

# Investor Report Summary for Northbridge Capital - June 2025

---

**Category:** Report

**Model:** INVST-2025-06-01

**Description:** A comprehensive summary of investor-related metrics and incidents for Northbridge Capital covering the period up to June 2025, including risk policy updates, breach events, and impact on portfolio performance, referencing the recent internal risk policy change and external market anomalies.

**PDF Path:** [interim report.pdf](#)

## Table of Contents

---

1. Introduction
2. Governance Structure
3. Risk Policy Overview
4. Portfolio Metrics and Performance
5. Recent Risk Policy Changes
6. Incident Reports and Notes
7. External Market Anomalies
8. Breach Events and Codes
9. Impact on Portfolio and Evaluation
10. Metadata and Data Citations
11. Appendices

# 1. Introduction

---

This report provides a detailed overview of Northbridge Capital's investment activities, risk management policies, incident occurrences, and external market factors affecting performance up to June 2025. It serves as an interim update for stakeholders, outlining recent developments, governance structures, and key metrics.

The document references internal policy changes, notable breach events, and external market anomalies found during the reporting period. Emphasis is placed on how these factors influence portfolio risk exposures, compliance, and strategic adjustments.

## 2. Governance Structure

---

Northbridge Capital operates under the overarching governance framework established by its parent company, Fairfax Financial Holding. The governance structure ensures effective oversight, compliance, and strategic alignment across all investment activities.

### 2.1. Governance Bodies

- **Board of Directors:** Responsible for high-level strategic decisions and approval of risk policies.
- **Risk Management Committee:** Oversees risk exposure, policy implementation, and incident review.
- **Investment Committee:** Manages asset allocation, portfolio construction, and performance evaluation.

### 2.2. Responsibilities and Roles

The Risk Management Committee ensures adherence to policies such as the internal risk policy POL-20230615-001, established after the recent market volatility incident of June 2025. They review risk exposures quarterly and respond to breaches proactively.

### 3. Risk Policy Overview

The risk policies aim to maintain portfolio resilience against market fluctuations while optimizing returns. They encompass various risk metrics, limits, and procedural guidelines.

#### 3.1. Key Risk Policies

Policy ID	Name	Description	Effective Date	Revisions
POL-20230615-001	Market Risk Limit Policy	Defines allowable exposure to market fluctuations with limits on VAR and gamma.	2023-06-15	Updated 2025-06-1 after market anomaly
POL-20240120-002	Counterparty Risk Policy	Limits on counterparty exposures and credit assessments.	2024-01-20	No recent revisions

#### 3.2. Risk Metrics Definitions

The primary risk metrics monitored include:

- Slippage (bps):** The basis points difference between expected and achieved execution prices.
- Quote Spread (bps):** The bid-ask spread expressed in basis points, indicative of liquidity conditions.

These metrics are essential for assessing transaction costs and market impact.

## 4. Portfolio Metrics and Performance

### 4.1. Portfolio Composition

The portfolio as of June 2025 comprises diverse asset classes, including equities, fixed income, derivatives, and alternative investments. Table 1 summarizes the portfolio's current composition.

Asset Class	Allocation (%)	Major Holdings
Equities	45%	FAANG stocks, Emerging Market ETFs
Fixed Income	30%	Government Bonds, Corporate Bonds
Derivatives	15%	Options, Futures
Alternatives	10%	Private Equity, Real Assets

Table 1: Portfolio Composition (as of June 2025)

### 4.2. Performance Summary

The portfolio achieved an internal rate of return (IRR) of 7.8% for the first half of 2025, slightly below the benchmark of 8.2%, primarily due to recent market turbulence and internal risk adjustments.

Key metrics:

- **Return:** 7.8%
- **Volatility:** 4.2%
- **Sharpe Ratio:** 1.4

## 5. Recent Risk Policy Changes

In response to the external market anomalies in early 2025 and internal risk

assessments, Northbridge Capital implemented a revision to its primary risk policy POL-20230615-001 on June 10, 2025. The updates aimed to tighten VAR limits and incorporate stress testing procedures for extreme events.

## 5.1. Details of Policy Revision

- Reduced maximum VAR limit from 5% to 4.5% for key portfolios.
- Added a new stress test scenario simulating a 20% market correction.
- Enhanced real-time risk monitoring thresholds.

## 5.2. Implementation and Compliance

The updated policy was communicated across all investment teams, with mandatory training sessions conducted on June 12, 2025. All trading activities post-June 10 are subject to the new limits.

# 6. Incident Reports and Notes

## 6.1. Notable Incident: June 18, 2025 - VAR/Gamma Update

On June 18, 2025, an internal VAR and gamma recalibration indicated higher-than-expected risk exposures, triggering risk alerts and requiring manual intervention to rebalance certain derivatives.

## 6.2. Incident Details

Date	Incident Type	Policy ID	Description	Impact

2025-06-18	VAR / Gamma Recalibration	POL-20230615-001	Adjustments to risk estimates showed increased exposure due to volatility surge.	Prompt risk rebalancing performed; no breaches observed.
------------	---------------------------	------------------	--	--

### 6.3. Follow-up Actions

- Enhanced calibration frequency for risk models.
- Additional stress testing scenarios added to the risk framework.
- Training for portfolio managers on handling sudden risk increases.

## 7. External Market Anomalies

During Q2 2025, external market anomalies included:

- Global equity correction:** A notable decline in global indices due to geopolitical tensions.
- Liquidity crunch:** An unexpected tightening of liquidity in emerging markets, affecting trade execution.
- Interest rate surge:** Rapid rate increases by major central banks impacting bond valuations.

These anomalies prompted a reassessment of risk exposures and underscored the necessity for tightened risk policies.

## 8. Breach Events and Codes

Several breach events were recorded during this period, categorized and coded as follows:

Date	Breach Code	Description	Policy Affected	Severity
------	-------------	-------------	-----------------	----------

- Risk Policy Documents: POL-20230615-001, POL-20240120-002
- Incident Reports: BR-20250620-1023, BR-20250625-1045
- Market Data Source: External Market Data Feed, June 2025

All references are stored securely within the firm's data repositories and are available upon request for audit and compliance purposes.

## 11. Appendices

---

### 11.1. Glossary of Terms

#### VAR

Value at Risk – A statistical measure of potential loss.

#### Gamma

A measure of the rate of change of delta with respect to the underlying asset price.

#### Slippage

The difference between expected and actual transaction execution prices, measured in basis points (bps).

### 11.2. Additional Data Samples

Sample execution metrics for recent trades:

Date	Trade ID	Asset	Slippage (bps)	Quote Spread (bps)	Notes