



LIONRIDGE

QUARTERLY REPORT

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Staying the Course, and Acting on Opportunities

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

By logical measures, stock markets remain richly valued overall. Our cash position remains high in our equity portfolios. As I've said in the past, we are prepared to take advantage of attractive opportunities to deploy some of this cash whenever they present themselves, regardless of where market valuations stand. Since the start of this quarter we have acted on a couple of such opportunities.

Manulife is one of our new holdings. A long standing Canadian company, it is one of the largest life insurance companies internationally, with the majority of its business being done outside of Canada. Its significant Asian operations give it exposure to fast growing regions in that part of the world.

Manulife fell out of favour after the financial crisis of 2008/2009. It had been underwriting lucrative insurance products with guarantees based on financial market values, but had not properly hedged the associated risk (in the interest of maximizing earnings). This mismanagement resulted in huge losses for the company after global stock market values fell dramatically during that period. New management subsequently reversed those practices and has taken necessary measures to help prevent such occurrences in the future.

Since that time Manulife has steadily grown its book value and earnings. It has done a great job of growing its business in Asia. Despite all of these smart moves, however, its stock price still suffers from the overhang from its experience during the financial crisis and the market is not fully recognizing its proper value. We believe this company has a great future, and that it can be purchased at a very attractive price. These are the kinds of opportunities we look for.

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Another new holding is Mondelez Inc, a US manufacturer of international consumer products. This company's stock has been under pressure in recent years, as have many consumer product companies. We have watched this company for some time, and are impressed with its efforts to restructure and rationalize its operations world wide. These efforts have depressed Mondelez's earnings in recent years, but

have improved its ability to grow profits with leading snack brands offered in both developed and emerging markets (brands include Nabisco biscuits, Oreo cookies, Cadbury chocolates and Trident gum).

So while we are committed to patience and discipline, we are also ready to act opportunistically. Hopefully the markets will provide more of these great opportunities, sooner than later. We are always searching for them, but you can count on us to remain very disciplined with your money. Our job is to grow your wealth, but protection of capital is also a primary objective of ours. ■

At Your Service,

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

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