747
Units converted from Class F to Class A	39,421	71,450
Units redeemed	(237,569)	(4,177,675)
Units outstanding at end of period	12,941,382	13,102,522

Class F

For the periods ended	30-Jun-18	30-Jun-17
Units outstanding at beginning of period	1,606,525	1,753,184
Units converted from Class F to Class A	(36,535)	(66,563)
Units redeemed	(59,400)	(44,271)
Units outstanding at end of period	1,510,590	1,642,350

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.

8. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at June 30, 2018 and December 31, 2017:

The Manager received 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, the Fund pays 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. 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 period ended June 30, 2018 was \$648,857 (June 30, 2017 - \$804,446), of which \$107,420 (December 31, 2017 - \$110,422) was payable at June 30, 2018.

Performance Fees:

Subject to certain terms and conditions as described in the Fund's Annual Information Form date March 24, 2017, 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 period ended June 30, 2018, the Performance Fee accrued by the Fund was \$541,337 (June 30, 2017 - Nil).

During the period June 30, 2018, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$302,800 (June 30, 2017 - \$375,408) for managing the portfolio of the Fund. As at June 30, 2018 the amount payable to the Portfolio Manager was \$50,129 (December 31, 2017 - \$1,495,871).

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As at June 30, 2018	Level 1		Level 2		Level 3		Total
Financial Assets							
Fixed income	\$	1,937,029	\$	197,392,726	\$	-	\$ 199,329,755
Equities		29,594,069		-		17,063,178	46,657,247
Receivable on currency forward contracts		-		446,901		-	446,901
Total	\$	31,531,098	\$	197,839,627	\$	17,063,178	\$ 246,433,903

As at June 30, 2018	Level 1		Level 2		Level 3		Total
Financial Liabilities							
Fixed income sold short	\$	-	\$	60,628,797	\$	-	\$ 60,628,797
Equities sold short		7,879,220		-		-	7,879,220
Total	\$	7,879,220	\$	60,628,797	\$	-	\$ 68,508,017

As at December 31, 2017	Level 1		Level 2		Level 3		Total
Financial Assets							
Fixed income	\$	1,769,922	\$	165,586,787	\$	-	\$ 167,356,709
Equities		31,947,321		-		12,869,887	44,817,208
Receivable on currency forward contracts		-		814,586		-	814,586
Total	\$	33,717,243	\$	166,401,373	\$	12,869,887	\$ 212,988,503

As at December 31, 2017	Level 1		Level 2		Level 3		Total
Financial Liabilities							
Fixed income sold short	\$	-	\$	44,846,918	\$	-	\$ 44,846,918
Equities sold short		8,011,830		-		-	8,011,830
Total	\$	8,011,830	\$	44,846,918	\$	-	\$ 52,858,748

As at	30-Jun-18		31-Dec-17	
Level 3 reconciliation				
Balance, beginning of period	\$	12,869,887	\$	9,536,716
Purchases		48,757		224,544
Sales		-		-
Transfers In		3,760,300		406,398
Transfers Out		-		-
Realized gains and losses		-		-
Change in unrealized appreciation/depreciation		384,234		2,702,229
Balance, end of period	\$	17,063,178	\$	12,869,887

The Portfolio Manager's internal valuation team is comprised of individuals from across the functional areas of the firm (Trading, Settlements, Research, Portfolio Management, Compliance, and Fund Administration) who have broad and deep experience in the fair value techniques for debt and equity investments. The team reports to the Chief Investment Officer of the Portfolio Manager and the internal valuation team's valuation processes and results are reviewed by 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 was \$3,760,300 transferred from level 2 to level 3.

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.

ClearStream Energy Services Inc., Preferred

Price: \$1,000.00

Valuation Technique: The private placement financing technique.

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

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

Purch Group Inc., Preferred, Series 'C', Restricted

Price: \$4.61 USD

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

Unobservable Inputs: The primary unobservable inputs for this security include 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 Communications Inc., Preferred, Class 'F'

Price: \$1,228.57

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 common shares for preferred 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 \$368.57

Xplornet Comm Inc. Warrants Series A Dec 20, 2018 144A

Price: \$95.05

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 \$28.51

Xplornet Comm Inc. Warrants Series C Oct 25, 2023 Restricted

Price: \$471.94

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 \$141.58

9. 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.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

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As at June 30, 2018 and December 31, 2017, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		30-Jun-18		31-Dec-17	
Credit exposure					
AAA	%	31.5	%	20.2	
AA		9.5		10.9	
A		7.7		13.0	
BBB		35.0		30.5	
Below BB		31.7		18.1	
Not Rated		2.1		4.0	

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2018 and December 31, 2017:

As at 30-Jun-2018	Less Than One Month		1-3 Months		3 Months – 1 Year	
Liquidity risk						
Fixed income sold short	\$	-	\$	-	\$	60,628,797
Equities sold short		-		-		7,879,220
Due to investment dealers		7,604,000		-		-
Redemptions payable		3,317,328		-		-
Accrued management fees		107,420		-		-
Other accrued expenses		-		838,297		-
Distributions payable to holders of redeemable units		602,069		-		-

As at 31-Dec-2017	Less Than One Month		1-3 Months		3 Months – 1 Year	
Liquidity exposure						
Fixed income sold short	\$	-	\$	-	\$	44,846,918
Equities sold short		-		-		8,011,830
Due to investment dealers		-		-		-
Redemptions payable		6,887		-		-
Accrued management fees		110,422		-		-
Other accrued expenses		-		2,258,884		-
Distributions payable to holders of redeemable units		614,321		-		-

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										
June 30, 2018 - Long	\$	5,188,440	\$	43,732,343	\$	30,999,594	\$	119,409,378	\$	199,329,755
June 30, 2018 - Short		-		-		(9,541,735)		(51,087,062)		(60,628,797)

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Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

	Less than 1 year	1-3 years	3-5 years	> 5 years	Total
Interest rate exposure					
Fixed income and term loans					
December 31, 2017 - Long	\$ 10,833,617	\$ 36,589,459	\$ 28,374,517	\$ 91,559,116	\$ 167,356,709
December 31, 2017 - Short	-	-	-	44,846,918	44,846,918

If interest rates had increased or decreased by 1% at June 30, 2018, with all other variables remaining constant, net assets of the interest bearing financial instruments of the Fund would have decreased or increased by approximately \$2,738,477 (December 31, 2017 - \$3,538,152). 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 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 there are any) to currency risk as at:

	30-Jun-18	31-Dec-17
Currency exposure		
US Dollars	% -	% -

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net asset may have decreased or increased by 0.0% (December 31, 2017 - 0.0%). 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 June 30, 2018, approximately 23% (December 31, 2017 - 21%) 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 \$1,938,901 (December 31, 2017 - \$1,840,269). In practice, actual results will differ from this sensitivity analysis and the difference could be material.



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