LionGuard Capital Management Inc.
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LIONGUARD OPPORTUNITIES FUND
INVESTMENT REPORT FOR YEAR 2016

Dear Investors,

Investment Performance:

For the year 2016, LionGuard Opportunities Fund ("Fund") had a positive net (after all fees and expenses) return of 19.70%. **Since Fund inception, in October 2014, its annualized net return amounts to 16.18% and cumulative net return to 40.14%.** 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	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%
Annualized returns	**16.18%**	**4.07%**	**12.11%**
Cumulative returns	**40.14%**	**9.38%**	**30.76%**

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.

Market Comments:

In 2016, contrary to the 2015 experience, Canadian stock market has benefitted greatly from the run-up in commodity stocks. Another help was good performance of Canadian banks.

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In our 2015 Investment Report, we discussed our views on the benefits of investing outside of the resources sectors and introduced a concept of *"Commodities-Free Canada"*. Although investors will certainly witness periods of outsized gains from commodity sectors, we should highlight lackluster performance of these companies throughout the investment cycle. Needless to say, we did not benefit from the run-up in the resources sectors.

Despite numerous investor concerns, the Canadian financial sector navigated well through the challenges in Alberta and its spillover effects to the rest of Canada. Higher posted level of provisioning by the banks, associated with pickup in non-performing loan formations in Alberta, has been very manageable. At the same time, Canadian banks remain well capitalized and their credit quality experience has been excellent. Despite rising consumer leverage ratios in Canada, corporate balance sheets remain under-levered. Overall, current environment is commensurate with bank's ability and willingness to lend to corporate clients, which is of disproportionate importance to small and medium capitalization companies.

For 2016, we certainly need to highlight election of Mr. Donald Trump as the next President of the Unites States. With Mr. Trump taking on the highest office in the U.S. shortly, we believe that there should be plenty of opportunities for rational and long-term oriented investors to take advantage of increasing market volatility.

Our approach shall be to continue to invest in companies whose underlying operations (earnings per share, cash flow per share etc.) are not impacted in the process. For further details, refer to our write-up in Q2-2016 Report.

Q4-2016 and Full Year 2016 Contributors:

During the fourth quarter, some of our largest contributors were ***DH Corporation (DH), Home Capital Group (HCG)*** and ***DIRTT Environmental Solutions (DRT)***. On the opposite side, our only sizable detractor was ***EXCO Technologies (XTC)***.

During the full year 2016, many different companies contributed to our positive returns with no one or two names accounting for disproportionate portion of the gains. High mark-to-market (as oppose to underlying earnings and cash flow) volatility, especially for *"our kind of companies",* provided us with good number of opportunities to acquire quality businesses at sizable discounts to their intrinsic values (as computed internally by LionGuard). What we are especially pleased with is that those mis-pricings were mainly driven by company-specific factors. In addition, several companies that have been mis-priced for an extended period, started being recognized by the market.

As expected, the largest portion of our alpha generation came from the following sectors: Financial Services, Industrials and Technology.

Our notable contributors in 2016 included ***Home Capital Group (HCG), Alaris Royalty (AD), DH Corporation (DH), DIRTT Environmental Solutions (DRT), Norsat International (NII)*** and others. Although most of these companies have been discussed in our past reports, further comments on some of them should help our investors to better understand how we operate.

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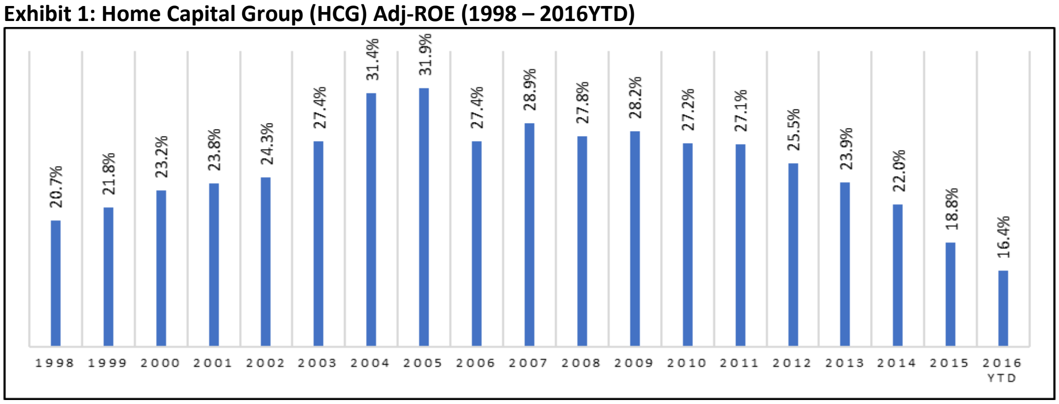
Home Capital Group (HCG)

Exhibit 1 shows Adjusted Return on Equity (Adj-ROE) of Home Capital Group since 1998. Given that it is a financial services company, we are using Adj-ROE, with plenty of consideration given to leverage ratio, instead of our usual measure – Return on Invested Capital (ROIC).

As you can see, HCG has been an outstanding performer on Adj-ROE metric over the years. Note that recent dip to below the 20% level is partially due to higher level of liquidity maintained by the company, thus understanding full power of the franchise, and outsized investments by the company on the technology front.

HCG's ability to compound owner's capital at high rates of return over a lengthy period, are indicative of the business quality that we search for in *"our kind of companies"*. As a refresher on LionGuard investment philosophy, those are the companies that 1. fall within our circle of competence 2. demonstrate quality characteristics and 3. have an attractive valuation. For more details refer to our Q3-2016 Report.

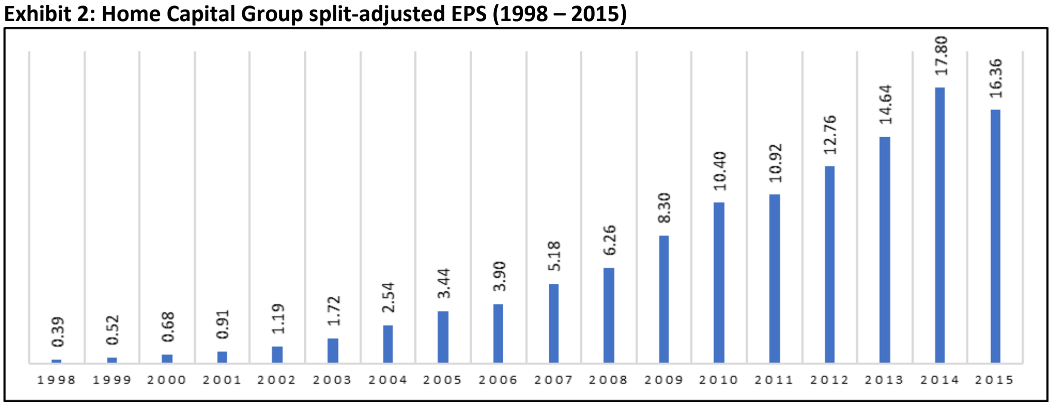
Exhibit 1: Home Capital Group (HCG) Adj-ROE (1998 – 2016YTD)



Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

In Exhibit 2, you can see that HCG has been able to grow its split-adjusted Earnings Per Share (EPS), at a Cumulative Annual Growth Rate (CAGR) of 24.58% between 1998 and 2015. At the same time, as per Exhibit 3, its stock price has appreciated at a CAGR of 22.52% from 1998 to 2016.

Exhibit 2: Home Capital Group split-adjusted EPS (1998 – 2015)



Sources: Company Reports, LionGuard Capital Management Inc.

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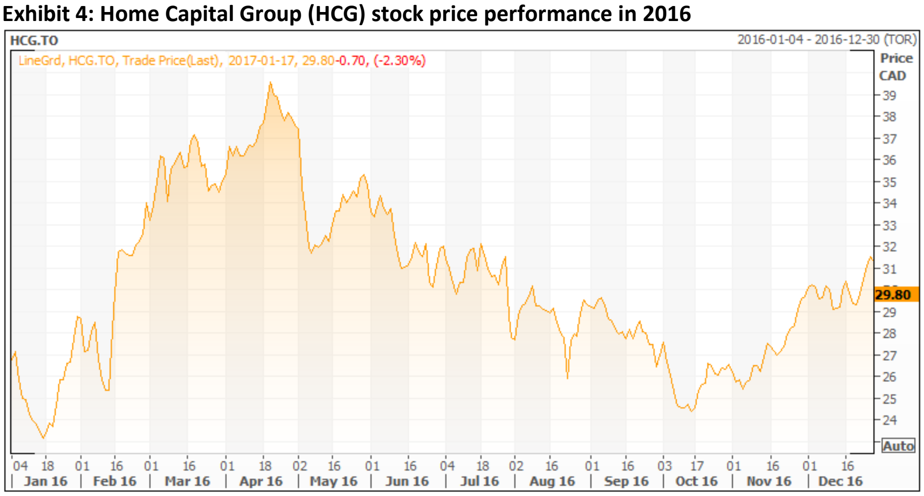
Exhibit 3: Home Capital Group (HCG) stock price performance (1998 – 2016)

Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

Exhibit 4 shows performance of Home Capital stock price in 2016. Note that HCG's stock price went below $24/share in Q1-2016 and subsequently recovered, as management instituted several proper steps (namely higher regular quarterly dividend and a Dutch auction to buy back sizable portion of outstanding shares) to take advantage of this share price dislocation. We discussed this opportunity, and how we took advantage of it, in Q1-2016 Report.

Furthermore, HCG has corrected to below $25/share in Q4-2016, on the back of concerns around its ability to grow origination and incorrect interpretation by the marketplace of the potential impact on HCG from regulatory changes to mortgage rules in Canada.

Exhibit 4: Home Capital Group (HCG) stock price performance in 2016

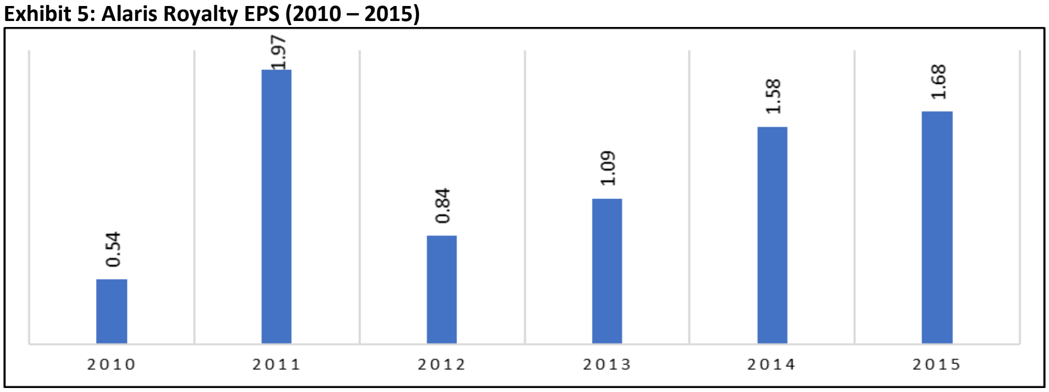


Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

Alaris Royalty Corp (AD)

Alaris has been a good compounder of capital over the years. As per Exhibit 5, AD has been able to grow its EPS at a CAGR of 25.48% between 2010 and 2015.

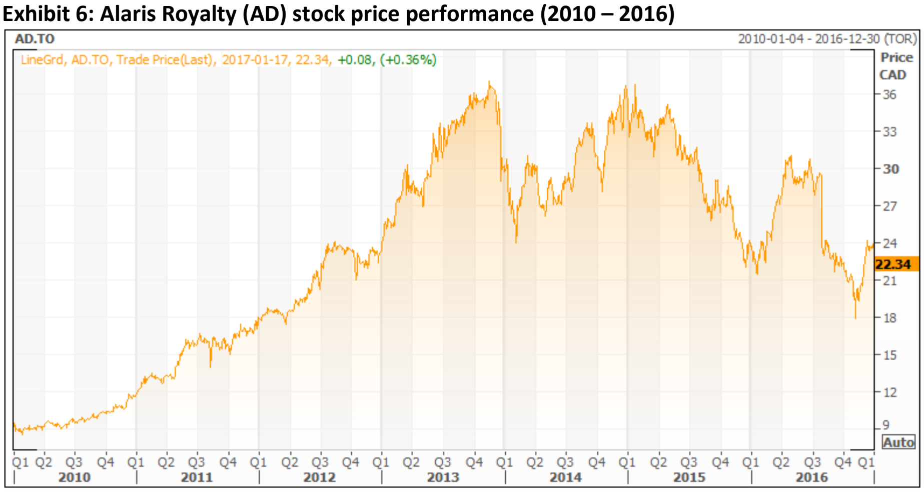
Exhibit 5: Alaris Royalty EPS (2010 – 2015)



Sources: Company Reports, LionGuard Capital Management Inc.

At the same time, as per Exhibit 6, its stock price has delivered a CAGR of 14.74% (before accounting for large dividend payments in the interim) between 2010 and 2016.

Exhibit 6: Alaris Royalty (AD) stock price performance (2010 – 2016)



Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

In 2016, we had abnormally high level of volatility in AD's stock price. Although there has been several operational hiccups during the year, underling quality of the business over the longer term, in our opinion, has not been impaired.

Furthermore, we concluded that market concerns at the beginning of the year and subsequently at the end of the year (refer to Exhibit 7) were exacerbated.

Exhibit 7: Alaris Royalty (AD) stock price performance in 2016

Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

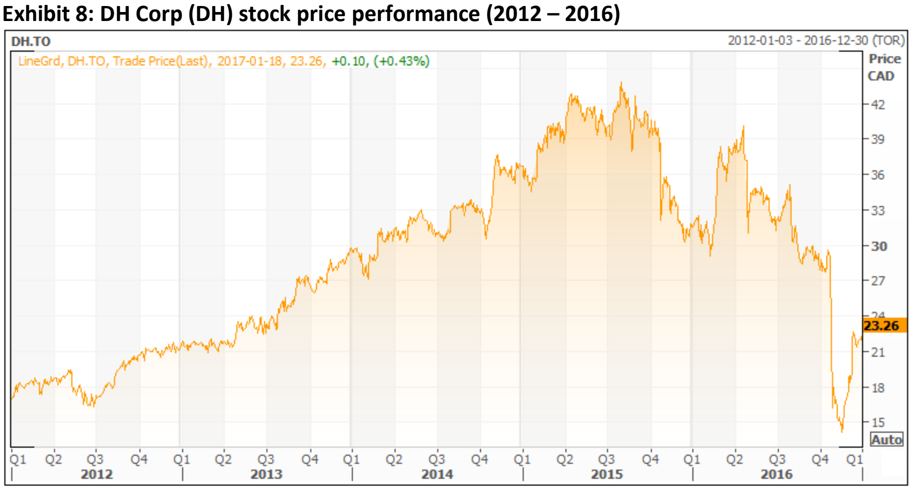
DH Corporation (DH)

Another example of market over-reaction in 2016 was DH Corporation. Having followed DH for many years, we have witnessed transformation of this company from Canadian checks printing business into a leading global fintech company.

Company's developments in Q4-2016, although not positive ones, led to major over-reaction for its share price. With its stock price dropping to below $16/share, we determined that at those levels there was a high probability of this company being taken out by larger strategic fintech player or by one of the private equity firms. We were also of the opinion that management will be successful in re-negotiating covenants with the banking consortium, given company's solid level of free cash flow generation.

Subsequently, management has cut its dividend, re-negotiated covenants and even announced that *"a process has been established by its Board of Directors, including the formation of a Special Committee of independent Directors, to address expressions of interest from certain third parties to acquire DH"*.

Exhibit 8: DH Corp (DH) stock price performance (2012 – 2016)



Sources: Thomson Reuters Eikon, LionGuard Capital Management Inc.

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Corporate Updates:

In 2016, we made great progress as an organization on all fronts. This progress would not have been possible without hard work and dedication of every member of our team, all of whom are committed to grow LionGuard Capital Management Inc. into pre-eminent investment management company based in Montreal. As we approach another anniversary of the company, we can firmly state that we have created a culture of hard work, humility and a constant quest for learning and improvement.

In November 2016, we announced registration of LionGuard Opportunities Fund on Fundserv broker network. We want to take this opportunity to recognize commitments from investment advisers and select family offices, that made a case for registration an easy one. We are also pleased with ongoing positive responses from numerous investment advisers, as our unique long/short equities product resonates well with the needs of their clients. ***Our Fund codes are: LGC100 (Class A) & LGC102 (Class F).***

Our second fund, LionGuard Canadian Small Cap Equities Fund, had an excellent performance year, as compared to its industry peers. This product further capitalizes on LionGuard's internal fundamental research expertise.

Overall, we are pleased to see strong interest from accredited investors, family offices and fund of funds across Canada. We are glad to report that we closed 2016 with more than 70 unique clients, ranging from accredited high net worth individuals to highly sophisticated institutional investors.

Conclusion:

As we enter 2017, we remain both vigilant and open to investment opportunities. We believe that overall market volatility is likely to increase, which should benefit long-term investment operations of the Fund. At the same time, we are able to find good number of quality companies that currently trade at generous discounts to our calculation of their intrinsic values.

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

Yours sincerely,

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

Lionel Alcoloumbre, DPLG, MAUD
SVP, Business Development

Colin Lebeau-Mathieu
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Jay Tan, B.Sc.
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Anne-Sophie Clarisse
Marketing & Business Development