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LIONGUARD CANADIAN SMALL CAP EQUITIES FUND
INVESTMENT REPORT – YEAR 2020

Since Inception Returns:

LionGuard Canadian Small Cap Equities Fund ("Small Cap Fund") gross returns for the year 2020 were at 26.82% comparing favorably to the S&P/TSX Small Cap Total Return Index ("Benchmark") that ended the year with a return of 12.87%. Our 5-year annualized return also compares favorably to the benchmark with a return of 13.19% for our Fund whereas Benchmark had a return of 8.77%. Since inception the Fund delivered 8.97% annualized returns which also compares well with the Benchmark at 4.21%.

2020 In Rear View Mirror & Looking Ahead To 2021:

As an incredibly challenging year for so many people ended, we want to take this opportunity to recognize amazing efforts of all those who have kept our healthcare system operating and our economy functioning despite all the risks. We also want to recognize numerous personal and professional tragedies that so many experienced.

When it comes to the overall stock market performance for the year, the disconnect with the "main street" cannot be more startling. Although Canadian markets have not fared that well, S&P/TSX Total Return Index was still up by 5.6% for the year. In the U.S., S&P 500 Index was up by 16.3% and by far the best-performer, NASDAQ, was up by 43.6%. NASDAQ rally was led by the huge stock price appreciation for mega-cap technology companies, which either benefitted from or were largely immune to COVID-related issues. As commented during our quarterly reports throughout the year, lower interest rates and an unprecedented amount of government stimulus played key roles in contributing to stock market performance in 2020.

In conducting our own investment operations, we have taken a highly conservative stance at the onset of the pandemic and until there was sufficient visibility that we are not taking unnecessary risks by selecting names that would be able to get thru the crisis. As outlined in our quarterly reports, despite our conservative stance, we made sure to invest in companies we know very well, and which operations were not negatively impacted by the pandemic. Rather than re-capping our thought process at the time, please refer to our Q1/2020 report «ZOOMing In On Fundamentals» section for more details.

Currently, we have all reasons to believe that we are entering a major M&A wave across the globe. Most obvious take-out candidates in the Fund include: **Sangoma Technologies (STC), MDF Commerce (MDF), DIRTT Environmental (DRT), Photon Control (PHO), Firan Technology (FTG)** and others.

Q4-2020 Investment Performance:

LionGuard Canadian Small Cap Fund ("Fund") underperformed the S&P/TSX Small Cap Total Return Index ("Benchmark") during the fourth quarter of 2020. During this period, the Fund returned 20.00% as compared to Benchmark at 23.49%.

The sectors where the Fund performed best in comparison to the Benchmark were Information Technology with 112 bps of relative outperformance and Consumer Staples with 87 bps of relative outperformance. Sectors where the Fund underperformed vs the Benchmark included Energy with -310 bps of relative underperformance and Real Estate with -132 bps.

Our largest relative contributors came from being overweight in **Dye & Durham (DND**), **Dirtt Environmental Solutions (DRT)**, and **Sangoma Technologies (STC)**. At the same time, being overweight in **Tucows (TC)**, **Major Drilling (MDI)**, and **Kinaxis (KXS)** has cost us relative to the Benchmark. We wrote extensively on STC and DRT in our prior reports. See below our comments on **Dye & Durham (DND):**

Dye & Durham (DND) is a leading provider of cloud-based software technology solutions to improve efficiency and increase the productivity of legal and business professionals. The company operates in Canada, the UK, and Australia, serving most of the large law firms, financial services institutions, and government organizations in these jurisdictions.

DND successfully went public in July 2020. While we do not usually invest in IPOs, this one exhibit a difficult-to-ignore combination of healthy margins, sound growth strategy focused on consolidating the legal workflows management software market, and a well-incentivized management team. We take a moment to highlight the acquisitive growth aspect of the story given the key role it plays. The company has built a strong track record of acquiring and integrating businesses that have common background in the legal software business. These targets' businesses are typically transaction-oriented with a clear ability to pass on costs to the end consumer. We thus appreciate the fact that DND's customers are not as price-sensitive given that fees charged are usually passed unto the end user and usually account for a small fraction of the due diligence and total legal bills that come with closing transactions.

Unsurprisingly, following the announcement of several acquisitions which are likely to be highly accretive should we take their track record as a proxy, DND made its way into one of our top contributors for the quarter. These acquisitions include Property Information Exchange in the UK, SAI Global Property Division, and most importantly, its largest competitor in Canada, DoProcess. Of equal importance, we note that instead of aggressively spending on marketing to acquire customers, the company views M&A as a way to acquire customers in an accretive way, underpinned by seamless integration with existing product offerings. For example, the company had been trying to acquire some of DoProcess's customers organically, but that has proven to be extremely difficult given the inherent barriers to entry in the space.

As we look ahead, we remain positive on DND's prospects as it continues to grow in its existing jurisdictions while potentially making its way into the US market one day.

May you have any questions, please contact us at any time.

Yours sincerely,

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