

# Lysander-Triasima All Country Long/Short Fund

## Fourth Quarter Commentary

### The economy

Inflation and the concomitant rise in interest rates were this year's dominant macroeconomic themes.

They hindered economic growth, and a worldwide slowdown has developed. Households suffer from real disposable income falling and consumer credit has risen above pre-COVID levels. Consumer confidence levels are low. Companies face higher costs and stagnating demand.

In many countries, inflation peaked midyear 2022 and began to fade thereafter, while long-term interest rates have been steady since then in North America. The slowdown is the main reason. The easing of the pandemic disruptions is also helping: a more balanced labour market, normalizing supply chains, and less generous fiscal policies are easing the cost pressures.

Despite lower inflation readings, central banks in Europe, Canada and the United States have continued raising their respective overnight rates this quarter in order to slow down economic growth and weaken the strong labour market. The objective is to lower aggregate demand and reduce inflation.

The COVID pandemic has now receded in the background, and the Russia-Ukraine conflict is moving that way too.

### The world equity market

The MSCI All Country World Equity Index (CAD)\* (the Index or the benchmark) had a 7.6% return this quarter but lost 12.8% this year.

All sectors provided a good return this quarter apart from Consumer Discretionary (-3%) and Communication Services (0%). The first sector was dragged down by two pandemic beneficiaries, Amazon (-27%) and Tesla (-54%), and the second by Alphabet (-8%) and Meta Platform (-11%). The Information Technology sector (4%) was also a laggard. Outsized increases in IT spending by corporations during the pandemic are moderating.

### TRIASIMA PORTFOLIO MANAGEMENT

**André Chabot,**  
Portfolio Manager

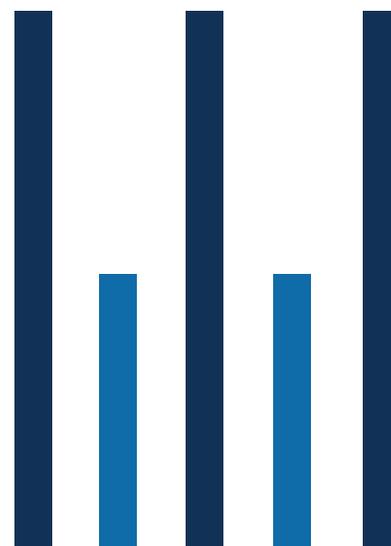
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### LYZ531F

Lysander-Triasima  
All Country Long/Short  
Equity Fund



Natural resources prices were firm due to a decline in the American currency. The Energy sector (+15%) benefited from this. In the Industrials sector (+15%), many companies grew or were able to pass on price increases to their customers.

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

### **Lysander-Triasima All Country Long/Short Equity Fund (the “Fund”)**

Short positions were reduced in the Fund’s portfolio during the quarter alongside the strong equity market, from approximately 44% to approximately 40% of net asset value. As a reminder, Short positions were kept nearer the 50% maximum permitted under securities regulations in the first half of the year when the equity markets were falling. The important Short/Long ratio fell commensurately, from 39% to 35%.

The net weightings of the Industrials, Financials and Information Technology sectors were increased while the exposures to Materials and Real Estate names were reduced. In Industrials and Financials especially, a number of shorts positions were eliminated. The Fundamental situation for many industrials companies seem to have troughed while profit taking was the reason for the short covering in Financials. In Information Technology, the Fund went from a nil exposure to a net long position. In Materials, mostly chemicals names were sold or sold short while positions in Real Estate commercial real estate companies such as Allied Properties and Colliers were sold short. In our view, office real estate will continue to operate in a difficult environment given the new working from home environment and reduced demand for office space.

At the sector level, at quarter-end, the Fund’s portfolio has large (over 8%) underweights relative to the MSCI ACWI sector weights for the Communication Services and Technology sectors; the former even having a net short status.

### **The Three-Pillar Approach™**

On the **quantitative** side, by combining the Long and Short positions, the Fund’s portfolio has lower risk and valuation parameters, and higher expectations, and revenue and profits growth metrics than the MSCI ACWI.

The world equity **trend** is still negative but is approaching a sideways status. In a complete reversal from the third quarter, the Value factor strongly outperformed during the last quarter while the Momentum and Growth factors underperformed.

The heretofore deteriorating **fundamental** background to equities has eased somewhat. Profitability expectations are falling but recently stable long-term interest rates are largely offsetting this. Nonetheless, the outlook is still poor in the short term.

# Lysander Funds Limited

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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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