



LIONRIDGE

QUARTERLY REPORT

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Significant Milestone Validates Lionridge's Investment Philosophy

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I never thought I'd have to explain 12 month returns exceeding 20%. As at March 31st our Total Equity Portfolio returned 23.5% on a rolling 12 month basis. Although I try to ignore short term results, in normal times that kind of number would give me serious bragging rights. These are not normal times, however. Despite those strong numbers we did lag our benchmark* over that period. This was largely due to the fact that much of last year's market returns were driven by a pocket of stocks I view as speculatively-driven and dangerously expensive, such as Shopify and Tesla.

For many investors, the temptation to chase the highfliers was irresistible and they gave in, pushing the price of such "glamour" stocks even higher. I did not get distracted by that siren call and try to jump on the bandwagon, and I'm happy with that decision. In the last 6 months the Total Equity Portfolio has beat its benchmark - and with a significant amount of cash.

In the last 12 months my approach has provided absolute returns well in excess of long term expectations. More importantly, March 31st marked the 10th anniversary of the launch of the Total Equity Portfolio. In that time this portfolio has provided returns very much in line with long term expectations (averaging around 10% per year**), while exposing my clients to lower downside volatility. Solid returns with effectively managed risk is what I aim to achieve for you, and since the launch of the Total Equity Portfolio I have delivered that.

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The risk profile of Lionridge's equity portfolios is much lower than that of the overall market, both in terms of the attributes and valuations of the stocks in the portfolio and because of the meaningful cash allocation. In my view, overall market valuations remain very stretched, but any potential downturns may provide an opportunity to put the cash to work in a highly profitable manner.

I remain patient and vigilant.

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\$).

** Average annualized returns.

*** Inception date: March 31, 2011.

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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