



LIONRIDGE

QUARTERLY REPORT

A Good Year Behind Us, But Focused on the Long Game

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

I'm happy to report that 2014 was a strong year for Lionridge's Total Equity Portfolio, with an annual gain of 17.0%*** as compared to 13.8% for its benchmark*. This was a pleasant surprise given the high levels of cash in the portfolio throughout the year (ending at over 30%). That said, in the field of equity investing it is long term returns that are more meaningful. Furthermore, I have always subscribed to the belief that a focus on short term returns can be counterproductive, and is one of the big flaws inherent in the investment industry. The Total Equity Portfolio has performed well over the long term, with an annualized return since inception** of 14% compared to 10.7% for its benchmark*. More importantly, I've achieved this return for you while exposing you to lower downside volatility than the broader markets. Managing risk and protecting your capital are cornerstones of my investment approach.

Fortunately for you, the portfolio did not hold any energy related stocks last year. That sector was hit hard with the drop in oil prices. This avoidance was not due to any prescient call on the energy markets on my part, but was simply due to the fact that my criteria did not call for the inclusion of energy stocks. Given the inherent volatility in energy prices, I believe that a particularly wide margin of safety is required when investing in this sector. If prices of energy-related stocks continue to decline, some might

warrant serious consideration.

Into the early weeks of this new year, stock markets have been seeing another round of volatility tending to the downside. Although it may always sound counter-intuitive, you should welcome a meaningful decline in stock prices.

“

a focus on short term returns can be counterproductive, and is one of the big flaws inherent in the investment industry.

”

Rising markets prompted me to sell certain positions that I believed had become expensive, and at the same time have not made available the type of opportunities that meet my criteria with respect to pricing and quality. As a result, the level of cash in the Total Equity Portfolio rose to its current high level. I look forward to opportunities to deploy this cash into stocks that can provide the potential for lucrative gains in a manner that helps mitigate your risk, and have been waiting patiently for them.

In such a scenario, the stocks currently held in the portfolio

are likely to fall in price as well. It is only that portion of your wealth that you don't need to draw upon for several years, however, that I have allocated to stocks. Downward fluctuations in your stock portfolio will therefore not affect your long term goals, and can enhance the potential for long term growth in your capital by making more attractive opportunities available which I can take advantage of with all of this cash.

Effectively investing in equities requires a certain level of technical skill, experience and diligence. All of this can be for naught, however, if these attributes are not combined with the patience, discipline, and ability to take a long term perspective in markets that tend to be focused on the short term. This level of care serves you and myself: as I too am personally invested in the Total Equity Portfolio, our interests are always aligned. ■

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.

***The content of this report is intended for information purposes only and does not constitute an offer to buy or sell our products or services nor is it intended as investment and/or financial advice on any subject matter. Every effort has been made to ensure the accuracy of the contents of this report. Performance reports may be compiled utilizing information provided by third party sources. Every effort has been made to ensure the accuracy of such third party information but such information cannot be guaranteed to be accurate. The opinions, estimates and projections contained in this document are those of the author as of the dates indicated and are subject to change. The performance returns are before the deduction of any fees and are not guaranteed. The Total Equity Portfolio returns are a composite of all client accounts invested in that mandate, calculated on a monthly weighted average basis. Individual client account returns will vary from the returns of the Total Equity Portfolio. Values change frequently and past performance may not be repeated. Further details about investment returns are available upon request.

