



LIONRIDGE

QUARTERLY COMMENTARY

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A Road Map In A Storm Of Uncertainty

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I hope you are all coping well with the current health situation. It's not an easy time, with people enduring stresses and concerns regarding their safety and their livelihoods.

People are also concerned with the effect that the economic situation and market reactions might have on their savings. I hope I can give you some comfort on this subject by reminding you of three main points;

- First, the portion of your portfolios that is allocated to equities is limited to that portion which is designated as long term savings (assets designated for short and medium term spending needs are allocated to the less volatile bond portfolio). Short term gyrations in stock markets don't have to translate into incurred losses for you as you don't actually have to sell any of your equity holdings, and we have sufficient time for the markets to normalize;
- Second, my emphasis on risk management leads me to focus investment picks on companies that are strong financially and well positioned competitively. These companies are expected to get through an economic downturn;
- Third, because my strict criteria on valuation resulted in me doing more selling than buying in the steep market run-up during the last few years, my equity models started the year with substantial cash positions.

The emphasis I place on risk management was evident in year to date results. During this first quarter Lionridge's Total Equity Portfolio was down 8.2%, which compares favorably to its benchmark's* decline of 16.5%.



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Lionridge was founded on specific investment principles that guide every investment decision I make on your behalf, true to the motto "Rational, Disciplined Investing". I follow well defined selection criteria with which to make rational investment decisions, striving to selectively focus on companies with strong fundamentals and attractive valuations. I remain very disciplined in this approach, both when markets are going up and when they are going down, in an effort not just to build your wealth but also to protect it. Following these rational principles in a disciplined manner are the hallmarks of what I consider to be true investing (as opposed to speculating).

The importance of having a well-defined approach is particularly important in volatile markets like these, one could say that it provides a roadmap in a storm of uncertainty. Knowing what I own and why I own them allows me

to avoid the kind of panic selling that has rendered the price of certain stocks unreasonably low. Having strict valuation criteria allows me to sift through the markets and look for great companies that have become attractively priced.

Despite the dramatic volatility, markets overall still don't appear to be cheap by various measures. I'm still willing to deploy cash selectively, however, and since the start of the year I have added a few new holdings. These include Alphabet Inc (the parent company of Google) and TJX Companies (the operator of TJ Maxx and Winners stores). Although cash positions have come down, they are still significant (cash currently comprises a little over 25% of the Total Equity Portfolio). Along with avoiding panic selling, having a well defined process allows me to avoid panic buying.

I remain vigilant and careful in my ongoing efforts to achieve my dual objectives for your investments; growing your capital and protecting your capital. Please keep yourselves safe, and I look forward to the next time we can meet in person.

At Your Service,

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

* Benchmark from November 30, 2017: 40% S&P/TSX Total Return; 60% MSCI World (Gross in CAD\$). Benchmark from inception to November 30, 2017: 45% S&P/TSX Total Return; 35% S&P 500 Total Return (CAD\$); 20% MSCI EAFE (CAD\$).

The Composite consists of all fully discretionary accounts managed by Lionridge Capital Management Inc., according to the investment objective of the Lionridge Total Equity Portfolio. The objective of the Lionridge Total Equity Portfolio is to maximize long-term returns while minimizing long-term risk by investing in a concentrated portfolio of undervalued securities. The manager seeks to invest in securities only at prices offering a margin of safety, with a view to achieving the dual objectives of outstanding returns along with protection of capital. The strategy has a global focus and the manager has discretion over the geographic allocation of assets. Return figures are presented in Canadian dollars, are gross of management and custody fees but are net of all trading expenses, and include cash holdings. There is no minimum portfolio value required for inclusion.

Lionridge utilizes a combination of broad market indices such as the S&P/TSX Composite Total Return index and the MSCI World index (Gross in CAD\$) as the blended benchmark for comparison purposes. The blended benchmark is historically a general reflection of the nature of the securities held in the Lionridge Total Equity Portfolio Composite. The indices are unmanaged and do not incur management fees, transaction costs or other expenses associated with managed accounts.

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