Canso Select Opportunities Corporation

Management's Discussion and Analysis
For the Three Months Ended March 31, 2023

Management's Discussion and Analysis ("MD&A") provides a review of Canso Select Opportunities Corporation's ("CSOC" or the "Corporation") interim financial results for the three-month period ended March 31, 2023 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the interim statements of financial position, interim statements of comprehensive loss, interim statements of changes in equity, and interim statements of cash flows of CSOC. As such, this MD&A should be read in conjunction with the interim financial statements and notes thereto. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to provide information about CSOC.

The following MD&A is the responsibility of management and is dated May 29, 2023. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, comprised of independent directors and CSOC's Chief Financial Officer. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

Business of the Corporation

CSOC is an Ontario-based investment corporation. CSOC's investment objective is to provide capital gains and dividend income to its shareholders. Consistent with these objectives, the Corporation evaluates potential investments in debt, public and private equity and other securities. The deployment of funds to new investments depends on both the attractiveness of new investment opportunities and the availability of capital as generated from the realization of value from existing portfolio investments. The investment portfolio consists of public and private equity and debt investments primarily in North America, however, there is no geographic constraint on the investment portfolio.

Recent Developments

Acquisition of Lysander Shares

On January 13, 2023, CSOC announced the acquisition of 70,000 Class A common shares of Lysander Funds Limited at a purchase price of $12.25 million. The Corporation issued 2,440,239 Class B subordinate voting shares as consideration for the Lysander shares purchased.

Prior to the acquisition of shares, Lysander's normalized quarterly dividend was $1.50 per share. If that dividend is maintained, CSOC would receive approximately $420,000 in annual dividends from Lysander per annum. We note that, in addition to the normally quarterly dividend, Lysander paid a special dividend for the first quarter of 2023. On May 1, 2023 Lysander declared a total dividend of $2.50 per share, for shareholders of record on March 31, 2023.

Market Performance

It was a rollercoaster beginning to the year. Investors began the year feeling upbeat as inflation appeared to be subsiding. It was widely expected that the U.S. Federal Reserve would quickly switch to cutting interest rates after raising them aggressively last year. However, the markets got a shock in March when two regional banks in the U.S., Silicon Valley Bank and Signature Bank, collapsed. As depositors fled the regional banks, the Federal Reserve intervened to calm the jittery nerves of investors. They announced a new Bank Term Funding Program to lend to banks, savings associations and credit unions. This facility will offer loans for one year against pledged U.S. Treasuries, agency debt and mortgage-backed securities. These securities will be valued at par, even when the interest rate increases of last year have eroded their value.

Prompt action by the Fed and Treasury seems to have calmed bank depositors and investors. The Fed increased the federal funds rate to 5% highlighting modest growth in spending and production. The Fed is still committed to returning inflation to a rate of 2% over the longer run and expects some additional tightening. There is a big disconnect between market expectations, which are hoping for interest rate cuts later this year and the official Fed projections that expect rates will remain high. However, the Fed's balance sheet, that was gradually shrinking through the reversal of Quantitative Easing, has grown again after the failure of the two commercial banks.

The Bank of Canada left its overnight policy rate unchanged at 4.5%. The central bank believes that its monetary policy is restrictive and is weighing on household spending. Business investment has weakened alongside slowing domestic and foreign demand. However, the labour market remains tight and employment growth has been strong. High food and shelter prices are affecting most Canadians. The jump in interest rates last year is causing financial duress to many homeowners, along with indebted businesses.

Outlook

While the bond market is already anticipating 2% inflation, if that is not the case then it is more likely that higher yields are ahead than lower. Bond traders are betting on the Fed pivoting from raising rates to cutting them later this year. We are very sceptical given recently reported inflation numbers both in North America and Europe. Given the pace of monetary tightening, many economists suspect that a U.S. and possibly a global recession is imminent and will dent corporate earnings and erode the attractiveness of company bonds and shares.

We will continue to focus on the long-term prospects for income and capital appreciation for the investments in the portfolio. We currently believe there to be reasonable value in corporate bonds in Canada and the U.S. For the first time in several years government yields remain above 3% and corporate bond spreads are at reasonable long term averages. Shorter term and floating rate bonds are also attractive. We are invested in companies that we believe will outperform the market in the long-term and will ignore short term equity price volatility.

Overall Performance

The Corporation's ability to generate income and to pay dividends depends on the performance of the holdings in its portfolio. Each fixed income and equity investment in the portfolio is unique.

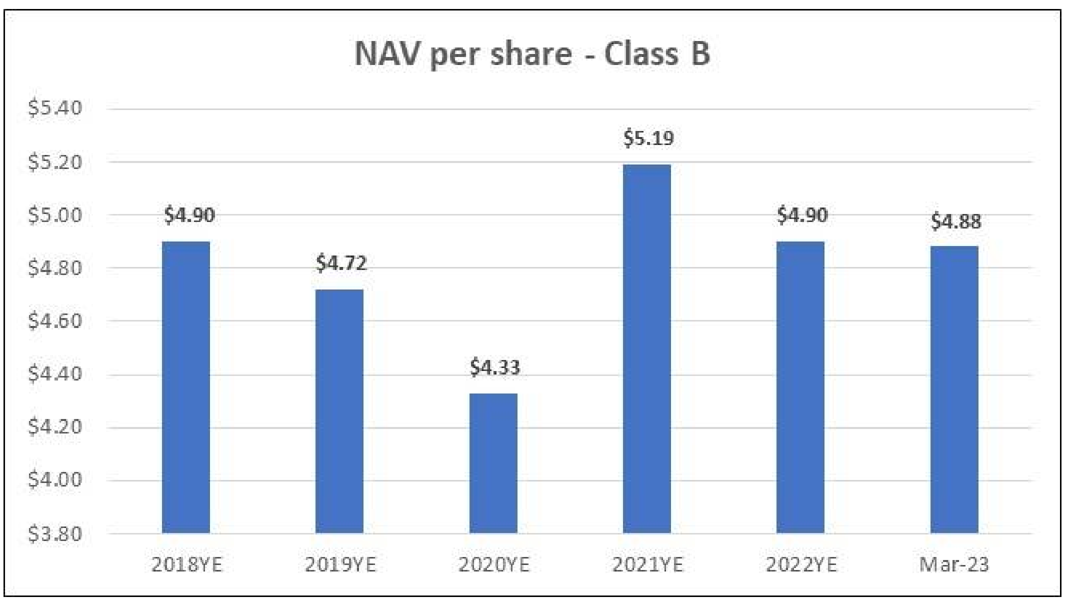
Portfolio companies vary from early stage start-up enterprises, to private companies in more advanced stages of development and publicly traded companies operating in mature industries.

Investments in corporate bonds and preferred shares are based on relative value analysis of the security compared with other securities trading in the market available in the market. CSOC will invest in corporate bonds and preferred shares where the yield spread above the relevant government benchmark is attractive given the relative risk of the investment.

The performance of equity securities in the investment portfolio depends on a variety of factors, which include but are not limited to, economic conditions, interest rates and investor confidence as indicated by equity market performance. In addition, for private equity investments factors such as access to capital and improving performance are key factors to long-term success.

Specific Factors

For the quarter ended March 31, 2023, CSOC shareholders' equity increased (decreased) by $11,768,668 (March 31, 2022: ($84,460)), primarily due to the purchase of Lysander shares. However, on a per unit basis, the class A and class B shares incurred losses of $0.09 (March 31, 2022: $0.03) and $0.02 (March 31, 2022: $0.03) respectively. The decline in value per share was 1.88% (March 31, 2022: 0.59%) for the Class A shares and 0.25% (March 31, 2022: 0.59%) for the Class B shares. The slight discrepancy in per unit values is based on the price at which the Class B shares were issued in exchange for the Lysander Shares. Gains in the value of most securities in the portfolio were insufficient to fully offset the decline in values of Credit Suisse and Aegis Brands shares, resulting in a small negative performance for the quarter.



Summary of Investment Portfolio

CSOC's corporate structure provides a permanent capital base allowing the realization of value from its existing portfolio over time. CSOC's investments with a market value in excess of 10% of portfolio market value are described below.

Acquisition of Shares of Lysander Funds Ltd.

On January 13, 2023, CSOC announced the acquisition of 70,000 Class A common shares of Lysander Funds Ltd. at a purchase price of $12.25 million. The Corporation issued 2,440,239 Class B subordinate voting shares as consideration for the Lysander shares purchased.

Lysander is a multi-asset manager which provides an attractive addition to the CSOC portfolio. The purpose of the transaction was to diversify the company's portfolio of investments and to increase its cash flows by way of consistent dividends. The primary growth in Lysander funds over the past ten years has come from its partner portfolio manager, Canso Funds, the leading independent corporate bond specialty manager in Canada.

Market outperformance for the key funds at the partner portfolio managers should result in continued growth in assets under management for Lysander, which will translate into higher revenues, profitability and cash flows over time. Given the positive outlook for the business, we believe Lysander is well positioned to increase dividends in time. The expected dividends from Lysander should more than cover the current normalized operating expenses of CSOC estimated at less than $250,000 per annum.

Prior to the acquisition of shares, Lysander's normalized quarterly dividend was $1.50 per share. If that dividend is maintained, CSOC would receive approximately $420,000 in annual dividends from Lysander per annum. We note that, in addition to the normally quarterly dividend, Lysander paid a special dividend of $1.00 per share for the first quarter of 2023. On May 1, 2023 Lysander declared a total dividend of $2.50 per share, for shareholders of record on March 31, 2023.

Further information on the transaction, the background and approval process can be found at the following link. Notice of Meeting and Management Information Circular - Nov 30 2022 - Final.pdf (selectopportunitiescorporation.com)

Investment Activity and Performance in the quarter ended March 31, 2023

Performance in the quarter was dragged down by price declines in two equities: Credit Suisse (down 72%) and Aegis Brands (formerly Second Cup) (down 37%). The decline in the Credit Suisse equity was partially offset by gains in the senior unsecured bonds of Credit Suisse, which we purchased at the same time as we purchased the common shares. The above declines were also largely offset by gains in several other equities such as Manulife, MDA, Bird Construction, Cineplex and Hertz, as well as interest and dividend income in the quarter. Yellow Pages equity was also down modestly in the quarter.

With respect to Manulife, MDA, Cineplex, Hertz, and Bird Construction, we are very pleased by recent operating and financial performance of these holdings. We continue to believe the medium to long term prospects for these companies are very good. The fixed income and preferred positions also performed well and were in line with our expectations, providing steady interest and dividend income. We will continue to evaluate these holdings on an ongoing basis.

Heading into year end 2022, Credit Suisse had seemingly dealt with the confidence issues that plagued the bank for the past couple of years, when the insolvency of Silicon Valley Bank hit the market in the first quarter. The contagion spread rapidly amongst the regional banks in the U.S. and also led to renewed fears around Credit Suisse's liquidity. Swiss regulators helped orchestrate the acquisition of Credit Suisse by UBS for approximately US$3.4 billion, which resulted in the stock dropping from $3.12 at the beginning of the year to $0.89 at the end of March. Interestingly, the Swiss regulator forced the total write-off of $17.1 billion in Alternative Tier 1 bonds of Credit Suisse, a major windfall for UBS. We will hold the equity through the merger as we believe UBS is purchasing Credit Suisse at an incredibly low price and will reap the benefits of the merger in the medium term.

Aegis Brands completed the acquisition of St. Louis Bar & Grill in the fourth quarter of 2022. We believe the acquisition coupled with the current Bridgehead coffee outlets will generate positive returns for the company in the medium term. It is a small cap stock and therefore we expect the stock price to be volatile for the foreseeable future.

We made a small number of changes to the portfolio in the quarter. We purchased shares of Cineplex, which ended the quarter approximately 4% higher than where we purchased them. We also purchased two private securities in the quarter, a US$350,000 convertible note for AdHawk Microsystems and $50,000 in common shares in Portfolio HiWay.

Cineplex is the largest movie theatre chain in Canada and is beginning to recover nicely from the affects of the pandemic. We believe its revenues, profitability and cash flows will benefit in the medium term from a return to normal activity levels by consumers looking for value entertainment and from a strong movie release line up in the near term.

AdHawk Microsystems provides cutting edge technology for virtual reality 'VR' headsets. The company has developed low intensity lasers that track eye-ball movement in headsets, which is a much faster and much more energy efficient technology as opposed to current micro cameras which track eyeball movement. The company has very good prospects with many of the VR headset manufacturers globally. The convertible note matures in July 2024 and provides attractive upside if the company raises capital at a higher valuation.

Portfolio HiWay is an affiliated company of CSOC. Portfolio HiWay is a Canadian wealth management technology firm created to seamlessly connect investors, advisors and third-party managers. We believe it has very strong long-term prospects.

We had one corporate reorganization in the quarter and that was with respect to our holdings in NordStar, whose major asset was the Torstar newspaper assets. At the beginning of the quarter we held $144,000 in debt and 4884 Nordstar LP units. During the quarter, the debt was paid down to $51,000.~~-~~ In addition, we received a number of securities in exchange of the Nordstar LP Units: 6650 shares in Vertical Scope; 8103 shares in Northstar Gaming Holdings; 57 Northstar Gaming preferred shares; 734 TC Fund I LP Class B Units; and, a small amount of cash. We expect the debt to be fully repaid by end of July and will likely exit the other investments in an orderly fashion in the medium term.

Detailed Investment Portfolio

The table below consolidates CSOC's investments into Marketable and Private.

December 31, 2022

Description		Average Cost $		Fair Value $	% of Portfolio
<u>**Marketable Investments**</u>					
Bank Indebtedness	**$**	**(88,025)**	**$**	**(89,494)**	**-0.7%**
Fixed Income Held Long	**$**	**3,320,810**	**$**	**3,260,469**	**25.4%**
Air Canada convertible	$	767,600	$	757,696	5.9%
AMC Entertainment Holdings	$	237,219	$	138,090	1.1%
Bank of Nova Scotia	$	623,000	$	605,598	4.7%
Credit Suisse Group AG 144A	$	811,813	$	819,066	6.4%
Government of Canada	$	239,969	$	252,116	2.0%
Latam Airlines Group	$	641,209	$	687,903	5.3%
Fixed Income Held Short	**$**	**(718,787)**	**$**	**(722,772)**	**-5.6%**
US Treasury Note	$	(718,787)	$	(722,772)	-5.6%
Common Equity Held Long	**$**	**10,506,100**	**$**	**5,838,565**	**45.1%**
Aegis Brands Inc. (previously Second Cup Ltd.)	$	3,400,936	$	566,494	4.3%
Bird Construction Inc.	$	1,011,165	$	1,213,550	9.3%
Flint Corp (previously ClearStream Energy SVCS Inc.)	$	2,012,939	$	210,897	1.6%
Credit Suisse Group AG	$	657,679	$	512,821	4.0%
Hertz Global Holdings Inc.	$	424,452	$	502,555	3.9%
Manulife Financial Group	$	649,320	$	734,450	5.7%
MDA Ltd.	$	879,998	$	402,285	3.1%
Yellow Pages Limited	$	1,469,611	$	1,695,513	13.2%
Preferred Shares	**$**	**1,779,584**	**$**	**1,499,397**	**11.7%**
Bombardier Inc.	$	379,277	$	515,819	4.0%
Canadian Life Companies Split	$	78,572	$	84,588	0.7%
M-Split Corp	$	838,474	$	529,067	4.1%
Sun Life Financial Corp	$	483,261	$	369,923	2.9%
Total Marketable Investments	**$**	**14,799,682**	**$**	**9,786,165**	**75.9%**
<u>**Private Investments**</u>					
Common Equity Held Long	**$**	**1,291,079**	**$**	**1,419,067**	**11.1%**
Brill Power Limited	$	105,559	$	284,215	2.2%
Fibracast	$	800,000	$	840,000	6.6%
Nordstar Capital LP	$	5	$	37,483	0.3%
Reformulary Group Inc.	$	200,000	$	250,000	1.9%
X-Spectrum 2 Inc. (previously Xplornet Mobile Inc.)	$	51,792	$	1	0.0%
X-Spectrum 1 Inc. (previously Xplornet Wireless Inc.)	$	133,723	$	7,368	0.1%
Fixed Income Held Long	**$**	**944,000**	**$**	**744,000**	**5.8%**
Nordstar Capital LP	$	144,000	$	144,000	1.1%
Our Home and Miniature Land Inc.	$	400,000	$	400,000	3.1%
Smooth Payment Inc.	$	400,000	$	200,000	1.6%
Preferred Shares	**$**	**928,567**	**$**	**933,617**	**7.2%**
BZ Holdings Inc.	$	-	$	2	0.0%
Flint Corp - Preferred (previously ClearStream Energy Services - Preferred)	$	729,400	$	486,002	3.7%
HashTag Paid Inc.	$	199,167	$	447,613	3.5%
Total Private Investments	**$**	**3,163,646**	**$**	**3,096,684**	**24.1%**
Total Marketable and Private Assets	$	17,963,328	$	12,882,849	100.0%
Other Assets, Net of Liabilities			$	98,673	
CSOC's Investments at Fair Value			**$**	**12,981,522**	

Summary of Quarterly Results

The following table shows selected financial information about CSOC for the most recently completed eight quarters of the Corporation:

Description	31-Mar-2023	31-Dec-2022	30-Sep-2022	30-Jun-2022	31-Mar-2022	31-Dec-2021	30-Sep-2021	30-Jun-2021
Total Revenue	($510,815)	$71,413	($210,696)	($561,770)	($20,221)	$314,395	($399,842)	$1,370,532
Total Revenue Per Share	($0.10)	$0.03	($0.08)	($0.20)	($0.01)	$0.11	($0.14)	$0.49
Realized Gains (Losses)	$52,169	$200,381	$49,943	$201,696	($5,921)	$213	($87,668)	($85,362)
Realized Gains (Losses) Per Share	$0.01	$0.07	$0.02	$0.07	($0.00)	$0.00	($0.03)	($0.03)
Unrealized (Losses) Gains	($558,562)	($121,315)	($255,414)	($787,177)	($36,762)	$291,772	($334,319)	$1,437,592
(Losses) Gains Per Share	($0.11)	($0.04)	($0.09)	($0.28)	($0.01)	$0.11	($0.12)	$0.52
Shareholders' Equity	$25,374,742	$13,606,074	$13,565,387	$13,793,149	$14,326,086	$14,410,546	$14,190,817	$14,575,540
Equity per Class A Share	$4.81	$4.90	$4.88	$4.96	$5.16	$5.19	$5.11	$5.25
Equity per Class B Share	$4.88	$4.90	$4.88	$4.96	$5.16	$5.19	$5.11	$5.25

The variations shown in the table above relate to the timing of investment decisions and do not reflect any general trends or seasonality. For each quarterly period, the financial data has been prepared in accordance with IFRS and the Canadian Dollar has been the presentation and functional currency.

Discussion of Operations

See "Investment Activity and Performance" above.

CSOC Tax Status

On September 4, 2018, Canso Select Opportunities Fund (the "Fund") completed a plan of arrangement (the "Arrangement") with the Corporation whereby the Corporation issued Class A Multiple Voting Shares and Class B Subordinate Voting Shares of CSOC in exchange for the outstanding units of the Fund and the Fund became a wholly-owned investment of CSOC.

The Fund has a pool of tax loss carry forwards that can be utilized to shelter gains of the Fund so long as the trust continues to be maintained and certain other conditions are met. If the Fund were to be wound-up into CSOC at a time when it had losses, such losses would expire unutilized. Consequently, the current intention is to maintain the continued existence of the Fund until such time as all or substantially all of the losses of the Fund are utilized, or so long as the benefits associated with maintaining and utilizing such losses (e.g., current and potential cash tax savings) outweighs the cost of maintaining the Fund. As the holding period for many of these investments of the Fund is measured in years, and the Fund has tax losses, the "transitional period" could be a year or more. Any new investments will be made directly by CSOC.

Liquidity

Liquidity risk is managed by maintaining a portion of the Corporation's assets in investments traded in an active market that can be readily sold. All liabilities of the Corporation are due within one year.

The securities of the Corporation are listed on the TSX Venture Exchange under the ticker CSOC.A and CSOC.B.

Subsequent Events

The company received a $175,000 dividend payment from Lysander Funds in May 2023.

Capital Resources

CSOC has no commitments for any capital expenditures as of March 31, 2023.

Off-Balance Sheet Arrangements

CSOC does not have any off-balance sheet arrangements.

Changes in Accounting Policies Including Initial Adoption

There were no changes during the period ending March 31, 2023 to the Corporation's accounting policies. The Corporation's accounting policies for its financial instruments are disclosed in detail in Note 2 of the Annual Audited Financial Statements.

Financial Instruments and Other Instruments

For the period ended March 31, 2023, CSOC continued to have the capability to hold derivatives and short positions in an investment portfolio in accordance with its investment mandate. However, at quarter-end no short positions were held and CSOC held two warrants that were issued by the respective companies. The list of all associated risks is disclosed in detail in Notes 3 and Note 10 of the 2022 Annual Audited Financial Statements.

Transactions between Related Parties

On August 1, 2018, CSOC entered into an operational services agreement with Canso Investment Counsel Ltd. ("Canso"). The operational services agreement sets out that Canso will provide the day-to-day operational services to carry out the business affairs of CSOC. Under the terms of the agreement, until August 1, 2022, no fees are payable for services provided by Canso to CSOC. On August 1, 2022, this arrangement was extended for a further 12 months. There were no management fees charged for the quarter ended March 31, 2023. No management fees have been charged since the completion of the Arrangement on September 4, 2018.

Disclosure of Outstanding Share Data

As at March 31, 2023, there were 1,611,460 Class A Shares and 3,606,977 Class B Shares of the Corporation outstanding.

Litigation

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a determination could adversely affect the Corporation's performance and the market price for the Corporation's securities.

In August 2021, a proposed class action complaint was brought in the Superior Court of the State of California relating to the sale of BZ Holdings, Inc. ("**BZ**"), a Delaware corporation, to Centerfield Media Parent, Inc., which was accomplished by merger approved by BZ's board of directors in December 2020. The proposed representative plaintiffs are three former common shareholders of BZ, purporting to represent a class of other common shareholders. As a result of the merger transaction, which was managed and approved by a special committee of the BZ board of directors, who were advised by sophisticated U.S. legal counsel and an investment banking advisor, the preferred shareholders recovered some, but not all of their investments, and the common shareholders did not receive any compensation. The defendants named in the complaint are BZ's board of directors, certain officers of BZ, BZ's financial adviser, and certain preferred shareholders who the plaintiffs allege promoted and approved the merger. CSOC, was a preferred shareholder of BZ and CDS & Co. is named in the complaint as the registered holder of CSOC's preferred shares. CDS & Co. has not been served with the complaint. Upon motions by the other defendants, on February 22, 2022, the court stayed the lawsuit on jurisdictional grounds. The Corporation denies the allegations in the complaint and, if necessary, will vigorously defend the action.

Other MD&A Requirements

Additional information relating to the Corporation is available on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words “seeks”, “expects”, “believes”, “estimates”, “will”, “target” and similar expressions. The forward-looking statements reflect the current expectations of CSOC regarding future results or events and are based on information currently available to it. Certain material factors and reasonable assumptions were applied in providing these forward-looking statements. All forward looking statements in this press release are qualified by these cautionary statements. CSOC believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, CSOC can give no assurances that the actual results or developments will be realized. These forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. CSOC undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this report.

Additional information about CSOC is available under its SEDAR profile at www.sedar.com.