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LIONGUARD CAPITAL MANAGEMENT INC.
INVESTMENT REPORT – YEAR 2019

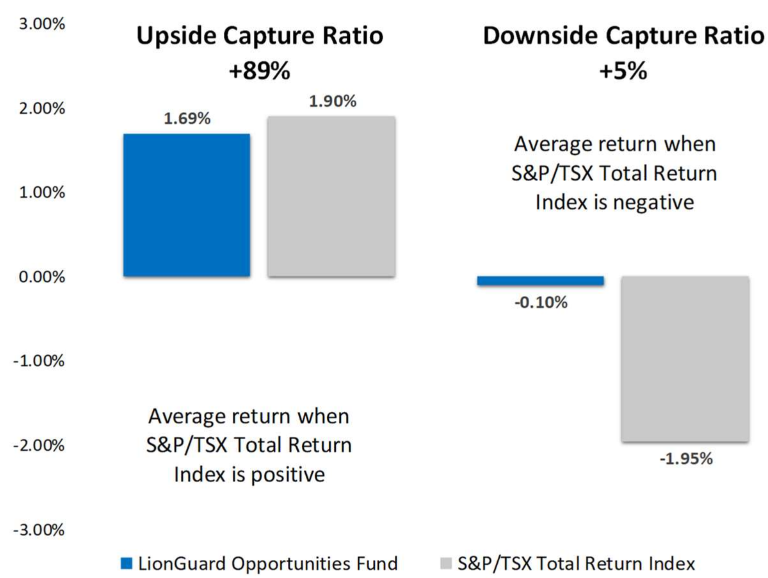
Dear Investors,

Investment Performance - LionGuard Opportunities Fund:

For the year 2019, LionGuard Opportunities Fund ("Opportunities Fund") had a positive net (after all fees and expenses) return of +32.88%. **Since Opportunities Fund's inception, in October 2014, its annualized net (after all fees and expenses) return amounts to 12.45% and cumulative net return to 85.14%.** Please see below the discussion on the return drivers in 2019 and our positioning going into 2020.

Time period	LionGuard Opportunities Fund (net returns)
1 year	32.88%
3 years (annualized)	9.35%
5 years (annualized)	12.20%
Since Inception (annualized)	**12.45%**

Since the Opportunities Fund's inception, as compared to the broad market index (S&P/TSX Total Return Index), its upside capture ratio amounted to 89% and downside capture ratio to only 5%.



Q4-2019 Contributors:

During the fourth quarter, some of our largest contributors were **Sangoma Technologies (STC), Points International (PTS), Carbonite (CARB), Photon Control (PHO)** and **Insperity (NSP).** On the opposite side, the only notable detractor was **DIRTT Environmental Solutions (DRT)**.

Carbonite (CARB) is a data backup and endpoint security software company. Incorporated in 2005, it has grown from a pure-play backup to a leading full stack security company with hundreds of thousands of SMBs (millions of endpoints) and thousands of MSPs and VARs. We encourage you, fellow investors and readers, to examine this piece as it is a great example of how inefficient markets can be, particularly in the U.S small & mid cap (SMID) space.

Over the years, Carbonite successfully executed upon a well-carved out M&A strategy aimed at transforming it into a "bumper-to-bumper" data and security company. Accordingly, in a span of seven years, Carbonite spent over $850 M on acquisitions, driving expansion while exponentially growing its TAM (~$15 Bn) on every occasion, with the most notable acquisition being Webroot for ~2.9x sales (leading endpoint security company). In the process, Carbonite grew its top line at a +25% CAGR from 2012-2019 while FCF/share grew at a +40% CAGR, supported by margin expansion owing to (i) cost efficiencies at the gross profit line (i.e. data center optimization), and (ii) improvement in renewal and retention rates with recurring revenue close to 90%.

However, every race goes through "pit stops". This case was no different. In this case, Carbonite's core back-up business has, over time, matured into a "mainstream" industry with low single-digit growth. With heightened competition becoming more evident, Carbonite experienced a wave of quarterly underperformance partially the result of mishaps in "go-to-market" strategies.

To reverse the dynamics in that space, Carbonite introduced a new server edition of its backup offering in Q3/18. The new product was expected to contribute to the top-line in H2/2019 and 2020. However, the product was not at the level of quality that customers have come to expect and hence, had been retracted, bringing down growth expectations and delays among the internal sales team.

With investor confidence deteriorating, Carbonite's stock dropped to as low as $12.00 a share, as a failed product introduction and temporary go-to-market glitches were exacerbated by the sudden exit of the company's CEO, leading to the overhaul of the management team with the creation of a new CRO role and the addition of a new COO, CPO, and interim CEO in Chairman and industry veteran, Stephen Munford.

At LionGuard, we took a contrarian view. With the market concerned about Webroot integration and organic growth, we saw this as a major over-reaction, presenting us with an exceptional investment opportunity. After all, at $12/share, Carbonite was valued at ~2.0x EV/Sales and ~8% FCF yield (vs peers at ~3.5x Sales & 4% FCF). For a software company with 90% recurring revenue, an established customer base, and a robust indirect sales channel (both MSP and VAR), interest in the company was bound to surface.

Surely, rumors of a potential take-out emerged in September and continued into October, yet the share price recovered to a mere $14-$15. Meanwhile, we were increasing our weight, as long-term conviction in the name was well-established, supported by our internal DCF and LBO pegging intrinsic value at $25.00 a share. It was a perfect scenario of material upside with a limited downside (given the company valuation levels) and a high likelihood of a near-term takeout.

Indeed, on Nov 11th, Carbonite agreed to be acquired by a strategic buyer, Open Text (OTEX US; OTEX CN), for $23.00 share (~2.8x EV/Sales), a testament to the level of inefficiency portrayed by market participants over transitory mishaps. We view the offered price as fair and a win-win to OpenText and Carbonite given material cross-selling opportunities across OTEX & CARB's customer base as well as a cross-pollination of both companies' indirect sales channel.

Photon Control (PHO) is a manufacturer of fiber optic sensors. The company's temperature and position sensing solutions are applied in equipment used to manufacture semiconductor chips, notably, memory chips.

We have followed Photon closely for an extended period, and in doing so, have established a strong understanding of the business and its key drivers. In fact, we first came across the company when it was just selling its temperature sensing solutions to the oil and gas ("O&G") industry. While impressed with the product, we were deterred by the O&G exposure and the unpredictable nature of that market, a feat consistent with our "commodity free" exposure.

As a result, we initially took a cautious stance and eventually decided to invest in the company upon its expansion into the semiconductor end-market (growing and clearly more stable than the O&G industry), with our conviction bolstered by favorable secular industry tailwinds, addressable market expansion opportunity, material discount to U.S peers, and a pristine balance sheet positioning.

We elaborate on the four pillars of our thesis below:

- Secular demand for memory chips: data or memory chips are key enablers of Artificial Intelligence (*"AI"*) advancement. As the proliferation of data continues at an explosive pace (>90% of all data was generated over the last 2 years), demand for memory chips is expected to continue, with forecasts pegging growth at 20%-30%, subsequently fueling demand for Photon's optic sensors while providing clear visibility for the years to come.

- Addressable market expansion: A two-fold opportunity set – (i) opportunity to integrate the sensors into the "deposition" process, a market roughly 30% the size of the currently served "etching" phase; and (ii) while the near-term prospects remain primarily in the semiconductor space, Photon is actively looking to diversify into adjacent verticals, having recently announced expansion into new medical applications.

- Material discount and lag to U.S peers: with almost all U.S WFE manufacturers trading at an all-time high, Photon's stock price has massively lagged its peers as it has failed to reflect/adjust for the positive dynamics in the space.

In addition to having an excellent stand-alone investment prospects, PHO has numerous characteristics of a potential takeout candidate. They are pristine balance sheet (large net cash position), sizeable barriers to entry, very solid cash flow generation, sizeable synergistic benefits to a strategic buyer, very attractive valuation levels and others. As such, we would not be surprised to see PHO acquired by a strategic or financial buyer.

Insperity Inc (NSP), since its founding in 1986, has grown into one of the largest Professional Employer Organizations ("PEO") in the U.S., providing mission-critical human resources outsourcing services to over 7,300 companies in the small-mid size ("SME") space.

Insperity had been on our radar for quite some time given its robust track record of growth (~13% WSEE CAGR; +22% EBITDA CAGR and +39% EPS CAGR), diversified customer base by end market, and rigorous customer screening criteria (low employment risk growth businesses). However, we only added the name in Q4 on the back of an opportunistic entry point as we showcase below.

In its simplest term, a PEO provides companies with a range of HR and human capital management ("HCM") services including payroll, administration, benefits, and health and workers' compensation. While the business appears to be boringly simple on the surface, it is the furthest thing from that: think insurance complexity and technology competition under one roof. You see, unlike a traditional HCM employment model, a PEO operates under a co-employment model. This means that the client, Company A, would enter into a Client Service Agreement (CSA) with a PEO such as Insperity, whereby, Company A is billed the entire payroll costs (covers payroll tax, benefits, compensation, cost of running the operation etc) of its employees plus a mark-up. In return Company A expects its PEO to manage its entire HR functions including but not limited to personnel administration, regulation compliance, liability for wage payment, and access to compelling benefits and employee plans.

Effectively, a PEO gathers all its clients' employees ("Worksite Employees or WSEEs") under one large umbrella, allowing it to bundle services at competitive prices for both the employee and employer. It results in a win-win situation as the PEO itself can operate in bulk (i.e purchasing power) while obtaining a margin mark-up and the clients and their employees can focus on running their core business while getting access to premium HR packages that are typically only available to large and mega-cap companies.

You are probably wondering what sparked interest in the space given the complex nature of the PEO sector and the competitive and mature aspects of human capital management industry. It came down to a compelling entry point and a huge opportunity set, as, while the traditional model is reaching the maturity stage, the PEO space remains highly fragmented and under-penetrated (~5% SME penetration).

Following a disappointing Q2 underpinned by lower net hiring and an unusual frequency of large benefit claims (accounted for 22% of claims in the Q vs ~18% historically), Insperity had to revise its guidance slightly downward. The magnitude of the miss and the optics of a guidance revision resulted in the stock falling from a high of $145 to as low as $90 post Q2.

Despite the large sell-off, our internal research suggested that the guidance revision should have been more material. Our team read every available transcript going back as far as 13 years to determine the impact of large benefit claims on the subsequent quarter and throughout a cycle. Our findings indicated that larger claims incurred in Q2 would flow into Q3 at a higher pace than what was communicated in the guidance. Surely, the company reported a large miss and revised its guidance by 11% at the midpoint for Q4, resulting in the stock dropping to a 52-week low of $67.00.

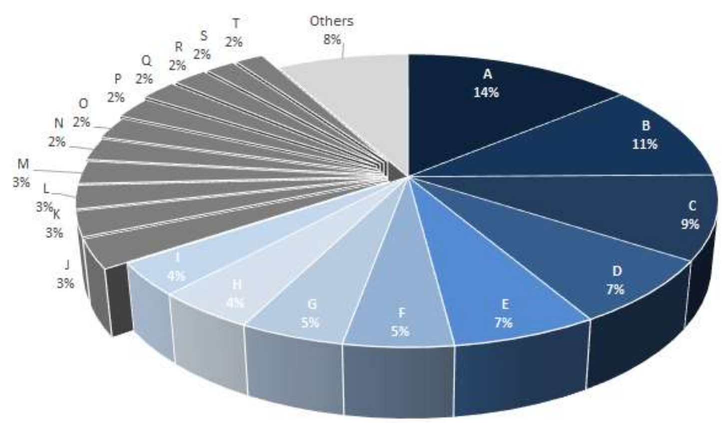
Keeping in mind that larger claims have over time been proven to be normal course and random by nature, we concluded that the market participants have largely over-reacted to the temporary negative developments. Insperity was trading at ~10.5 x 2020E EBITDA, a significant discount to peers (ADP, Trinet, Paychex) at 16.8x and to precedents at 14x (Paychex acquired Oasis PEO for 14x).

As the news around Q3 began to sink in and the market participants started to realize that the issues experienced by the company are temporary in nature and the stock made a partial recovery to $86.

<u>Year 2019 Contributors:</u>

For the full year 2019, some of our largest contributors were **Sangoma Technologies (STC), Points International (PTS), Carbonite (CARB), Photon Control (PHO), Insperity (NSP), Firan Technology (FTG), BSM Technologies (GPS), Heroux Devtek (HRX), PAR Technology (PAR), Gluskin Sheff (GS), and Altus Group (AIF)**. On the opposite side, the only notable detractor was **DIRTT Environmental Solutions (DRT)**.

We are especially pleased with the dispersion of the gross returns contributions' (based on long positions), which clearly portrays numerous sources of alpha generation during the year:



Detailed discussions of Carbonite, Insperity and Photon Control are in Q4-2019 commentary above. Several other 2019 contributors were addressed in the quarterly reports throughout the year. Please see those comments below:

From Q2-2019 investment report:

Sangoma Technologies (STC) is one of our recent additions to the Fund. Sangoma is a comprehensive Unified Communication (UC) solution provider with presence in numerous countries. Its key customers are small-to-medium size businesses, telecommunication equipment OEMs, and telephony service providers.

Several years ago, STC was a one-product company, yet through smart acquisitions and internal R&D initiatives, the company has transformed itself into a complete Unified Communication solution provider under the leadership of its CEO, William Wignall.

What Mr. Wignall has accomplished over the past several years is nothing short of remarkable. Since becoming the CEO, William has dramatically improved the organic growth rate of the business (from nil to over 10%) and improved the profitability (from a negligible amount to a current run-rate of more than $12mn in Ebitda). William has demonstrated both an operational expertise and a capital allocation discipline. All acquisitions concluded to-date have proven to be accretive and aligned with the long-term vision of the company. With a strong and disciplined leader at the top, we feel that STC is well-positioned to capture the massive opportunity in the shift from on-premise to cloud-based Unified Communication.

According to Global Market Insights, the UC market is forecasted to reach US$96 billion by 2023. At the same time, the current adoption rate of cloud-based UC is still under 10%. Therefore, we believe that there is a big business opportunity for companies that are focused on this space.

At this time, U.S. investors have recognized major opportunities in the cloud-based UC space and awarded large players (such as Ring Central and 8x8) with lofty valuations. In contrast, STC still trades at a huge discount versus its larger peers. One of the reasons for the discount is the relative size of the company, while another reason is the ongoing shift at STC from hardware business towards a recurring SaaS business. With both trending in the right direction, we believe that it is just a question of time until STC gets the credit that it deserves. STC's recurring UC SaaS revenue is growing at over 10 % versus hardware at mid-single digits. As a transition to software continues at a quick pace, investors should also expect to see meaningful margin expansion.

Although this is not part of our investment thesis, a highly discounted well-run operation with a growing recurring revenue component is a prime takeout candidate by the bigger operators.

From Q3-2019 investment report:

Sangoma Technologies (STC) - We 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.

From Q3-2019 investment report:

Points International (PTS-TSX; 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 valuations 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 decisive action before they are forced to examine other alternatives.

From Q1-2019 investment report:

Firan Technology (FTG) - As per our prior write-up, we did not believe that the integration challenges (post acquisitions) were structural and thought that FTG's share price will recover as management delivers on its promises. Although the integration took longer than expected, challenges are now behind us as FTG has delivered solid execution over the last several quarters. As a result, the investment community is starting to give credit to the management team and is pushing the stock price higher.

Going forward, we are optimistic that future acquisitions will also be value-creating and that recent lessons will lead to smoother integration(s) (if required) of acquired operations. We remain bullish on this industry and believe that there is room for long-term shareholder value creation upon proper execution of a business plan.

From Q1-2019 investment report:

Gluskin Sheff + Associates (GS) - GS is a wealth management firm focused on serving the needs of high net worth private clients and select institutional investors.

The Company's stock price has been under pressure for a while, due to some of the following reasons: institutional capital outflows, senior investment personnel departures, a legal dispute between the Company and its founders, pressure on industry's fees and others. Our investment team, however, was more positive on the prospects of Gluskin Sheff vs what was recently implied in its stock price. Our rationale was the following:

- Institutional capital was never a big focus for GS and represented a small portion of its total assets under management and especially of its base management fees and performance fees.
- While we agreed that senior investment personnel departures, over the last several years, were worrisome, we were also of an opinion that there are numerous highly experienced individuals at the firm to take their place. We were also not too worried about the stickiness of the business given GS's focus on high net worth ("HNW") market segment.
- Although legal matters with the founders are never welcome, these matters were already settled and no longer presented a risk to the Company.
- We certainly recognize that due to the increasing prominence of cheap investment alternatives (mainly ETFs), there is a fee pressure on management fees for the industry. From our perspective, to counter some of those challenges, an investment firm can 1). focus on specialized niche

products that cannot be easily replicated, 2). have a differentiated investment process that can outperform indices over time and/or deliver attractive risk-adjusted returns and 3). service market segment with highly "sticky" (for the lack of a better word) clientele. Overall, we believed that GS is much less susceptible to industry challenges given their utmost focus on the HNW market.

In addition, despite all the challenges, Gluskin Sheff grew its assets under management from $5.5 billion in 2013 to around $8.2 billion currently.

Immediately preceding the takeout announcement, GS had close to 9% free cash flow yield (without giving any credit to performance fees) on its market capitalization. The Company also had no net debt and paid a dividend yield of around 9%.

Given the stickiness of GS's high net worth client base, excellent free cash flow yield on base management fees, optionality for large performance fees, balance sheet with a net cash position, optionality of a management buy-out or a takeout by a strategic partner, etc., we felt very comfortable to own the shares in the Company and to increase our weight on weakness.

At the end of March 2019, Onex Corporation agreed to acquire Gluskin Sheff for $14.25 per share. The purchase price represented a 28% premium to the closing price. We view the combination of both companies as a win-win and believe that the probability of a competing bid is low. We cannot say, however, that we believe the full value of Gluskin Sheff has been realized at $14.25 per share.

From Q2-2019 investment report:

BSM Technologies (GPS) is a provider of IoT enabled telematics and asset management solutions. They provide services to a good number of government agencies and are a dominant telematics solution provider to the tier-1 railroad operators. At the time of its takeout, BSM was generating solid levels of free cash flow and our projections lead us to believe that investors should expect materially higher levels of profitability on a per-share basis going forward. Company's operations were improving under the leadership of a new CEO, who was focused on top-line growth and on addressing numerous low hanging fruits on the cost structure front.

Given a wave of consolidation in the telematics space, the take-out announcement of BSM was not a big surprise to us. The Company was trading at a large discount to multiples at which some its peers have recently been acquired, while at the same time having a highly desirable customer base.

From Q2-2019 investment report:

Heroux-Devtek (HRX) is the world's third-largest manufacturer of landing gear for aircraft and helicopters. The company's area of expertise falls in the landing gear vertical of the commercial aircraft industry benefitting from positive end-market demand with air traffic forecasted to increase at a 5.0% CAGR for the next two decades. This provides for high barriers to entry, predictable growth business, enabling HRX to run a defensive operation characterized, to a large extent, by (a) revenue visibility, as suppliers in the industry, are awarded exclusive contracts for the lifespan of a given program; and to a lesser extent by (b) recurring revenue through its aftermarket business, as landing gear requires refurbishment every 8 years.

Under the leadership of Chairman Gilles Labbé who recently stepped down from his role as CEO following a near two-decade tenure, HRX has effectively transitioned from a Tier 2 supplier to a Direct OEM supplier. Actions taken by management over time resulted in solidifying HRX's positioning in the space to ultimately compete for and win direct OEM contracts.

In essence, we had identified and invested in a defensive, growing business, with solid management execution and insider ownership (Mr. Labbé owns 10% of the company) ensuring alignment of interest with shareholders.

Our interest in HRX spiked over time as the company announced its plans to make two acquisitions to further boost its competitive standing in the industry. One acquisition of interest was Compañia Española de Sistemas Aeronauticos, S.A ("CESA"). CESA significantly expanded HRX's reach in Europe enhanced its proprietary products and paved the way for customer diversification as it brought in Airbus (joint owner of CESA) to the ranks of HRX's direct customers. As a result, HRX now serves the two largest aircraft manufacturers: Boeing via a 2013 contract, and Airbus. Equally important, the transaction gives HRX a foray into the Actuation market, a sector that is less capital intensive than the landing gear business.
As Heroux-Devtek capitalizes on a period of good revenue and margin expansion, we are confident that new CEO Martin Brassard will do a great job in navigating the company going forward.

From Q2-2019 investment report:

PAR Technology (PAR) is a leading global provider of cloud-based point of sale solutions, hardware, and service offerings for restaurant chains. We first came across this company in the middle of 2018. At that time, although we very much liked the industry dynamics for the restaurants' cloud POS systems and the market positioning of PAR Technology, we were skeptical that the current management team can take the company to the next level.

Our reservations on the management front fully dissipated after the announcement that Mr. Savneet Singh has joined the Company as its new CEO. After researching Mr. Singh's background, listening to several of his conference calls and conducting discussions with him, we firmly believe that Mr. Singh is the right person to lead the company going forward. Savneet has an excellent understanding of a huge market opportunity for Brink POS (PAR's crown jewel) and what needs to be done to solidify Brink's position in the marketplace.

What makes Brink POS unique is that at this time it is the only cloud POS solution that is deployed in large scale fast-food brands with 1,000+ restaurants. Some of Brink's software clients include Dairy Queen, Arby's, Five Guys and others. What is also impressive is that Brink has achieved market leadership among large-scale cloud-based restaurant management SaaS solutions despite major under-investments relative to well-capitalized competitors.

As PAR executes on its business plan to add many more SaaS clients, we can fully expect the ongoing shift of business from legacy hardware sales (where they currently service the likes of Subway, McDonalds, Taco Bell etc.) towards highly recurring software revenues. As of the end of Q1-2019, annualized recurring run-rate SaaS revenues amounted to US$15.8mn, which was up from US$10.3mn a year ago. In addition, the forthcoming launch of merchant services business (payment solutions) and the selling of additional software modules to existing Brink clients will certainly lead to much higher monthly recurring revenue per location.

What makes us especially comfortable with this position is that the sum-of-part valuation provides for a good margin of safety. Other than its crown jewel (Brink POS), PAR also owns two profitable businesses that are likely to generate good value if they were put for sale. We are also well-aware of the investor's endorsement for SaaS-based POS offerings, as evidenced by the successful IPO of Lightspeed POS and the valuation levels of Toast POS. As such, we do not believe that Brink value is recognized.

As PAR Technology keeps on executing and growing, we would not be surprised if they receive a take-out offer from one of the large legacy POS system providers (the ones that Brink POS is disrupting), a competitor (such as Toast POS) or from the private equity player. Given Brink POS's dominant market share in large scale fast-food chains, its organic growth prospects and a possibility for a much higher monthly recurring revenue per location, it is a very attractive asset for numerous potential buyers.

From Q2-2019 investment report:

Altus Group (AIF) is a leading provider of software, data solutions, and advisory services to the real estate industry. The company's main business lines are Property Tax, Commercial Real Estate Consulting, Geomatics, and Altus Analytics.

AIF has been a core holding of ours. We believe that the company's flagship product, Altus Analytics, is well on its way to displace other competing products and to become a de-facto standard within the real estate industry. In a way, Altus Analytics positioning within the real estate sector can already be compared to that of Bloomberg in the financial services industry.

Altus reported disappointing Q3-2018 results, which led to a decline in the stock price. In our view, the quarterly miss was nothing more than a delay in revenue recognition, due to regulatory changes in AIF's property tax business. Despite this being communicated by management, investors nevertheless reacted negatively to the Q3 numbers.

Our decision to maintain exposure through the temporary sell-off led to AIF contributing positively to our fund's return this quarter.

Investment Performance - LionGuard Canadian Small Cap Equities Fund:

Our long-only investment solution, LionGuard Canadian Small Cap Equities Fund ("Small Cap Fund"), continues to deliver on its mandate and significantly outperform its benchmark, S&P/TSX Small Cap Index ("Benchmark").
Small Cap Fund has also delivered industry-leading returns (**first quartile rankings over 1, 2, 3 and 4-year investment horizons**, versus other funds in its category) as per the latest data compiled by eVestment.

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Small Cap Fund gross returns, as of the end of December 2019, can be summarized as follows:

Time period	LionGuard Canadian Small Cap Equities Fund	S&P/TSX Small Cap Index	Value Added
1 year	28.50%	12.84%	15.66%
2 year (annualized)	4.28%	-5.05%	9.33%
3 year (annualized)	6.70%	-3.30%	10.00%
4 year (annualized)	10.02%	5.14%	4.88%
Since Inception (annualized)	**5.48%**	**-0.15%**	**5.63%**

Corporate Updates:

In addition to industry-leading investment returns for our Funds, discussed above, during 2019 we made big advances on the corporate front. This would have not been possible without the hard work and dedication of our team members, ongoing and new commitments from investors and the competence of all our service providers. Some of the highlights of the year include:

- **Entered a long-term strategic partnership with Walter Global Asset Management (Walter) & welcomed Mr. Sylvain Brosseau to our Board of Directors.** Long-term strategic partnership with Walter enables us to materially accelerate the growth of LionGuard including by expanding our teams across research, operations, and client-servicing functions. Mr. Sylvain Brosseau, Chief Executive Officer of Walter, has joined our Board of Directors.

- **Attained 5-year track record for LionGuard Opportunities Fund.** Opportunities Fund was launched in October 2014 and as of the end of December has a track record of 5 years and 3 months.

- **Attained 4-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 has a track record of 4 years and 8 months.

- **Set-up legal structure for LionGuard Canadian Small Cap Fund.** This facilitates investments in the Small Cap Fund from institutional investors, family offices and other qualified investors.

Yours sincerely,

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