



LIONRIDGE

QUARTERLY REPORT

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The Loneliness of the Long-Distance Investor

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I hope everyone is managing well through the Covid situation. I'm sure most of you have moments feeling a little bored because you're not able to enjoy many of the outings and activities you're accustomed to. Yet we accept these limitations as the price of keeping our family members, our communities and ourselves safe. And we know it's not going to be like this forever.

My investment philosophy is based on a bedrock foundation of managing your risk and attempting to avoid permanent losses. At times that can appear very boring as well. Although we had positive returns in the third quarter, Lionridge's equity strategies did lag their benchmarks. Our boring approach didn't keep pace with the headline-grabbing action of many of the high-flying tech stocks that appear to be defying the laws of financial gravity (although that law cannot be defied indefinitely).

I recall the period around 1999 and 2000 when the tech stock boom was in full swing. For people who didn't own stocks like Nortel, JDS Uniphase and Worldcom, it was a pretty lonely place. People who jumped on the bandwagon looked like geniuses for a while, and had no shortage of enthusiastic company.

And then they didn't. Once the laws of financial physics prevailed, the pain inflicted on many investors was far greater than that caused to Mr. Newton by the falling apple (please pardon the pun). Those who had excoriated Warren Buffett for being obsolete were severely humbled.

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Right now, many people following sensible investment approaches are second guessing themselves, finding it hard to stick with boring stocks when companies like Shopify, Tesla and Zoom are making big headlines with their outsized stock price gains (which appear not to be justified by the underlying economics of those companies). This speculative trade is not just being driven by novice investors who have time on their hands given the recent dearth of options for betting on sports. It's also being fueled by professional money managers who found that sticking to fundamentals was too lonely, and capitulated to the desire to run with the herd and chase the high-flyers.

The trouble is that investing in equities is a marathon, not a sprint, and anyone who thinks they can sprint for 26 miles is going to get seriously injured. You can count on Lionridge to not be tempted to join the herd, and you can sleep well..

At Your Service,

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

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