

Semi-Annual Management Report of Fund Performance
As at June 30, 2018

Lysander-Canso U.S. Credit Fund



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A Note About Forward Looking Statements

This semi-annual Management Report of Fund Performance includes certain statements that are “forward looking statements”. All statements, other than statements of historical fact, included in this Management Report of Fund Performance that address activities, events or developments that the Fund expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective” and similar expressions are intended to identify forward looking statements.

These forward looking statements are subject to various risks and uncertainties, including the risks described in the simplified prospectus of the Fund, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed.

Readers are cautioned not to place undue reliance on these forward looking statements. All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

The Fund has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

About This Report

This semi-annual Management Report of Fund Performance of Lysander-Canso U.S. Credit Fund (the “Fund”) contains financial highlights for the period ended June 30, 2018 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 2018. Lysander Funds Limited (the “Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to us at Lysander Funds Limited, 100 York Boulevard, Suite 501, Richmond Hill Ontario, L4B 1J8, by visiting our website at www.lysanderfunds.com or at SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to obtain a copy of the investment Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment objective

The Fund’s objective is to achieve long term capital growth of returns consisting of income and some capital gains primarily through investments in U.S. debt and money market securities either denominated in U.S. dollars or hedged to U.S. dollars using forward currency contracts.

Investment Strategies

The Fund’s portfolio manager is Canso Investment Counsel (“Portfolio Manager” or “Canso”). The Fund’s portfolio positions will primarily be invested in fixed income securities, including those of foreign issues. The Fund will not be leveraged. More details are contained in the Fund’s simplified prospectus.

During the period Canso employed its bottom-up process to buy and sell securities for the Fund.

Unless otherwise noted, all dollar amounts and returns in this document are expressed in USD.

Risks

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

Results of Operations

The Fund has positive returns for the period of 0.51% for Series A and 0.79% for Series F.

This positioning and performance is entirely consistent with the Fund’s fundamental investment objective and strategies. The net assets of the Fund increased to over \$30.2 million at June 30, 2018 from \$28.3 million at the beginning of the period. This increase was mainly due to subscriptions of \$6.5 million offset by redemptions of \$4.7 million during the period.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected.

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

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Recent Developments

The upward trajectory in yields reversed course in June as Canada, Mexico and the EU implemented their retaliatory tariffs for the US steel and aluminum tariffs imposed by the Trump administration. This, combined with the possibility of tariffs on imported vehicles into the US, the threat of retaliation for the retaliatory tariffs, and July's start of US tariffs on Chinese goods with Beijing retaliating, began to look like a global trade war. The Bank of Canada raised rates in January and then stayed on hold for the remainder of the period while the Federal Reserve continued to push their administered rates higher. The Canadian central bank is expected to follow the US rate hikes, but more cautiously given Canadian economic uncertainty.

Canso continues to believe the US economy is demonstrating strong job growth. Protectionist trade policies are creating strength in the US dollar. Canso remains concerned about consumer debt levels and stretched house prices in Canada, especially in Toronto and Vancouver. Measures introduced to restrict mortgage lending are timely but may erode the valuation of the single largest asset in Canadian households. Canadian households are vulnerable to a sharp rise in interest rates and an increase in unemployment.

The US Federal Reserve maintained its intent to return monetary policy and yields to a 'normal' level by keeping the door open for further rate hikes during this year. The Fed clearly wants to see interest rates higher, especially given the huge stimulus coming from US tax cuts. The Fed also projected that inflation is expected to rise over the medium term towards its 2% target as economic activity expands and the labour market strengthens further.

Canso has been increasing the credit quality of the bond positions in the Fund, believing that the additional yield offered on lower quality credits has declined to the point where it is unattractive in most cases. As an example, Canso purchased a position in a Lloyds Bank PLC ("Lloyds") USD\$ 3-year floating rate bond in the period. Lloyds is the largest retail bank in the United Kingdom. It is the principal operating subsidiary of Lloyds Banking Group. Lloyds Banking Group returned to full private ownership in May 2017. Lloyds' operations focus on retail and small and medium enterprises in the UK and are considered best in class. Lloyds benefits from a strong management team who have capably addressed the legacy issues facing the bank post the 2008 credit crisis. Lloyds' credit quality benefits from regulatory changes under the UK's ringfencing regime designed to separate banks' riskier capital markets businesses from more traditional banking operations. The bank is separating out its capital markets business into a stand-alone entity and this is nearly complete. This leaves the retail segment as the core business inside Lloyds. Canso believes the credit spread

inherent in the purchase price appropriately compensates for the risk of this highly rated institution.

Other large floating rate note purchases in the period included BMO, Verizon, and Enbridge. Canso did add to BB rated Teva Pharmaceuticals on opportunity. This led to sales of issues such as Bank of America, Apple, Bombardier and Navient, where Canso believes the bonds are fully valued. At period-end, the Fund's weight in issues rated below BBB declined to 14% from 19% at the beginning of the period.

Canso also believes there is significant price risk in longer maturity bonds from the prospect of rising interest rates. This risk has been moderated by concentrating the portfolio in bonds with short maturities and floating rate notes. At the end of the period, the Fund was over 65% invested in floating rate notes.

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

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

Related Party Transactions

The Manager provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services. The Manager receives a management fee for these services. The fee is calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid USD \$130,411 (including HST) in management fees to the Manager for the period ended June 30, 2018 (June 30, 2017 - USD \$98,764).

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

The Manager paid CAD \$79,268 (including HST) to the Portfolio Manager for the period ended June 30, 2018 (June 30, 2017 - CAD \$45,355).

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The Manager relied, or may rely on standing instructions from the IRC in respect of securities traded amongst mutual funds, closed end funds, managed accounts or pooled funds managed by the Manager or an affiliate of the Manager. In such cases the Manager is required to comply with the Manager's written policies and procedures presented to the IRC and provide periodic reports to the IRC in accordance with National Instrument 81-107.

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Financial Highlights

Series A*

Period ended	30-Jun-2018 (USD)	31-Dec-2017 (USD)	31-Dec-2016 (USD)	31-Dec-2015 (USD)
Net assets per unit¹				
Net assets, beginning of period	\$ 9.78	\$ 9.59	\$ 8.95	\$ 10.00
Operations:				
Total revenue	0.14	0.36	0.49	0.43
Total expenses	(0.08)	(0.16)	(0.15)	(0.16)
Realized gains (losses)	0.11	0.09	(0.42)	0.20
Unrealized gains (losses)	(0.12)	0.08	0.91	(0.98)
Total increase (decrease) from operations²	\$ 0.05	\$ 0.36	\$ 0.83	\$ (0.51)
Distributions:				
From income (excluding dividends)	\$ (0.07)	\$ (0.18)	\$ (0.21)	\$ (0.31)
From dividends	-	-	-	-
From capital gains	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.07)	\$ (0.18)	\$ (0.21)	\$ (0.43)
Net assets, end of period^{2 3}	\$ 9.77	\$ 9.78	\$ 9.59	\$ 8.95
Ratios and supplemental data				
Net asset value ⁴	\$ 2,426,895	\$ 2,821,663	\$ 2,487,986	\$ 3,102,035
Units outstanding	248,475	288,432	259,447	346,465
Management expense ratio ⁵	% 1.69	% 1.66	% 1.70	% 1.71
Management expense ratio before waivers or absorption	1.69	1.66	1.72	1.75
Portfolio turnover rate ⁶	22.5	53	69	46
Trading expense ratio ⁷	-	-	-	-
Net asset value per unit, end of period	\$ 9.77	\$ 9.78	\$ 9.59	\$ 8.95

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

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

2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

5 The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.

6 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.

7 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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Series F*

Period ended	30-Jun-2018 (USD)	31-Dec-2017 (USD)	31-Dec-2016 (USD)	31-Dec-2015 (USD)
Net assets per unit¹				
Net assets, beginning of period	\$ 9.66	\$ 9.47	\$ 8.99	\$ 10.00
Operations:				
Total revenue	0.14	0.35	0.49	0.43
Total expenses	(0.05)	(0.11)	(0.11)	(0.11)
Realized gains (losses)	0.11	0.09	(0.37)	0.19
Unrealized gains (losses)	(0.12)	0.06	0.81	(0.95)
Total increase (decrease) from operations²	\$ 0.08	\$ 0.39	\$ 0.82	\$ (0.44)
Distributions:				
From income (excluding dividends)	\$ (0.09)	\$ (0.24)	\$ (0.42)	\$ (0.29)
From dividends	-	-	-	-
From capital gains	-	-	-	(0.12)
Total distributions^{2 3}	\$ (0.09)	\$ (0.24)	\$ (0.42)	\$ (0.41)
Net assets, end of period^{2 3}	\$ 9.65	\$ 9.66	\$ 9.47	\$ 8.99
Ratios and supplemental data				
Net asset value ⁴	\$ 27,823,537	\$ 25,484,068	\$ 13,420,052	\$ 8,901,735
Units outstanding	2,883,881	2,637,839	1,416,951	989,684
Management expense ratio ⁵	% 1.13	% 1.09	% 1.13	% 1.15
Management expense ratio before waivers or absorption	1.13	1.09	1.15	1.17
Portfolio turnover rate ⁶	22.5	53	69	46
Trading expense ratio ⁷	-	-	-	-
Net asset value per unit, end of period	\$ 9.65	\$ 9.66	\$ 9.47	\$ 8.99

Notes

* The Fund became a reporting issuer on December 30, 2014 and accordingly prior period numbers are not available.

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

2 Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

3 Distributions were paid in cash or reinvested in additional units, or both.

4 This information is provided at the end of the period shown.

5 The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.

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Management Fees

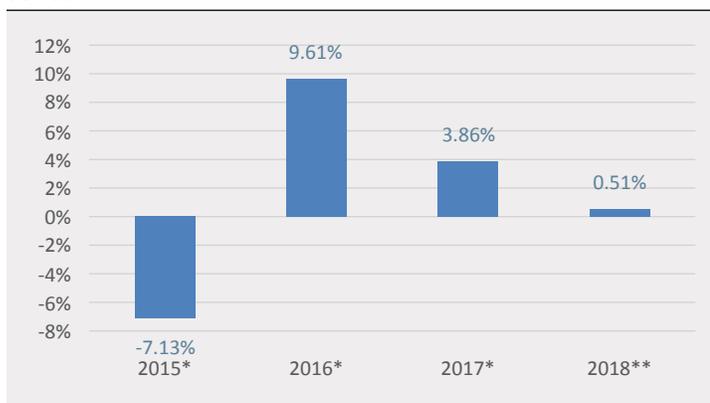
The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 1.25% per annum for Series A units and 0.75 % per annum for Series F units.

Service fees or trailing commissions of a maximum of 0.50% per annum are paid on Series A units to dealers. This comprises approximately 40% of the management fee of Series A units.

Year-by-Year Returns

Series A

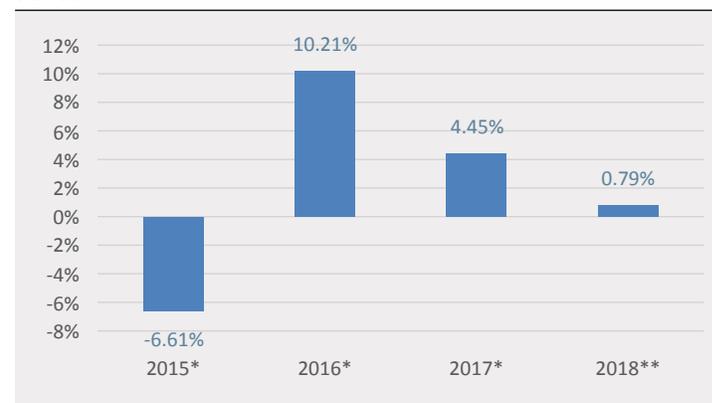


Past Performance

The commencement of operations as a reporting issuer for Series A and F was December 30, 2014. Accordingly, returns are shown for the relevant period as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

Series F



* For the period January 1 to December 31, ** For the period January 1 to June 30

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Summary of Investment Portfolio

	% of NAV		% of NAV
Top 25 Issuers		Asset Mix	
MetLife Global Funding	9.6	Cash and cash equivalents	2.3
GE Capital Canada	9.1	U.S. Fixed Income	51.7
Royal Bank of Canada	8.5	Canadian Fixed Income	33.4
JP Morgan Chase & Co.	8.3	Canadian Equities	2.4
Goldman Sachs	8.2	Foreign Fixed Income	12.0
Toronto Dominion Bank	7.9	Other assets less liabilities	(1.8)
Morgan Stanley	7.5	Total	100.0
Lloyds Banking Group PLC	7.4	Sector	
Enbridge Inc.	6.3	Cash and Cash Equivalents	2.3
Apple Inc.	3.4	Communication	10.9
Teva Pharmaceuticals	3.0	Consumer Staples	2.2
Verizon Communications Inc.	2.9	Energy	9.9
Cash and Cash Equivalents	2.3	Financials	72.3
Sobeys Inc.	2.2	Health Care	3.0
Bank of Montreal	2.2	Industrials	1.2
TransCanada Pipelines	1.7	Other Assets less Liabilities	(1.8)
Royal Bank of Scotland	1.6	Total	100.0
Clearstream Energy Services Inc. (Equity)	1.4		
SNC Lavalin	1.2		
Yellow Pages Digital & Media Solutions Ltd	1.2		
Navient Corp	1.1		
Xplornet Communications Inc. (Equity)	1.0		
CIT Group Inc.	0.8		
Videotron Ltee	0.6		
Postmedia Network Inc.	0.6		
Total	100.0		



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