LIONGUARD
CAPITAL MANAGEMENT INC.

LionGuard Capital Management Inc.
1010 rue Sherbrooke Ouest, Suite 2350
Montréal (Québec) Canada, H3A 2R7
www.lionguardcapital.com

LIONGUARD OPPORTUNITIES FUND
QUARTERLY REPORT - JUNE 2018

FUNDSERV codes:
LGC101(A)/LGC103(F) & LGC201(A)/LGC203(F)

Dear Investors,

Investment Performance:

During the quarter ended June 30, 2018, LionGuard Opportunities Fund ("Fund") had a net (after all fees and expenses) return of -1.65%. **Since Fund's inception, its annualized net (after all fees and expenses) return amounts to 11.21% and cumulative net return to 48.93%.** Our quarterly and since inception results, as compared to S&P/TSX Total Return Index, are the following:

Time period	LionGuard Opportunities Fund (net returns)	S&P/TSX Total Return Index (with dividends)	Outperformance (underperformance)
Oct 2014 – Dec 2015	3.99%	-1.47%	5.46%
Jan 2015 – Mar 2015	7.50%	2.58%	4.92%
Apr 2015 – June 2015	5.83%	-1.63%	7.46%
July 2015 –Sep 2015	-5.81%	-7.86%	2.05%
Oct 2015 – Dec 2015	5.07%	-1.20%	6.27%
Jan 2016 – Mar 2016	7.09%	4.54%	2.55%
Apr 2016 – June 2016	-0.98%	5.07%	-6.05%
July 2016 – Sept 2016	5.06%	5.45%	-0.39%
Oct 2016 – Dec 2016	7.44%	4.54%	2.90%
Jan 2017 – Mar 2017	6.17%	2.41%	3.76%
Apr 2017 – June 2017	3.77%	-1.64%	5.41%
July 2017 – Sept 2017	2.34%	3.68%	-1.34%
Oct 2017 – Dec 2017	3.26%	4.45%	-1.19%
Jan 2018 – Mar 2018	-7.21%	-4.52%	-2.69%
Apr 2018 – June 2018	-1.65%	6.77%	-8.42%
ANNUALIZED RETURNS	**11.21%**	**5.37%**	**5.84%**
CUMULATIVE RETURNS	**48.93%**	**21.65%**	**27.28%**

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As many of you know, we present Index returns for illustration purposes only, while **the objective of the Fund is to generate positive absolute returns irrespective of the overall market direction**. On this point, since Fund's inception, its upside capture ratio amounted to 82% and downside capture ratio (the lower the better) to 2%.

Quarterly Contributors/Detractors:

During the quarter, our sizeable contributors included **Questor Technology (QST)** and **Airboss of America (BOS).** On the flip side, our detractors of note included **Linamar (LNR)** and **EXCO Technologies (XTC).** Please see below for comments on our top and bottom quarterly contributors. Since we discussed Airboss and EXCO Technologies during Q1-2018 report (which you can always find on our website), we will comment here on remaining two companies.

Note that our two largest detractors for the quarter (Linamar and EXCO Technologies) are in the business of providing auto supplies to the world's leading automobile manufacturers. Clearly, we have gotten caught (at least from the mark-to-market standpoint) in the new (yet in our opinion unlikely permanent given both the duration of and maximum number of permissible years in power for U.S. president) world of tariffs on steel and aluminum imports from Canada and threats by the current U.S. government of tariffs on cars manufactured in Canada.

Despite their excellent economics (solid free cash flow generation & large free cash flow yield, limited amounts of leverage if any etc.) and multi-year visibility on business demand (signed programs in place from leading Original Equipment Manufacturers), most auto suppliers that trade on Canadian exchanges experienced sizeable stock price corrections. This leads well towards our discussion of Linamar operations.

Linamar (LNR) is a manufacturing powerhouse that operates within two business segments.

The first segment is Powertrain and driveline (accounts for 80% of revenues and 65% of operating earnings), which consists of engines, transmissions, driveshafts, differentials etc. Most of this segment's sales are made to the automotive industry. Those are very complex and highly engineered parts that require great expertise to be manufactured. This segment has long contracts duration, which translates directly into better revenue visibility for the company.

The other segment is Industrial (accounts for 20% of revenues and 35% of operating earnings), which consists of Skyjack and MacDon. Skyjack specializes in aerial work platforms and telehandlers, which are mostly used in non-residential construction and during the infrastructure work. MacDon is an agricultural equipment company and its main products are Windrowers and Draper headers used for harvesting.

We like Linamar because it has been delivering good growth in sales over the past several years, coupled with strong profitability and free cash flow (per share) generation. They also generated return on equity of around 20% since 2013.

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Linamar has been well-managed by Linda Hasenfratz since she took the CEO role back in 2002. Over the years, Linda has grown the company both organically and through acquisitions, and in the process created a lot of value for shareholders. She has been doing an excellent job both in operations and in capital allocation.

In the Powertrain and driveline segment, there are some concerns by market participants that North American auto sales may have reached the peak of this cycle. There are also concerns about potential impact of electrification of vehicles and from the possible acceptance of autonomous vehicles.

In our opinion, Linamar is well-positioned to offset any potential decline in new car sales with higher content per vehicle. For example, we estimate that current OEM's in-house production of powertrains is at around 70%. Given industry trends towards outsourcing, which is also likely to accelerate over the years, one can draw a conclusion that there will be more business for companies like Linamar within this component of the supply chain. We also take this opportunity to highlight large committed multi-year backlog for the Company, which is a clear indication of 1. great execution by the management team and 2. pickup in outsourcing trends within the industry.

On the topic of electrification, we believe that this represents another long-term opportunity for more technologically savvy auto suppliers, Linamar included. Note that LNR has already won a long-term contract with eAxle, which serves as a validation of their abilities to address electric vehicles market.

Potential impact of the acceptance of autonomous vehicles is harder to quantify, yet we currently do not believe that this will lead to lower auto sales and may even have the opposite effect.

In the Industrial segment, we think that the non-residential construction and infrastructure markets are quite robust, which bodes well for Skyjack operations.

As for the agriculture segment (MacDon), we are starting to see signs of stabilizing and even improving market dynamics. This bodes well for agriculture equipment sales and is likely over time to once again demonstrate management's abilities to make effective acquisitions at the right point in the cycle (MacDon is the latest acquisition by the company – it has closed at the end of January 2018). Note that John Deere (one of the largest equipment manufacturers) is forecasting revenue to be up around 10% this year.

Another reason we like MacDon acquisition is because it diversifies the business from the automotive industry and is expected to be a very strong contributor to Free Cash Flow per share. Numerous sell side analysts and fund managers have yet to understand MacDon operations, which may provide a temporary opportunity given the stock selloff (post quarterly results) on the back of typical MacDon seasonality patters.

We believe that the company's stock price is unfairly caught in the trade war between Canada and U.S. and that its underlying economic value, even under full extent of existing and potential tariffs (assuming those remain in place in perpetuity), is understated.

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Questor Technology (QST) is a Calgary-based company that specializes in waste gas combustion equipment which helps the oil & gas industry to address stricter environmental regulations. The Company generates revenue through two activities: equipment sales and equipment rental.

Questor is run by a highly capable management team with sizeable insider ownership position and thus with an excellent alignment of interest with minority shareholders. We followed this company for many years and have been waiting for stricter regulations to be enacted before investing in the business. We also were initially taken aback by the non-recurring nature of the business. Now that both matters have largely been addressed, as per below, it has gotten our full attention.

Although we very rarely foray into industries impacted by commodity cycle, we came to conclusion that following recent regulatory changes the demand for QST's products is now largely driven by regulatory requirements and not as much by the level of the underlying commodity prices. Specifically, we decided to initiate a position in QST when we saw that the company started to gain significant traction in the state of Colorado, which has one of the toughest air quality regulations in the United States. Because of the passage of tighter air quality regulations in Colorado, the demand for incinerators has shoot up. To put it into perspective, since QST decided to expand into Colorado, company's revenues in the U.S have grown from $3.3M in FY2016 to $17.4M in FY2017. As a percentage of total revenue, the U.S now accounts for around 90%.

Although we think more U.S. states are likely to follow what Colorado enacted in addressing air quality issues (global warming induced by high green gas emission remains a hot topic among most politicians), the timing of it is uncertain. Having said so, we want to highlight that Colorado represents a small percentage of the total U.S. oil production and if regulation continues to unfold in QST's favor, one can foresee several-fold expansion of the addressable market opportunity for QST.

In addition to great help on the regulatory front, the company has transformed itself over the years from an entity that generates revenue primarily from one-time equipment sales to a company that generates revenue mainly from renting equipment to the operators. Consequently, Questor now has much better revenue visibility and is much less prone to industry cyclicality.

It is important to highlight that the company has not lost money on a cash flow basis during the market downturn. This speaks to the nimbleness of the management team and their abilities as excellent capital allocators all things considered.

Corporate Updates:

We are glad to communicate that following numerous requests from investors, we established the structure and launched LionGuard Opportunties Trust Fund ("Trust") effective May 2018. The Trust invests practically all its capital into the LionGuard Opportunities Fund and it is available for purchases for registered account holders (RRSP, TFSA & RESP).

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We take this opportunity to remind investors that the Fund is registered on FUNDSERV and is available for purchases under the following Fund codes: LGC101 (Class A) & LGC103 (Class F). The newly launched Trust is also available on FUNDSERV with codes LGC201 (Class A) and LGC 203 (Class F).

Conclusion:

We remain both vigilant and open to investment opportunities. At the same time, we do find a good number of quality companies that currently trade at notable discounts to our calculation of their intrinsic values.

May you have any questions and/or want to obtain more details on how to invest in LionGuard Funds, feel free to contact us at any time.

Yours sincerely,

Andrey Omelchak, CFA, FRM, CIM, MSc
President, CEO & Chief Investment Officer

François Dufour, MBA, MSc
Vice-President, Business Development

Jay Tan, CFA
Investment Officer

Jean-Kristoff Grenier
Business Development

Erik Ross, DMS, FCSI
Senior Vice-President, Head of Trading & Operations

Jivka Angelova, MSc
Senior Manager, Operations, Accounting & Compliance

Colin Lebeau-Mathieu, CFA
Senior Investment Analyst