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

LIONGUARD CAPITAL MANAGEMENT INC.

LIONGUARD CANADIAN SMALL CAP EQUITIES FUND

QUARTERLY & ANNUAL REPORT – DECEMBER 2018

Year 2018 Investment Performance:

LionGuard Canadian Small Cap Equities Fund ("Small Cap Fund") more than delivered on its mandate and significantly outperformed its benchmark, S&P/TSX Small Cap Index ("Benchmark") during the year 2018.

Small Cap Fund gross returns, as of the end of December 31, 2018, can be summarized as follows:

Time period	LionGuard Canadian Small Cap Equities Fund (gross returns)	S&P/TSX Small Cap Index	Outperformance (underperformance)
1 year	-15.37%	-20.10%	4.73%
2 year	-2.78%	-10.49%	7.71%
3 year	**4.46%**	**2.69%**	**1.78%**
Since Inception	**-0.05%**	**-3.42%**	**3.37%**

We are pleased that the Small Cap Fund is delivering on its promises and much appreciate strong interest for this product from consultants, family offices and institutional investors. As a reminder, Small Cap Fund's objective is to outperform its Benchmark by at least 200 bps per annum over a rolling time frame of four years.

Q4-2018 Investment Performance:

LionGuard Canadian Small Cap Equities Fund ("Fund") has materially outperformed the S&P/TSX Small Cap Index ("Benchmark") during the fourth quarter of 2018. During this period, Fund returned -9.93% as compared to Benchmark at -15.00%.

The sectors where the Fund performed best in comparison to the Benchmark were the Energy sector with 474 bps of relative outperformance and Industrials with 130 bps of relative outperformance. Most of the value added was due to stock selection. Sectors where the Fund underperformed vs the Benchmark included Materials with -182 bps of relative performance and Real Estate with -123 bps. This was due to the mix of allocation and stock selection.

Our largest relative contributors included Total Energy Services, Questor Technology and SSR Mining. At the same time being overweight in Altus Group, Airboss of America and not owning Enerflex has cost us relative to the benchmark.

The Fund has been conservatively positioned, entering Q4-2018 (and for the past 1 year+), relative to the Benchmark. This has helped Fund's relative performance during major sell-off for Canadian small cap equities, which took place in Q4. What we are especially pleased with however, is that stock selection, rather than sector allocation, was the primary driver of value added for the quarter.

Fund Positioning Going Into 2019:

Going into Q1-2019, now with materially lower valuation levels for Canadian small cap equites, we see high number of attractive investment opportunities. Thus, we are strategically re-allocating capital from companies that have less upside to our target prices to those businesses that currently trade at big discounts to our calculation of their intrinsic values.

We continue to see risks with the negotiations between the two of the world's largest economies (US and China), but at the same believe that on a longer-term basis those risks are currently more than fully reflected in most of the companies we are interested in. At the same time, we remain cognizant of the slowing Chinese economy and some of the risks that are present within the Chinese shadow banking system. Recent lower car sales numbers (down 14% y/y in December) and Apple's lower guidance for iPhone sales in China are all examples of more tempered Chinese consumer demand.

We remain underweight in Energy and Materials sectors, as we still find little compelling risk-adjusted investment opportunities among those sectors. At the same time, several higher quality energy services companies sold off more than they deserve. We are therefore evaluating some of those opportunities.

Given well-capitalized private equity players, the pressure for them to deploy the capital in the near term, and materially lower valuation levels following small caps sell-off, we expect to see more take-outs in the Fund and in the Canadian small cap equities space in general. Historically, this dynamic has played largely in our favor, as we often invest in companies that are good take-out potentials (high FCF yield, stable and predictable business models, solid management team and governance in place, under-levered and/or often positive net cash position etc.)

Year 2018 Market Comments:

2018 proved to be a very challenging year for global equity markets.

In United States, the Dow, S&P 500 and NASDAQ lost 5.6%, 6.2% and 3.9%, respectively. Russell 2000 Index, widely followed benchmark for small-cap U.S. stocks, was down by 12.6%. In Canada, S&P/TSX Composite was down by 11.6%, TSX Venture Exchange lost 34.4% and S&P/TSX Small Cap Index lost 20.1%.

Elsewhere around the world, all major equity indices were in the red territory with Stoxx Europe 600 at -13%, U.K.'s FTSE 100 at -13%, Japan's Nikkei at -12%, Shanghai Composite at -25%, Hong Kong's Hang Seng at -14%.

Most of the drop in North American equity markets took place during the last quarter of the year. Although, from our perspective, there was nothing particularly unique about the fourth quarter, investor's increasing concerns were clearly reflected in the market performance.

Numerous reasons can be stated for a sizeable correction including potential negative earnings revisions for year 2019, potential for the escalation of the trade war between U.S. and China, prospects of further unwinding of central banks' easy-money policies, need for "normalization" of overall valuation multiples (especially in the light of higher applicable discount rates) etc.

Large tax changes and buoyant U.S. economy contributed to over 20% (estimated) earnings growth for the S&P 500 companies in 2018. Current estimates, as per FactSet, call for growth of 7.8% (down from 10.1% in September 2018) in 2019. Given that many analysts have yet to update their models for next year, we would expect further negative earnings revisions in the near-term.

Increase in Quantitative Trading & Implications for Fundamental Managers:

Concurrent with recent corrections for great number of securities, we saw large escalation of market volatility. It is our belief that big part of the reason for higher short-term volatility can be explained by the increasing proportion of quantitative trading. With quantitative trading poised to increase even further, investors should get used to larger price movements for securities and especially to abnormal stock price behavior following quarterly earnings reports.

As this dynamic continues, fundamental fund managers will need to adapt to this new market reality and learn how to profit from it. In the same way as the growth of Exchange Traded Funds (ETFs) contributes to market inefficiency, so does the growth of quantitative trading. Both dynamics play in the favor of fundamental managers focused on taking advantage of prevailing market inefficiencies. This leads us to believe that the benefits of fundamental stock picking (with the focus on the right business metrics & increasingly with a greater need to have a proper "mental framework") are here to stay.

Corporate Updates:

During 2018, we made numerous advances as an organization and achieved several key milestones. This would have not been possible without the hard work and dedication of our team members. Some of the highlights of the year include:

- Attained over 4-year track record for LionGuard Opportunities Fund. Opportunities Fund was launched in October 2014 and as of the end of December 2018 it has a track record of 4 years and 3 months.

- Attained over 3-year track record for LionGuard Canadian Small Cap Equities Fund. Small Cap Fund was launched in May 2015 and as of the end of December 2018 has a track record of 3 years and 7 months.

- Launched LionGuard Opportunities Trust Fund. Opportunities Trust Fund was launched in May 2018 to satisfy a strong demand from the investment community to accept investments for registered plans (RRSP, TFSA, RESP, etc.).

- Welcomed to our team Jivka Angelova, M.Sc., as a Senior Manager, Operations, Accounting & Compliance.

- Became a signatory to the United Nations-supported Principles for Responsible Investment (PRI). The PRI is recognized as the leading global network of asset owners, investment managers and service providers who are committed to incorporate environmental, social and governance (ESG) considerations into their investment practices and ownership policies.

- Launched new website design and updated key presentation materials.

- Contributed to various charitable causes & participated in several said events.

We appreciate ongoing inflows from existing clients and new client's commitments. During the year, we established new business relationships with consultants, family offices, investment advisers and institutional investors.

Yours sincerely,

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

Jay Tan, CFA
Investment Officer

Colin Lebeau-Mathieu, CFA
Senior Investment Analyst

Nipun Kalra, CFA Level II candidate
Investment Analyst Intern

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

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

Alexandre Caron
Intern