



LIONRIDGE

QUARTERLY REPORT

Spring | 2023

Charting a Clear Path Through Noise and Confusion

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President and Chief Investment Officer

Stock markets have been surprisingly resilient during the first quarter of 2023. Despite a fair amount of intervening volatility, Lionridge's Total Equity Portfolio composite enjoyed a gain of 7.8% during the quarter, however confusion abounds around the economic outlook - is inflation going to remain high, and for how long? How are central banks going to continue to respond? Is the economy going to start to slow down? Throughout this all, the markets seem to want to cheer on any signs of hope, but will this positivity continue or will dark clouds of negativity ultimately put an end to the party?

If one spends an hour or so watching investment news channels, you can be exposed to a dizzying array of opinions on what might happen to the economy and the markets over the next year or so. This can be anxiety provoking for people who are concerned about their life savings. Unfortunately, this worry and confusion can cause people to be whipsawed into making bad short-term investment decisions.

We take our job of managing your capital very seriously, but we don't allow all of this market noise to worry or distract us from this job. This is because every investment decision we make is driven by the fundamental principles around which Lionridge is based.

We've explained before how we have clear-cut criteria governing what holdings we choose to invest in. Stocks are pieces of companies, and we analyze companies along criteria such as strength of their business franchise, financial strength, ability to build shareholders' wealth, and attractiveness of their current market prices. We value a company based on its long-term ability to generate cash flow, not on short-term price speculations. Adhering to these principles provides a "North Star" to navigate through storms of economic uncertainty, allowing us to ignore short-term noise and stay focused on the long-term.

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Underlying the above is a focus on protection of capital; managing risk not by over-diversifying or using simplistic metrics such as “cheap” stocks or dividend yields, but by focusing on long-term business fundamentals and intrinsic valuations. We’re always defensive, as it’s easier for us to grow your money if we don’t lose it in the first place. In normal markets our defensiveness is inherent in sticking with holdings meeting the criteria described above. In periods of inflated market values (where we stubbornly seem to remain at this current time), our defensiveness can be enhanced by holding a meaningful cash position (as we continue to do). Patience is key to compounding your wealth.

The end of this first quarter marked 12 years since the inception*** of our Total Equity Portfolio. During this time, it has achieved an average annual return of 9.7%** . It has done so with lower downside volatility than its benchmark*, and achieving risk-adjusted returns that exceed its benchmark. This comes from staying focused on our North Star of strict criteria and being disciplined, and you can count on us to stay true to this.

At Your Service

Hardev Bains BA, LLB, MBA
President and Chief Investment Officer

* Total Equity Benchmark from June 1, 2021: 35% S&P/TSX Total Return; 65% MSCI World (Gross CAD\$). Benchmark from December 1, 2017 to May 31, 2021: 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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Rational, Disciplined Investing.



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