



LIONRIDGE

QUARTERLY REPORT

The Power of a Disciplined Philosophy

Hardev Bains, LLB, MBA, CFA
President & Portfolio Manager

Dear Clients,

I just finished attending the annual general meeting of Fairfax Financial, one of our core holdings. Fairfax is a great example of what I look for in an investee company; management that emphasizes long term value creation for shareholders over trying to manage short term earnings. Fairfax is run by Mr. Prem Watsa, a dedicated value investor who has built a commercial insurance company that focuses on disciplined underwriting and effective investment of insurance assets – all with a primary objective of increasing shareholder wealth.

There are a lot of parallels to the way Fairfax is run and the way that I manage money. By having a defined philosophy and sticking with it diligently, Fairfax has done a great job of building its shareholders' wealth over time. In my opinion, they have always been clear in defining and explaining their approach, and have impressed their core constituency of shareholders by sticking with their plan and being consistent. Having the discipline to ignore the pressures to manage short term earnings that are typically placed on public companies has been a key factor to their success.

This is the advantage I have by practicing investing in an independent environment, with no pressures to be promoting flavour of the day investments that might be popular at certain points in time. The end of March, 2015, marked four years since Lionridge launched its Total Equity Portfolio. I've been very pleased with the results, having achieved my dual objectives of outperforming my benchmark* while exposing you to lower risk (as evidenced by lower downside volatility)**.

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When I started managing your money, I tried to be very clear on how I was going to do it. I explained that I concentrate my equity portfolio in a select number of companies that are anticipated to provide good performance over time. I

explained that I only invest in these companies at prices that provide good upside potential. I explained that I manage your risk by investing in companies with sound balance sheets and attractive business dynamics. I explained that a primary objective of my approach is the protection of your capital, and at times I might forego the potential for short term gains to achieve this (for example, by allowing cash to build up during times of expensive markets and by avoiding high-flying “glamour” stocks).

I have remained consistent with this approach and this has been a major factor in the results we have enjoyed. I'm honoured and grateful that you have given me the opportunity to achieve this for you, and look forward to the continued opportunity to strive to grow your wealth and protect your wealth. ■

At Your Service,
Hardev Bains, LLB, MBA, CFA
President and Portfolio Manager

*Benchmark: 45% TSX Total Return; 35% S&P 500 Total Return (Cdn \$); 20% MSCI EAFE (Cdn \$).

**The inception date of the Total Equity Portfolio was March 30, 2011.

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