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LIONGUARD OPPORTUNITIES FUND
QUARTERLY REPORT – SEPTEMBER 2019

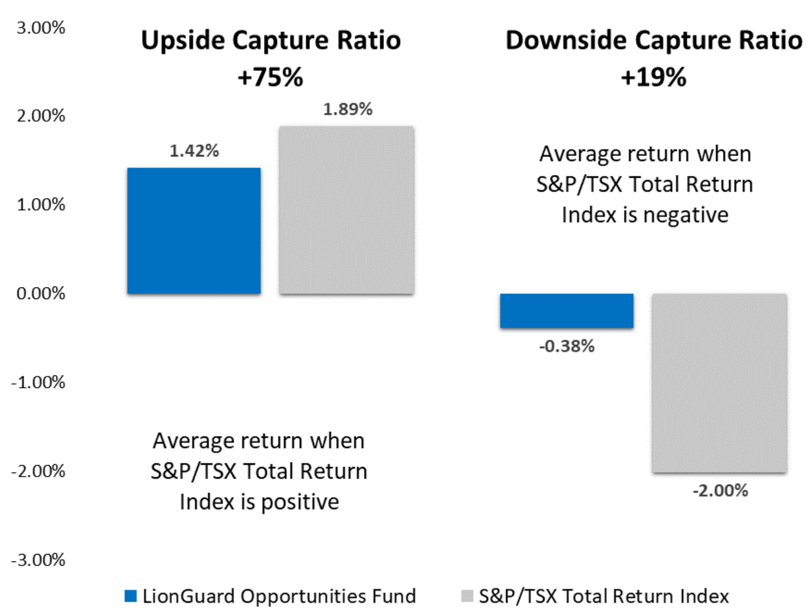
Five Year Track Record:

Dear everyone,

The quarter ended September 30, 2019 marks LionGuard Opportunities Fund's ("Fund") 5-year track record anniversary. Over the last 5 years, Fund's results can be summarized as follows:

Time period	LionGuard Opportunities Fund (net returns)
YTD	9.76%
1 year	0.11%
3 years	5.09%
5 years	8.87%
Since Inception	**8.87%**

Since Fund's since inception, as compared to broad market index (S&P/TSX Total Return Index), its upside capture ratio amounted to 75% and downside capture ratio to only 19%.



Increasing Number of Mispriced Securities:

We continue to see numerous cases of market inefficiencies and position the Fund accordingly.

The changing nature of market participants, with more and more capital managed by passive index funds, creates an ever-increasing pool of mispriced securities. This is especially prevalent among small and medium-capitalization companies, yet it is also often evident for larger capitalization businesses with smaller liquidity profiles.

Call us old-fashioned and out of tune with what is "a la mode", but unlike passive investors, we do believe it makes great sense to know what one is invested in and to have a well-supported view of the intrinsic value for those businesses. In our opinion, unrelenting purchases of stocks by passive funds will lead to the formation of speculative bubbles, which will likely end badly for numerous unsuspecting investors.

Another key trend, which we discussed in more detail in Q1/2019 report, is the record amount of capital that is currently available in private markets.

Put together, it is highly likely that the ongoing growth of passive investing will continue to contribute to a growing number of mispriced securities, while record levels of passive capital will be actively deployed to take advantage of those irrationalities. In such a case, we should witness a wave of Mergers & Acquisitions activity mainly centered on small and medium-capitalization companies.

Given our investment focus on higher-quality segment of said market capitalization, we would expect a material increase in take-outs of "our kind of companies" (for definition refer to our Q3/2016 report which can be found on our website). Alternatively, we will remain content holders of these businesses for an extended period.

Quarterly Performance:

During the quarter ended September 30, 2019, LionGuard Opportunities Fund ("Fund") had a net (after all fees and expenses) return of -3.16%. Two of our notable detractors included **Points International (PCOM)** and **Sangoma Technologies (STC)**.

We discussed **Sangoma Technologies (STC)** in Q2/2019 report (which can be found on our website) and our opinion of this business and its long-term prospects remains intact. We nevertheless take this opportunity to highlight a recent addition of Patrick Mazza as a Chief Revenue Officer. Patrick is a seasoned industry veteran with senior leadership experience across Enghouse Networks, Mitel, Aastra Technologies, etc. Note that Patrick's tenure at Aastra Technologies largely overlapped with that of Allan J. Brett (Descartes Systems Chief Financial Officer and the current Board Member of Sangoma). Patrick's addition to the team further strengthens our positive view of Sangoma's management and Board of Directors.

Points International (PTS-CA; PCOM-NASDAQ) is a cross-listed (on Canadian and U.S. markets) Canadian-based technology Company that serves the loyalty program industry. Through the Company's web-based e-commerce platform, loyalty program operators can enhance the monetization of their loyalty programs while increasing the engagement of its members.

The Company has three business segments: 1) Loyalty Commerce Platform - LCP (retailing and wholesaling of loyalty program currency), 2) Platform Partners (a broad range of solutions that are connected to and are enabled by the functionality of the LCP) and 3) Points Travel (enabling loyalty program members to earn and redeem their loyalty currency while making a hotel booking and/or car rental online).

It is important to note that Points International generates all its profits from the Loyalty Commerce Platform (LCP) while Platform Partners and Points Travel cost the company a total of $7.6M in EBITDA in FY2018. To put it in perspective, the Company reported a total EBITDA of $18.6M in FY2018. Note that all stated figures are in USD terms.

Despite Platform Partners and Points Travel not delivering on investor's expectations, the outstanding performance of the Loyalty Commerce Platform has led to a steady improvement in the Company's profitability - PTS's total EBITDA grew from $7.1M EBITDA in 2012 to $18.6 EBITDA in 2018. As it stands today, even before potential divestitures are accounted for, PTS generates high levels of recurring free cash flow (currently at around 10% free cash flow yield) and is growing organically.

The Company has been actively buying back its own shares with $24M USD spent on buy-backs since 2015. This is equal to approximately 16% of the current market capitalization. Clearly, the management team and the Board of Directors recognize that the value of the Company's shares does not reflect the real value of the business. Furthermore, strong confidence in the Company's prospects is clearly reflected in management's financial guidance. PTS's official 2020 goals are to achieve a gross profit in the high $90M range (from currently estimated $60M in 2019) and for adjusted EBITDA to reach mid-$40M range (from the currently estimated $20M in 2019). Although we largely discard companies' calculations of adjusted EBITDA numbers, due to the obvious shortcomings of this methodology, PTS's guidance also translates into much higher levels of free cash flow per share.

In our opinion, Platform Partners and Points Travel are not essential to ensure the long-term growth of LCP. In fact, we believe that the two unprofitable segments are masking the strength of LCP business which is one of the reasons why the Company trades at such a large discount to our calculation its intrinsic value. It is our hope that the management team and the Board of Directors of the Company act in the best interests of shareholders and examine strategic alternatives for Platform Partners and Points Travel. Divestitures of these business segments should translate to an immediate 40%+ accretion to the Company's stated EBITDA and huge accretion to the Company's free cash per share.

At these valuation levels, we strongly believe that Points International should be of major interest as a take-out target to a strategic acquirer or private equity investor. Our leveraged buy-out (LBO) analysis leads us to believe that the internal rate of return (IRR) of 18-20% can be realized by the private equity investor after a large take-out premium is paid to the current stock price level. Strategic acquirer in its turn is likely to realize both an immediate accretion (given low valuation multiples and even after an adjustment for take-out premium) and sizeable synergistic benefits from combining the operations of both entities.

It is a fact that there are several private equity investors who know this industry very well and thus should not shy away from looking at the Company. We also want to highlight that a direct competitor to Points Travel was acquired by Priceline.com for $20M back in 2015. Thus, full and partial monetization options, to strategic acquirers, are possible. Until then, we remain content shareholders of this Company given its cash flow generation capabilities and organic growth profile.

Given our public market orientation, we prefer that Points International remains in the public domain. We therefore hope that the management and the board recognize the urgency of taking a decisive action before they are forced to examine other alternatives.

Investment Performance – LionGuard Canadian Small Cap Equities Fund:

LionGuard Canadian Small Cap Equities Fund ("Small Cap Fund") is delivering on its mandate and materially outperforming its benchmark, S&P/TSX Small Cap Index ("Benchmark"). Small Cap Fund gross returns, as of the end of September 30, 2019, are the following:

Time period	**LionGuard Canadian Small Cap Equities Fund (gross returns)**	**S&P/TSX Small Cap Index**	**Outperformance (underperformance)**
YTD	16.92%	6.93%	9.99%
1 year	5.30%	-9.11%	14.41%
2 years	2.24%	-5.69%	7.93%
3 years	4.34%	-4.25%	8.59%
4 years	7.73%	3.82%	3.91%
Since Inception	**3.56%**	**-1.36%**	**4.92%**

For details about the Small Cap Fund, please refer to its quarterly report which is posted on our website.

We are pleased with the Small Cap Fund's risk-adjusted returns and appreciate strong interest in this product from institutional investors and consultants. We also look forward to a 5-year track record anniversary for the Small Cap Fund in the first half of next year.

May you have any questions, please contact us at any time.

Yours sincerely,

Andrey Omelchak, CFA
President, CEO & Chief Investment Officer
(on behalf of LionGuard Capital team)