

# Patient Capital Quarterly Commentary

North American equity markets delivered robust, though volatile, performance through the second quarter of 2025, buoyed by resilient economic data, moderating inflation, and increasing investor confidence in a potential soft landing. Despite a sharp sell-off in April triggered by U.S. tariff escalations, markets rebounded strongly through May and June as trade tensions eased, and economic data stabilized. By June 30, 2025 the S&P 500 Index and TSX Composite Index posted positive gains, with both U.S. and Canadian indices reaching record highs. Despite these advances, market leadership remained narrow, with large-cap technology and AI-driven names continuing to dominate returns. The Canadian equity market was lifted by broad-based gains across financial, industrial, and consumer sectors.

Economic data released in the second quarter was mixed. In the United States, first quarter GDP figures confirmed a  $-0.5\%^1$  contraction, due to a surge in imports ahead of proposed tariff increases. However, underlying demand remained resilient, with consumer spending and business investment showing signs of strength. In contrast, Canada's first quarter GDP surprised to the upside at  $+2.2\%^2$ , although forward indicators suggested slower momentum heading into the summer.



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Lysander-Patient Capital  
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Markets were buoyed by the sharp decline in inflation across both economies. U.S. CPI fell to 2.4%<sup>3</sup> year-over-year by May 2025, with core inflation continuing to trend lower. In Canada, headline inflation dropped to 1.7%<sup>4</sup>, below the Bank of Canada's 2% target. The rapid disinflation bolstered expectations that central banks were nearing the end of their tightening cycles.

Monetary policy dynamics began to change. While the Federal Reserve held its policy steady at 5.25%<sup>5</sup>, it signaled two potential rate cuts in the second half if inflation remained under control. The Bank of Canada, having already cut rates to 2.75%<sup>6</sup> in the first quarter, maintained that level through the second quarter but suggested further easing was likely.

Investor sentiment was also boosted by the de-escalation of April's tariff shock. After initially announcing sweeping trade measures, the U.S. implemented a 90-day tariff pause in late April 2025 and re-entered negotiations with major partners, including Canada and Mexico. The other significant event during the second quarter was the conflict in the Middle East. . In our opinion, the potential risks of these developments were absorbed by investors as markets ploughed through concerns about trade wars, strained supply chains and significantly higher oil prices.

Lysander-Patient Capital Equity Fund (the "Fund") continues to be well positioned for current market conditions, and we believe the Fund will weather the existing uncertainty created by potential tariffs. The Fund's large cash balances provide a store of wealth and give the opportunity to buy high quality businesses at attractive prices should markets become extremely volatile.

1. Source: U.S. Bureau of Economic Analysis
2. Source: Bank of Canada
3. Source: U.S. Bureau of Economic Analysis
4. Source: Bank of Canada
5. Source: Federal Reserve Board
6. Source: Bank of Canada



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The S&P/TSX Composite Total Return Index is comprised of equity securities of some of the largest companies in Canada. The S&P 500 Index tracks the stock performance of 500 large companies listed on exchanges in the United States. An investor cannot invest directly in an index.

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