


Patient Capital Quarterly Commentary

Equity markets continued their upward trend in the fourth quarter of 2023. Optimism was largely based on the expectation that Central Bankers had concluded their interest rate hikes and inflation was on its way to the two percent target rate. Investors drove equity prices up as they anticipate several interest rates cuts in 2024.

Artificial Intelligence (AI) was a significant driver of market sentiment. The shares of companies that had direct or indirect exposure to AI increased in value dramatically. The perceived benefits of AI along with the expected decline in interest rates propelled several large technology companies to extremely high valuations. Indeed, a significant percentage of the increase in the S&P 500 and MSCI World Index was due to substantial price increase by just a few high technology companies: Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla. These seven companies, dubbed the “Magnificent Seven” accounted for approximately 77% of S&P 500’s index’s advance in 2023.¹

In the U.S., fourth quarter real gross domestic product (GDP) increased at an annual rate of 3.3 percent in the fourth quarter of 2023 exceeding expectations. Personal income increased by 0.4% in November 2023.² The strong employment environment and increasing personal income resulted in robust consumer spending.

PATIENT CAPITAL MANAGEMENT INC.

Vito Maida,
Portfolio Manager
[LinkedIn Profile](#) 

[LYZ905](#)
Lysander-Patient Capital
Equity Fund



In Canada economic growth was muted. Canada's economy put on the brakes in the final three months of 2023 as a sharp slowdown in business inventory-building countered an improvement in net trade and a modest recovery in household spending. The performance was below market expectations for an advance of 1.6% for the latest quarter.³

While inflation was a concern at the start of the year, the rate of inflation cooled significantly as 2023 came to an end. The Federal Reserve acknowledged that the rise in interest rates was starting to take effect leading some Central Bankers to suggest there could be a pause in interest rate increases in 2024. Equity investors jumped on these remarks and began to believe that inflation would fall to the two per cent target rate and interest rates would fall in 2024. As well, investors now believe that a “soft economic landing” or a mild recession will occur in 2024. Consequently, equity markets experienced strong returns in 2023.

During the fourth quarter, Lysander-Patient Capital Equity Fund (the “Fund”) increased its positions in BCE Inc., Bank of Nova Scotia, CIBC, Canadian Utilities, Firm Capital Property Trust, and Linamar. A new position in Firm Capital Investment Trust was established.

The Fund continues to be well positioned for current market conditions. In our view, the Fund’s value-based investment philosophy will stand up well as interest rates normalize and valuations return to historical means.

1. Source: *Forbes*, Jan 22, 2024.

2. Source: www.bea.gov

3. Source: www.150.statcan.gc.ca

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Lysander Funds Limited

WWW.LYSANDERFUNDS.COM

TORONTO

4000-3080 Yonge Street
Toronto, Ontario, M4N 3N1

Phone +1-416-640-4275

Toll Free +1-877-308-6979

Fax +1-416-855-6515

Email manager@lysanderfunds.com

Follow Us on [LinkedIn](#)



VANCOUVER

Pacific Centre

1500-701 West Georgia Street
Vancouver, BC, V7Y 1C6

Phone (778) 819-1193

MONTRÉAL

3150-1 Place Ville Marie
Montréal, QC, H3B 3Y2

Phone +1-514-316-9257