LYSANDER FUNDS

Q2 2026

Patient Capital Quarterly Commentary

Market Review

Financial markets delivered strong results in the first half of 2026. Equities sold off sharply in the first quarter following the outbreak of the U.S.–Iran war in late February, then rebounded strongly in the second quarter as tensions in the Middle East eased and enthusiasm returned over the growth potential of artificial intelligence. The S&P 500 Index finished the first half with a total return of 10.2%.[1]

The S&P/TSX Composite Total Return Index rose 11.16% over the same period,[2] with energy, financials, and utilities each posting double-digit gains. Canada's heavy weighting in energy and materials proved an advantage in a period defined by elevated commodity prices.

Economic Backdrop

The U.S. economy remained resilient. Real GDP grew at an annual rate of 2.1% in the first quarter,[3] a marked acceleration from 0.5% in the fourth quarter of 2025.[4] Job growth remained steady, and the unemployment rate stood at 4.2%.[5]

The Canadian economy continued its slow adjustment to U.S. tariffs and trade uncertainty. After contracting in the fourth quarter of 2025, growth resumed in early 2026. The labour market remained soft, however, with the unemployment rate holding in the 6.5%–7% range.[6]

[1] Source: S&P Dow Jones Indices.
[2] Source: S&P/TSX.
[3] Source: U.S. Bureau of Economic Analysis.
[4] Source: U.S. Bureau of Economic Analysis.
[5] Source: U.S. Bureau of Labor Statistics.
[6] Source: Statistics Canada.

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PATIENT CAPITAL MANAGEMENT INC.

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LYZ905
Lysander-Patient Capital Equity Fund

Valuations and the Outlook for Returns

The table below highlights the returns that equity markets would need to generate in order to return to a normalized equity return of 7.5% following several years of above-average performance. In short, based on the assumptions underlying the table below, returns over the next five- and ten-year periods could be lower than those of the recent past. Alternatively, based on the same assumptions, the table suggests that markets would need to decline from current levels to restore the normalized rate over a shorter horizon.

Future TSX Total Return Required for Reversion to Long-Term Average 7.5% Return

Assumptions used: Current TSX Total Return Index level = 148,898.98 as of May 31, 2026; long-term annualized target return = 7.5%; all stated return figures are treated as annualized.

Required Future Annualized Returns to Bring Combined Period Back to 7.5%

Past Period	Past annualized return	Future period tested	Required future annualized return	Combined period target	Interpretation
Past 5 years	15.30%	Next 3 years	-4.35%	8-year annualized return = 7.5%	Because the prior 5-year return was high, the TSX would need to decline annually over the next 3 years to bring the full 8-year period back to 7.5%
Past 5 years	15.30%	Next 5 years	0.23%	10-year annualized return = 7.5%	A nearly flat next 5 years would bring the combined 10-year period back to the 7.5% average.
Past 5 years	15.30%	Next 10 years	3.80%	15-year annualized return = 7.5%	The longer the future period, the less severe the required mean reversion.
Past 10 years	12.95%	Next 10 years	2.31%	20-year annualized return = 7.5%	After a strong decade, the following decade would need to be weak for the full 20-year period to average 7.5%.

Key Takeaway: *The TSX Total Return Index has materially exceeded its 7.5% long-term average over the recent trailing periods discussed. In order to get back to its long-term average, the TSX would have to post substantially below average returns over the next three-, five-, and ten-year periods.*

Index Level Drops Needed to Reset Trailing Annualized Returns to 7.5%

Trailing Period	Current index level	Current trailing annualized return	Target annualized return	Required index level	Point decline	Percentage decline
3 years	148,898.98	24.63%	7.5%	95,554.10	53,344.88	-35.83%
5 years	148,898.98	15.30%	7.5%	104,902.90	43,996.08	-29.55%
10 years	148,898.98	12.95%	7.5%	90,789.76	58,109.22	-39.03%

Key Takeaway: *The TSX Total Return Index has materially exceeded its 7.5% long-term average over the recent trailing periods discussed. To reset the trailing 3-, 5-, or 10-year annualized returns back to 7.5% immediately, the required one-time decline would range from roughly 30% to 39%, depending on the measurement period.*

Source: S&P Global

Historically, after extended periods of strong equity market performance culminating in extreme valuations, long-term value-based investment strategies have outperformed equity indices on both an absolute and a relative basis. If future growth falls below expectations and equity market returns normalize, investors may once again focus on quality businesses—those generating sustainable profits and cash flows—trading at reasonable valuations.

Portfolio Positioning

In our view, Lysander-Patient Capital Equity Fund (the "Fund") continues to be well positioned for current market conditions. As of June 30, 2026, the dividend yield on the Fund's equity holdings was **5.06%**, and the total portfolio yield was **4.34%**. The portfolio's overall characteristics also compare favourably to major benchmarks such as the S&P 500 Index and the S&P/TSX Composite Total Return Index. We believe the Fund's value-based investment philosophy will serve investors well as market returns normalize and valuations revert to historical means.

Disclaimers

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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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