LionGuard Capital Management Inc.
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LIONGUARD CANADIAN SMALL CAP EQUITIES FUND

INVESTMENT REPORT Q4 & ANNUAL – YEAR 2019

Since Inception Returns:

LionGuard Canadian Small Cap Equities Fund ("Small Cap Fund") gross returns, as of December 31, 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%**

We are pleased with the Small Cap Fund's risk-adjusted returns and appreciate strong interest in this product from institutional investors, consultants and family offices. We also look forward to a 5-year track record anniversary for the Small Cap Fund in the first half of 2020.

Please note that the Small Cap Fund has 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.

Q4-2019 Investment Performance:

LionGuard Canadian Small Cap Equities Fund more than delivered on its mandate and significantly outperformed its benchmark, S&P/TSX Small Cap Index ("Benchmark") during the Q4-2019. During this period, Fund returned 9.91% as compared to Benchmark at 5.53%.

The sectors where the Fund performed best in comparison to the Benchmark were the Information Technologies sector with 314 bps of relative outperformance and Consumer Discretionary with 156 bps of relative outperformance. Sectors where the Fund underperformed vs the Benchmark included Materials with -138 bps of relative underperformance and Energy with -35 bps.

Our largest relative contributors came from being overweight in Sangoma Technologies (STC), Points International (PTS) and not owning Hexo Corp (HEXO). At the same time, not owning Aurinia

Pharmaceutical (AUP), being overweight in Badger Daylighting (BAD) and Major Drilling (MDI) has cost us relative to the Benchmark.

We already wrote at length about Points International (PTS) in our Q3 2019 report and highlighted Sangoma Technologies (STC) in our Q2 2019 report. See below the text we wrote at the time:

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.

We also want 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

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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.

Year 2019 Contributors:

LionGuard Canadian Small Cap Equities Fund more than delivered on its mandate and significantly outperformed its benchmark, S&P/TSX Small Cap Index ("Benchmark") during the year 2019. During this period, Fund returned 28.50% as compared to Benchmark at 12.84%.

The sectors where the Fund performed best in comparison to the Benchmark were Energy with 591 bps of relative outperformance and Information Technology with 516 bps of relative outperformance. Sectors where the Fund underperformed vs the Benchmark included Materials with -429 bps and Utilities with -53 bps.

Our largest relative contributors came from being overweight in Altus Group (AIF), Sangoma Technologies (STC) and Firan Technology (FTG). At the same time, being overweight in Total Energy Services (TOT) while not owning Aurinia Pharmaceutical (AUP) and Alacer Gold Corp (ASR) has cost us relative to the Benchmark.

See above in the discussion of the Q4 the write up on Sangoma Technologies. We also wrote during the year about Altus Group and Firan Technology. You will find the write up on those below:

From Q1-2019 investment report:

Firan Technology Group (FTG) - Please refer to our Q3-2017 and Q1-2018 Opportunities Fund reports for discussions on the business of Firan.

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 Q3-2019 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 results at the end of last year, which led to a decline in the stock price. In our view, 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 results.

Our decision to maintain exposure through the temporary sell-off led to AIF contributing positively to our fund's return over the last several quarters.

Corporate Updates:

In addition to delivering first quartile performance (as per data compiled by eVestment, over the last 1, 2, 3 and 4-year time frames) for the LionGuard Canadian Small Cap Equities Fund, we are pleased with the performance of the LionGuard Opportunities Fund (32.88% net returns in 2019 and 12.45% net annualized returns since fund inception) and absolute positive returns, for the year 2019, with little correlation to the market for the LionGuard Conservative Fund.

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.

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- **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)