

Canso Investment Counsel Ltd.

Conflicts of Interest Brochure

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1. PURPOSE

This Client Disclosure Brochure sets out important information concerning your account with Canso Investment Counsel Ltd. (Canso).

This Client Disclosure Brochure also describes conflicts of interest that arise or may arise between Canso, individuals acting on behalf of Canso and Canso's clients, or between the differing interests of two or more of Canso's clients to whom Canso owes, in each case, a duty, that a reasonable investor would expect to be informed of or that Canso believes is necessary to disclose to its clients to ensure they are adequately informed of matters that may affect the services Canso provides to them.

2. DELIVERY OF DISCLOSURE

This Client Disclosure Brochure will be provided to each client at the time the client's account is opened. It will be reviewed annually and updated as necessary with an updated version provided to each client as soon as practicable after revision. It will also be available on our website.

3. RELATED AND CONNECTED ISSUERS

An issuer of securities is "related" to Canso if, through ownership, or direction and control over voting securities, Canso exercises a controlling influence over that issuer or that issuer exercises a controlling influence over Canso or the same third party exercises a controlling influence over both Canso and the issuer. An issuer is "connected" to Canso if due to indebtedness or other relationships, a reasonable prospective purchaser might question if that issuer and Canso are independent of each other.

In carrying on business as a portfolio manager or exempt market dealer, Canso may for securities of related issuers, and in the course of a distribution, for securities of connected issuers of Canso:

- (a) after providing clients with this disclosure about related and connected issuers and obtaining their written consent, exercise discretionary authority to buy or sell these securities for client accounts;
- (b) after providing clients with this disclosure about related and connected issuers, make recommendations regarding these securities to clients; and
- (c) sell securities issued by pooled funds, or other similar collective investment vehicles, established, managed and distributed by Canso to clients.

These services will be carried on by Canso in the ordinary course of its business in accordance with its usual practices and procedures and in accordance with all applicable disclosure and other regulatory requirements. It is the policy of Canso to comply fully with all applicable securities laws and to make all required disclosures.

In addition to any funds established by affiliates of Canso, outlined on Schedule A, as at May 25, 2020, there are no other "related" issuers of Canso.

If you wish further information about the relationship between Canso and the listed related issuers or would like a list of connected issuers of Canso that are in the course of a distribution, please contact us.

4. TRADES BETWEEN CLIENT ACCOUNTS (CROSS-TRADES)

NI 31-103, NI 81-107 and NI 81-102 prohibit cross trades involving investment funds and Canso managed accounts unless an exemption has been granted and prior written permission has been received from the client. Canso believes cross trades are in the best interest of both the buyer and seller and therefore applied for and received an exemption to allow cross trades between Canso and Lysander Funds and Canso managed accounts. The exemption does not extend to Canso clients that are investment funds and to non-investment fund related issuers.

To manage this conflict, Canso established a policy requiring cross trades be executed at mid market price through a third-party dealer, deemed in the best interests of all parties to the trade and allocated in accordance with our policy on fair allocation of investment opportunities. Canso must have also received prior written permission to engage in cross trades. The process is overseen by Compliance and approved by an Independent Review Committee (IRC) for the Canso and Lysander Funds, as applicable. The Canso Funds' IRC was established by Canso Fund Management Ltd. for the sole purpose of overseeing this potential conflict.

5. RELATED REGISTRANTS

As at March 6, 2020, Canso has two related registrants: Canso Fund Management Ltd. (CFM) and Lysander Funds Limited (Lysander). CFM is the institutional pooled fund arm within the Canso group and is a wholly-owned subsidiary of Canso. Lysander is the retail fund management arm within the Canso group and is an affiliate of Canso under common control. Lysander and CFM are each investment fund managers in Ontario, Quebec and Newfoundland & Labrador. Lysander is also registered as a portfolio manager and exempt market dealer in Ontario.

Two of Canso's registered advising and dealing representatives, Mr. Tim Hicks and Mr. Richard Usher-Jones, are also advising and dealing representatives of Lysander (the Representatives). Canso and Lysander have obtained an exemption to have up to ten representatives at any one time be dually registered with both Canso and Lysander. The dual registration of the Representatives will not give rise to any conflicts of interest for the following reasons: i) Lysander is the investment fund manager of prospectus-qualified investment funds in the Canso group, and Canso acts as a portfolio manager to some of those Lysander funds; and ii) a dually-registered Representative of Canso and Lysander will be overseeing two different business lines with no or minimal overlap. The interests of Canso and Lysander are aligned, and because the role of the Representatives is to support the business activities and interests of the Canso group of companies (including Lysander and Canso), the potential for conflicts of interest is remote.

Each of the Representatives are subject to supervision by Canso and Lysander and come under the applicable compliance requirements of both Canso and Lysander. Canso has policies and procedures in place to address any potential conflicts of interest that may arise as a result of the dual registration and can deal appropriately with any conflict, if any.

6. FAIR ALLOCATION OF INVESTMENT OPPORTUNITIES

To ensure fairness in the allocation of opportunities among our clients, Canso will ensure the following:

The method utilized for allocating securities to client accounts shall be fair and free from bias. Procedures for allocating trades shall distribute securities equitably, taking into account availability of securities, market liquidity, trading costs, commissions, bid ask spreads and custodial charges.

When allocating securities that have been aggregated for the purposes of trading or settlement efficiencies (bulk, block or bunched trades), care shall be taken to equitably share trading opportunities and expenses between client accounts. If pro-rata distribution is not practical due to security availability or costs, allocation shall be done as follows:

1. Suitable accounts under established targets shall be allocated percentage weights similar to existing holders;
2. If insufficient amounts are available to allocate across all accounts, the distribution shall be varied to achieve a fair allocation over time;
3. Care shall be taken to ensure that particular accounts are not favoured over time by allocating by ascending account number followed by descending number.

IPO distributions shall be allocated as above, recognizing the suitability of investment opportunity for each account.

Blocked trade commission shall be distributed on a pro rata basis.

If trade orders are filled at different times, accounts shall be allocated to these partial fills as equitably as possible, taking into account trading costs, commissions and account size. If a pro-rata distribution resulted in insufficient allocations to affect account performance, accounts shall be selected that will benefit from a reasonable allocation. If a trading program continues over a longer period, the allocation shall not be biased towards large or small accounts. Partial fills shall be allocated to ensure all account sizes have reasonably uniform positions over time.

Oversubscribed or “hot” new issues shall be allocated to avoid preference to any account over time.

Personal trades are not permitted unless the individual receives prior written approval. See Personal Trading Activities below for more information.

Any confusion, questions or arguments about these procedures shall be resolved by reference to the CFA Institute Code of Ethics and Standards of Professional Conduct.

The Chief Compliance Officer will be the ultimate authority in these matters.

7. CLIENT DIRECTED TRADING

Generally, Canso will not accept client directed trading, except when instructed by a client to restrict the securities of certain issuers. Also, depending on the client’s country of domicile, there may be government or regulatory limitations on investment in certain securities, which may affect Canso’s ability to invest in such securities.

8. SOLICITATION ARRANGEMENTS/REFERRALS

Canso does not have any solicitation arrangements and does not pay cash and/or other payments for client referrals, directly or indirectly. However, if any solicitation or referral arrangements are entered into, applicable securities regulations will be complied with, including specific disclosure.

9. PERSONAL TRADING ACTIVITIES

Canso has a Personal Trading Policy that prohibits employees of Canso from owning segregated securities without prior written approval.

10. GIFTS AND ENTERTAINMENT

Canso follows the CFA Code of Ethics and Standards of Professional Conflict which addresses gifts and entertainment.

11. OUTSIDE ACTIVITIES

Individuals acting on behalf of Canso are prohibited from engaging in any outside activity, including acting as a director for a public company, which could interfere with the proper discharge of the individual’s duties to Canso. Certain registered/permitted individuals at Canso have been granted approval to act as a director, officer and/or investment committee member of an affiliate public company, Canso Select Opportunities Corporation (CSOC). Both Canso and CSOC have policies and procedures in place to minimize any conflicts of interest. Any potential conflicts between an individual’s portfolio management duties at Canso and CSOC responsibilities would be reported per Canso’s compliance procedures.

Schedule A
Related and Connected Issuers of Canso

Big Rock Americas High Yield Fund LP	Canso Private Debt Fund
Canso Asia Pacific Fund	Canso Private Investment Grade Bond Fund
Canso Bank Loan Fund	Canso Private Loan Fund
Canso Broad Corporate Bond Fund	Canso Reconnaissance Fund
Canso Canadian Bond Fund	Canso Retirement and Savings Fund
Canso Canadian Equity Fund	Canso Salvage Fund
Canso Catalina Fund	Canso Select Opportunities Corporation*
Canso Coriel Investment Grade Fund	Canso Short Term and Floating Rate Income Fund
Canso Corporate and Infrastructure Debt Fund	Canso Strategic Credit Fund
Canso Corporate Bond Fund	Wellington Fund
Canso Corporate Securities Fund	Canso Fund
Canso Corporate Value Fund	Lysander-Canso Balanced Fund
Canso Credit Income Fund	Lysander-Canso Bond Fund
Dakota Fund	Lysander-Canso Broad Corporate Bond Fund
Canso Harrier Fund	Lysander-Canso Corporate Value Bond Fund
Canso Hurricane Fund	Lysander-Canso Credit Opportunities Fund
Canso Income Fund	Lysander-Canso Equity Fund
Canso India Fund	Lysander-Canso Short Term and Floating Rate Fund
Canso Inflation-Linked Fund	Lysander TDV Fund
Hawk Fund	Lysander-Canso U.S. Credit Fund
Canso Long Term Credit Fund	Lysander-18 Asset Management Canadian Equity Fund
Canso Masala Fund	Lysander-Crusader Equity Income Fund
Canso Mustang Fund	Lysander-Fulcra Corporate Securities Fund
Canso North Star Fund	Lysander-Roundtable Low Volatility Equity Fund
Canso P-40 Fund	Lysander-Seamark Balanced Fund
Canso Partners Fund	Lysander-Seamark Total Equity Fund
Canso Partners II Fund	Lysander-Slater Preferred Share <i>Activ</i> ETF
Canso Preservation Fund	Lysander-Slater Preferred Share Dividend Fund
	Lysander-Triasima All Country Equity Fund
	Lysander Balanced Income Fund

* Canso Select Opportunities Corporation (CSOC), a publicly-held investment corporation listed on the TSX-V, is the successor to Canso Select Opportunities Fund (the "Fund"). The Fund was a closed-end investment fund established on September 25, 2013. Lysander Funds Limited was the trustee and manager of the Fund and Canso was the portfolio manager of the Fund. Effective September 4, 2018, CSOC acquired all of the issued and outstanding units of the Fund through a plan of arrangement. CSOC is a related issuer of Canso through the ownership, direction and control over voting securities, of both Canso and CSOC, by John Carswell.