



Canso Select Opportunities Corporation

March 26, 2025

CSOC Shareholders ...

It is my pleasure to provide you with the 2024 Annual Report of Canso Select Opportunities Corporation ("CSOC").

After two years at the helm, Joe Morin announced his intention to retire as Chief Executive Officer ("CEO") and President at the end of 2024. Joe has been both a longtime friend and mentor. I worked for over a decade by his side at Canso Investment Counsel Ltd. ("CIC"), a member of the Canso Group of Companies, where he played a large role in my development as a research analyst and portfolio manager. Joe's expertise provided leadership to our investment team and his spirit from his days as a Lieutenant in the Royal Canadian Navy emerged at every corporate outing. Fortunately, he has offered me an open invite to catch up on the golf course. I hope that his swing improves in retirement, though I have my doubts.

Joe will be a tough act to follow. In his time as CEO, he grew CSOC's book value per share from \$4.90 to \$7.51, a compounded annual rate of 23.8%.

Core Position in Lysander Funds Limited

A significant portion of this growth came from CSOC's acquisition of a minority stake in Lysander Funds Limited ("Lysander"), a member of the Canso Group of Companies. Founded in 2009, Lysander is an Investment Fund Manager offering funds primarily throughout the Canadian investment dealer and advisor channel. CIC is the portfolio manager of its largest fund, the Lysander-Canso Corporate Value Fund.

On January 13, 2023, CSOC made a \$12.25 million all-stock purchase of Lysander Class A common shares. This transaction contemplated a Lysander price per share of \$175. Over the past 2 years, Lysander has doubled its assets under management from approximately \$10 billion to \$20 billion, resulting in significant growth in both revenue and operating income. The Lysander shares held by CSOC are now valued at \$21.7 million, or \$310 per share. CSOC also received the benefit of \$1.83 million of dividends from Lysander over this period. At its current valuation, Lysander shares represent 53.3% of CSOC's total assets. We view the Lysander shares as our core position, which will remain the most important driver of shareholder value for the foreseeable future.

Share Price to Book Value Differential

The positive underlying performance of CSOC has not been met with equal enthusiasm by "Mr. Market." There is a growing disconnect between CSOC's per share book value and the price at which the stock trades on the TSX Venture Exchange. CSOC's Class A Multiple Voting Shares and CSOC's Class B Subordinate Voting Shares closed the year at \$2.50 and \$2.39 respectively, while the book value per share at year end was \$7.51. In aggregate terms, CSOC's book value totaled \$39.2 million at year end, while its market capitalization was \$12.64 million.

There is no rule that public shares must trade at their accounting book value. Oftentimes there is good reason to ignore misleading balance sheet items. However, in the case of CSOC, we think book value is a useful gauge in assessing the fair value of our business.

61% of our assets, valued at \$24.8 million, are private. These assets require a certain degree of subjective judgement in assessing their fair value. We rely on a third party, Blair Franklin, to value the shares of our



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largest private investment: Lysander. Again, Lysander shares represent 53.3% of our total assets. For the remaining 7.7% of our private investments, we employ widely used valuation techniques to determine their fair value.

Publicly traded investments represent 38% of our assets. These are traditional stocks, bonds and preferred shares that trade in a market where prices are observable.

The value of CSOC's publicly traded securities totaled approximately \$15.5 million at year end. Consider that the value of these assets alone is higher than CSOC's entire market capitalization of \$12.64 million. This suggests that the value "Mr. Market" assigns to securities represented by 11 private companies, including Lysander which has a dividend payout currently delivering \$980,000 per annum to CSOC, is less than zero dollars.

We understand the frustration of our shareholders concerning this differential. CSOC shares, like many publicly listed companies on the TSX Venture Exchange, do not have a large following of analysts offering research and investment recommendations. Individuals must discover and understand CSOC largely for themselves. I hope to put forth, in this letter and future shareholder communications, the requisite information to facilitate a clear understanding of CSOC and its value proposition.

Background on Canso Group of Companies

In this vein, I believe it is integral that investors have a clear understanding of CSOC's history, ownership and position within what we refer to as the Canso Group of Companies.

CIC, Lysander and CSOC are all part of the Canso Group of Companies. There are more companies that make up this group, but they are of little significance to shareholders of CSOC. John Carswell is the beneficial majority owner of all three companies.

CIC was founded in 1997 by John Carswell. CIC is one of Canada's largest independent specialty managers of corporate bond portfolios for some of Canada's most sophisticated investors. CIC has a strong historical investment track record. Additional details about CIC can be found on its website:

<https://www.cansofunds.com/>

Lysander was founded in 2009 by John Carswell and others. Lysander is a Canadian Investment Fund Manager that distributes funds managed by partner portfolio managers. The largest of these partner portfolio managers is CIC, which manages a variety of funds for Lysander. Additional details about Lysander can be found on its website: <https://www.lysanderfunds.com/>

CSOC was created from the conversion of a closed-end fund managed by Lysander (CIC was the portfolio manager to the closed-end fund). The predecessor fund was called Canso Select Opportunities Fund ("CSOF"). In late 2018, CSOF was converted into its current form, CSOC, as a publicly listed corporation on the TSX Venture Exchange. The rationale for the conversion was to create a clear path to value recognition for several of the less liquid holdings in CSOF, which were being jeopardized by the fund's annual redemption feature. As a publicly traded company, CSOC would be able to establish a permanent base of capital from which to grow.

Also in 2018, CSOC entered into an operational services agreement with CIC. The agreement sets out that CIC will provide the day-to-day operational services to carry out the business affairs of CSOC. All CSOC's investment decisions are made by CSOC's Investment Committee.



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Objective

We will continue to focus on our objective of creating long-term value for our shareholders. Consistent with this mission, CSOC's Investment Committee evaluates potential investments in public & private equities, debt and other securities. The deployment of funds to new investments depends on the valuation of the new investment opportunities and the availability of capital generated from income or the realization of proceeds from existing portfolio investments. We believe there are always attractive opportunities, irrespective of market conditions, and individual security selection remains paramount to the long-term success of the company.

I would like to thank the Officers and Directors of CSOC for their efforts on behalf of CSOC and CSOC shareholders this past year. I would also like to thank all of you for your interest in, and support of, Canso Select Opportunities Corporation.

Sincerely,

(signed) "Jason Bell"

Jason Bell
President and CEO

Forward-Looking Statements

Certain information contained in this Annual Report constitutes forward-looking information, which is information relating to possible events, conditions or results of operations of CSOC, which are based on assumptions about future economic conditions and courses of action and which are inherently uncertain. All information other than statements of historical fact may be forward-looking information. For important information regarding forward- looking statements, please refer to CSOC's most recently filed MD&A under the heading "Forward-Looking Statements".