



LIONGUARD OPPORTUNITIES FUND QUARTERLY REPORT - SEPTEMBER 2017

FUNDSEV codes: LGC100(Class A) & LGC102(Class F)

Dear Investors,

Investment Performance:

During the quarter ended September 30, 2017, LionGuard Opportunities Fund (“Fund”) had a positive net (after all fees and expenses) return of 2.34%. This compares to the S&P/TSX Total Return Index (“Index”), which was up by 3.68%.

Since Fund inception, its annualized net (after all fees and expenses) return amounts to **16.48%** and cumulative net return to **58.03%**. Fund’s since inception results, as compared to S&P/TSX Total Return Index, are the following:

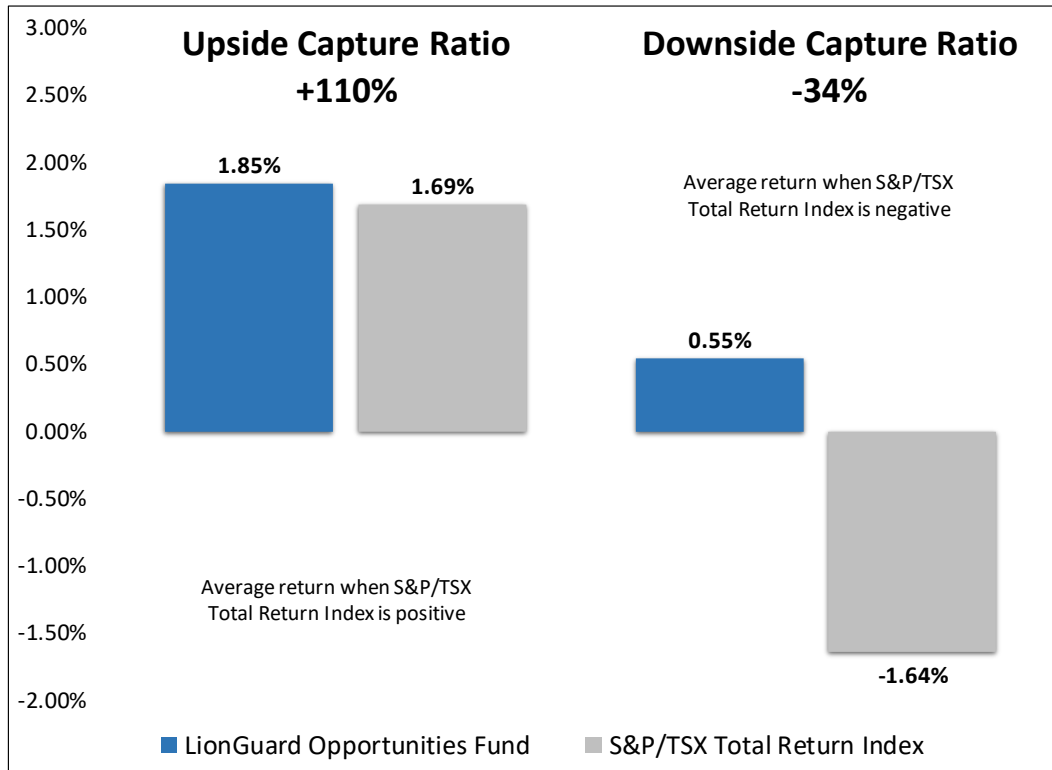
Time period	LionGuard Opportunities Fund (net returns)	S&P/TSX Total Return Index (with dividends)	Outperformance (underperformance)
1 month	1.56%	3.06%	-1.50%
3 months	2.34%	3.68%	-1.34%
6 months	6.21%	1.99%	4.22%
YTD	12.76%	4.45%	8.31%
1 year	21.15%	9.18%	11.97%
2 years (annualized)	19.09%	11.67%	7.42%
3 years (annualized)	16.48%	4.54%	11.94%
SINCE INCEPTION (ANNUALIZED)	16.48%	4.54%	11.94%
SINCE INCEPTION (CUMULATIVE)	58.03%	14.25%	43.78%

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**.



We are pleased to highlight, that concurrent with these quarterly results, the Fund has now completed a three-year track record. We are also glad to humbly report, that the Fund has been selected as “**Top Contender**” for **Best 1 Year Return** among Equity Focused funds for 2017 Canadian Hedge Fund Awards.

Fund’s since inception upside and downside capture ratios can be summarized as follows:



Quarterly Contributors:

During the quarter, our largest contributors included **Pacific Insight Electronics (PIH)** and **Norbord (OSB)**. On the flip side, our detractors of note included **GlobalScape (GSB)**, **EXCO Technologies (XTC)** and **Firan Technologies Group (FTG)**.

We initially started our research on **Pacific Insight Electronics (PIH)** in the beginning of 2016. At that time, this Vancouver-based Company already established itself as one of the world’s leaders in interior LED-based lighting solutions for the automotive sector. They were generating solid levels of free cash flow, had no excess leverage on balance sheet and were growing steady organically. They also had high levels of insider ownership (which provides for excellent alignment of interests between senior management teams and minority shareholders) and is a typical feature present in the Companies we invest in.

Following the detailed fundamental investigation into the business, we concluded that PIH is a very well-managed Company, that has not been discovered by institutional investors. They were fully self-sufficient on the capital front and thus required no outside financing. Zero sell-side coverage coupled with focused

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on business (rather than marketing trips) management team, were some of the reasons this Company was materially mispriced relative to its intrinsic value.

Since our initial investment in Pacific Insight, in 2016, it generated a good amount of free cash flow and materially expanded its business. Subsequently, in the summer of 2017, we were pleased to see the value of PIH recognized by a large global developer of custom engineered and application specific products and solution, Methode Electronics. Acquirer paid a substantial premium for PIH, versus its market price at the time of the offer, consistent with our view of the real value of the business.

Given our discussion on the Company, it is a good place to once again acknowledge a terrific job of the senior management team of Pacific Insight, and especially its founder Mr. Stuart D. Ross, who have built a global leader in their respective field and in the process, has created a lot of value for shareholders.

We have been studying and following **Norbord (OSB)** operations for more than ten years and saw an opportunity, during the quarter, to take advantage of a high probability temporary positive price dynamics. Although a very small part of our investment operations, meaningful and highly predictable short-term stock price movements, in our opinion, can provide an added benefit to the long-term growth of capital with a limited amount of risk-taking. We subsequently have taken profits and exited position.

We already spoke about **GlobalScape (GSB)** and **EXCO Technologies (XTC)** in our past quarterly reports, which you can find on our website. Thus, let's focus our discussion on **Firan Technology Group (FTG)**.

Firan Technology is a supplier of aerospace and defense electronic products and subsystems to mainly aviation and defense industries. It is run by a capable management team focused on value creation through organic growth and select acquisitions.

Firan recently completed an acquisition of a sizeable company and is currently in the middle of its integration. Although integrations are never simple, given management track record to-date we expect them to deliver on their promises, as well as to take advantage of currently very high and fast-growing backlog. We also expect to see large margin improvement, as compared to historical run-rate, once full benefits of integration are realized.

In our opinion, Firan is well-positioned in a fast-growing industry with sticky client relationships and good potential for consolidation. In addition to its well-established North American operations, it has a plant in China and is poised to benefit from booming demand for air travel in China.

New Office Premises & Team Additions:

During the month of July, our Company moved to new offices. Albeit a rather simple move, considering we were already based in the same office building, we are fortunate to now have larger premises to accommodate a growing operation.

On that, we are pleased to have recently added a new Investment Analyst and a new Vice-President of Business Development, to our growing team of professionals. We are currently on the look-out for more additions, to be announced shortly.



We welcome our current clients (spanning from high net worth individuals to Canada's largest institutional investors) and new prospective clients to come visit our new offices and to get to know our team.

Conclusion:

We remain both vigilant and open to investment opportunities. We believe that overall market volatility is likely to increase, especially from levels we have seen over the last several months, which should benefit long-term investment operations of the Fund. 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 with LionGuard, feel free to contact us at any time.

Yours sincerely,

Andrey Omelchak, CFA
President, CEO & Chief Investment Officer