LIONRIDGE
QUARTERLY REPORT

Summer | 2026

The stock markets have continued their steep climb so far this year. As at the end of this past June, our benchmark* has risen 13.1% on a 6 month basis and 29.1% in the preceding 12 months. It's up 15.1% on average annually over the last 5 years. These are abnormally high returns and the staying power of this aggressive bull market is surprising (though not indefinitely sustainable).

Our Total Equity Portfolio has also seen exceptionally high short term returns, rising 26.6% in the 12 months to June 30. This is slightly shy of our benchmark but this lag is not surprising; we expect such relative performance when markets are rising aggressively and driven by exuberance in specific sectors.

Not surprisingly, the markets' performance has been driven by the mania for stocks associated with artificial intelligence - either directly or tangentially. We are not luddites and we fully recognize the potential for adoption of AI in all sectors of the economy (and to be sure we are participating in the sector via our holdings like Alphabet and Amazon). However, we view that the valuations of many of the companies driving the market surge are hard to justify, requiring incredibly aggressive assumptions and offering little margin of safety. Stocks that are rising aggressively in price with a lot of hype don't get us excited, they make us cautious and skeptical. We're willing to skip the party if the dance floor doesn't look stable.

A big part of our advantage as an independent investment firm is our ability and willingness to focus on the long term and not being compelled to join the market herd when it's stampeding into overpriced stocks. Our ability to avoid speculation is a big part of our risk management philosophy. Over time this is what has allowed us to deliver returns with less risk than that inherent in the overall markets, outperforming our benchmark on a risk-adjusted basis.

In the midst of the AI euphoria, our one new purchase in the last quarter is about as boring as it gets. Stella Jones is North America's largest manufacturer of pressure-treated wood utility poles and railway ties,

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and a sizable distributor of premium pressure-treated residential lumber in Canada. Stella Jones has a multi-decade history of steady organic and acquisitive growth. Maintenance on critical infrastructure cannot be deferred, helping Stella Jones to achieve stable and steadily rising profitability over many years, even during periods of broader economic weakness. Aging infrastructure, rising government funding for new infrastructure projects, and electrical grid 'hardening' (making it more resilient to storms and damage) are all factors that will support demand in the years ahead.

The stock recently declined more than 25% from its peak after a couple one-time factors temporarily impacted reported earnings. First, former customer CP Railway began treating railway ties in-house after acquiring Kansas City Southern. This is a unique situation that will not reoccur because no other rail companies own tie treatment facilities nor plan to build them. Despite causing concern among investors, this only had a minor impact, likely 1-2% of overall revenues. Second, Stella Jones booked a one-time insurance gain of $38M in Q1 2025. Although positive, those gains did not re-occur in Q1 2026, causing headline EPS to fall by 34% y/y. We are comfortable looking past this noise. We are confident with the positive outlook for this company, which combined with our view of the current modest valuation provides the potential for meaningful long-term returns.

Diligent and prudent, consistent and boring - that's how we grow your wealth.

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$); 20% MSCI EAFE (CAD$).

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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