



# LIONRIDGE

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## QUARTERLY REPORT

Spring | 2026

Despite all the news headlines and daily market responses during the first quarter of 2026, overall equity market moves were fairly muted since the start of the year. From a pure financial theory perspective I continue to be surprised by the resilience of the highly priced markets, but as a long time student of investor psychology I also understand that market valuations can remain disconnected from underlying fundamentals for surprising lengths of time. Combining a proper focus on underlying fundamentals with a high degree of patience is what Lionridge sees as the key to investment success.

The end of March of this year marked an important milestone for Lionridge as it was the 15th anniversary of the inception of our Total Equity Portfolio<sup>\*\*\*</sup>. Our objectives of building wealth while managing risk have been achieved - our average annualized return has been 11.8% and we achieved this with much less downside volatility as compared to our benchmark\*.

There were a couple of portfolio changes during the quarter. We profitably exited our position in Valaris

Limited after it was announced that it was being acquired by a competitor for a significant premium to its market price. When we purchased this company last year we were confident that it was trading at a steep discount to its asset value and its earnings power. Its price had been depressed by what we saw as short term cyclical factors in the offshore drilling industry, but we focus on the long term. We expected that our patience would be eventually rewarded as the markets came around, but sometimes that process can be dramatically accelerated in a situation like this where an industry participant also sees the long term value and decides to act opportunistically.

In addition, we found an opportunity to purchase an excellent Canadian company in the first quarter. Constellation Software Inc. (“CSU”) operates much like a Berkshire Hathaway for the tech sector, employing a decentralized model to build a broadly diversified portfolio of mission-critical software companies. Led by a management team steeped in value-investing principles, CSU has long earned our admiration for its disciplined and thoughtful capital allocation. However,

for years this widely held reputation resulted in a premium market valuation that offered little margin of safety. Recently, CSU shares have been punished by the markets due to sweeping concerns over AI disruption that have battered the broader software industry.

We're of the opinion that the market has overreacted in relation to CSU. While AI may disrupt certain legacy businesses, we believe the deeply embedded, mission-critical nature of CSU's software mitigates this risk. These solutions are difficult and costly to replace, providing CSU with a durable moat and ample time to adapt its portfolio for the future. Moreover, its core value-creation strategy of disciplined acquisitions

positions it perfectly to capitalize on new market dislocations. Viewing this pullback as a highly attractive entry point, we added CSU to our model portfolio.

The above two trades are good examples of our strategy in action. I founded Lionridge with a conviction to specific investment principles designed to grow and protect investors' capital. The principles we follow have not changed, and the demonstrated results have continued to strengthen our conviction.

At Your Service,

Hardev Bains, LLB MBA CFA

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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Lionridge Capital Management Inc.

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