LIONRIDGE
QUARTERLY REPORT

Fall | 2026

The market surge seen in the first six months of this year moderated in the 3rd quarter, unsurprisingly. The trend that continued however is the outperformance of a narrow range of stocks related to AI.

For example, in the month of September both the S&P 500 and the S&P TSX composites were down, but the information technology segments of those indices were up. We've been expressing caution about the overvaluation of many stocks in that sector and we continue to do so. We do have meaningful exposure to information technology companies that include aspects of AI in their businesses, but our portfolio is diversified over several sectors.

That said, we did achieve a return of 9% from the start of the year to the end of September in the Total Equity Portfolio, well above normally expected returns for a nine month period. We made no purchases or sales in the Total Equity Portfolio last quarter and our cash position in that portfolio remains above 20%. High market valuations are not presenting a lot of new opportunities; margin of safety is hard to find right now.

Although we analyze and consider potential names on an ongoing basis, we view many companies that meet our quality criteria as too expensive and many that appear to be attractively priced are not of sufficient quality. We'll never sacrifice our criteria for the sake of being fully invested. Effective investing requires patience and that's something we're never short of at Lionridge.

At Your Service,
Hardev Bains, LLB, MBA, CFA
President and Chief Investment Officer

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* 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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