

Lysander-Triasima All Country Equity Fund

Third Quarter 2022 Commentary

The economy

Elevated inflation is the dominant macroeconomic theme currently. It is the result of former easy monetary policies, a tight labour market and lingering pandemic disruptions to supply chains.

Central bankers have become steadfast in their desire to quell high inflation levels and are increasing overnight interest rates, even in Europe. Short and mid-term rates have risen alongside, and yield curves have become inverted in North America.


Economic growth is hindered by this high inflation and the rising rates. Households suffer from falling real disposable income while companies face higher costs and diminishing demand.


The latter are now demonstrating prudence in their forward guidance. The economic slowdown has spread out and many countries are probably already in recession.

The tight labour market in North America is beginning to lead to higher unit labour costs. The current positive employment situation lags economic conditions, however, and may soon begin to reverse. Key signs include routine layoffs and hiring freezes. Elsewhere, in Europe and in emerging countries, the labour market is already softer.

The Russia-Ukraine conflict carries on. Its main effects are high energy prices in Europe and heightened geopolitical uncertainty. Meanwhile, the COVID pandemic has receded in the background, with a residual impact on some services industries.

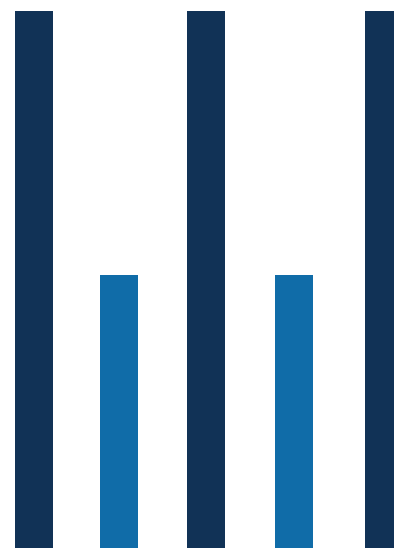
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Lysander-Triasima
All Country Equity Fund



The world equity market

The MSCI All Country World Equity Index (CAD)* (the Index or the benchmark) had a 0.0% return this quarter.

Sector returns were clustered, ranging from negative single digits for the interest-sensitive sectors such as Communication Services, Utilities, and Real Estate to low positive single digits. Energy was the best performing sector due to firm energy prices this year.

Regionally, emerging markets were negatively impacted by the strong American dollar, high interest rates, and global slowdown. Europe is hampered by the high cost of energy and rising inflation. The United States is the only major region posting a positive return, largely due to the strength of its economy and labour market, and because of its index composition. The latter has heavy weightings in the Health Care, Information Technology and Consumer sectors.

**The Index is comprised of equity securities of large- and mid-cap companies from developed and emerging markets.*

Lysander-Triasima All Country Equity Fund (the “Fund”)

This quarter, sector allocation impact was neutral to relative performance. Security selection provided the added value, with most sectors contributing positively and no large detractor.

Main security contributors to absolute performance:

Positive Impact	Negative Impact
Unum Group	Verde AgriTech Ltd.
H&R Block Inc.	GSK Plc ADR
Sociedad Quimica Y Minera Chile	Apple Inc.*
Marathon Petroleum Corp	Nvidia Corp.
CF Industries Holdings Inc.	Koninklijke KPN NV

**Apple Inc. was not held in the Fund's portfolio but was in the Index during the quarter. Not holding Apple Inc. had a negative impact on the Fund's performance relative to the Index.*

The Fund's portfolio continued to be tilted away from resources and cyclical companies. Net sales were recorded in the Energy, Materials, Communication Services, and Real Estate sectors. The growth factor exposure was also reduced through Technology holdings sales. Conversely, defensive companies or with stable operations were added to in the Financials and the two Consumer sectors.

At quarter-end, the Fund's portfolio structure at the sector level shows large overweight positions in the defensive Health Care sector, and in Industrials. A large underweight is being maintained in the growth-oriented Information Technology sector while interest rates are rising.

The Three-Pillar Approach™

On the **quantitative** side, combining the Long and Short positions, the Fund's portfolio has better parameters and factors exposure relative to the MSCI ACWI, with two exceptions. Profitability level is in line and revenue growth is lower.

The world equity market's negative **trend** continued this quarter. Defensive factors such as dividends, value, and profitability outperformed the growth and volatility factors.

The **fundamental** background to world equities deteriorated further due to elevated inflation and rising interest rates. Slowing economies and lower expected corporate earnings point to poor outlooks in the short term and for 2022.

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The MSCI All Country World (CAD) Index represents performance of the full opportunity set of large and mid-cap stocks across 23 developed and 24 emerging markets.

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