


Patient Capital Quarterly Commentary

The first quarter of 2023 saw global equity markets continue their positive momentum. The MSCI (USD) World Index rose 7.88%¹, the S&P 500 (USD) posted a positive return of 7.50%² and the S&P/TSX Composite Index increased 4.55%³ during the quarter.

For the one year period ending March 31, 2023, the MSCI (USD) World Index, S&P 500 (USD) and S&P/TSX Composite Index declined -6.54%, -7.73% and -5.17% respectively. Recently, we have added to several positions as equity investors have once again become concerned about rising interest rates.

Recent headlines have focused on a potential banking crisis. Silicon Valley Bank, (SVB) a California based bank catering to the high technology industry, was declared insolvent and failed. This bank failure was the largest since the financial crisis of 2008. SVB essentially failed because management invested in long dated bonds that dropped dramatically in value as interest rates rose. The large bond losses led to a capital deficiency and subsequent run on deposits. Subsequently, Credit Suisse, a Swiss bank, also lost investor confidence and had to be bailed out by its larger rival, UBS, and the Swiss government.

PATIENT CAPITAL MANAGEMENT INC.

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LYZ905

Lysander-Patient Capital
Equity Fund



Equity markets reacted negatively as developments have unfolded at SVB and Credit Suisse. Investors fear that contagion may spread and that we may be on the verge of another financial crisis. We do not believe that we are on the brink of a widespread banking crisis. SVB appears to be an isolated case of a bad risk management policy and not large credit losses. In addition, the U.S. government has effectively guaranteed all deposits further limiting the potential for a broad-based run-on banks. Global central banks have also intervened in financial markets and guaranteed depositors to ensure that these isolated incidents do not metastasize into a global contagion.

Inflation remains a concern. Various economic data points provided differing insights on the increase in the rate of inflation. February and March data indicate that inflation pressures seem to be waning. However, this slowing rate of inflation was largely the result of lower energy prices. Underlying inflation, particularly in food and services, remains stubbornly high. These persistent price increases for basic goods and services indicate that the central bank is having a challenging time cooling inflation. As a result, there are expectations for further rate increases in 2023.

Lysander-Patient Capital Equity Fund continues to be well positioned for current market conditions. As of March 31st, 2023, the portfolio yield was 4.45% and other valuation statistics were more attractive than both the S&P/TSX Composite and S&P 500.

1. Source: MSCI.
2. Source: S&P.
3. Source: S&P/TSX.

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The indices are used for broad market performance comparisons. The S&P 500 Index tracks the stock performance of 500 large companies listed on exchanges in the United States. The S&P/TSX Composite Index is comprised of a basket of Canadian equities. The indices are presented on a total return basis.

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