

LionGuard Starts U.S. Small-Cap Fund After Doubling Assets

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LionGuard Capital Management Inc. is starting a new fund devoted to products with the potential to capitalize on mispricings in the market, after the money manager doubled assets under management last year.

The LionGuard U.S. Small Cap Fund, focused on market dislocations, will be seeded by existing and new investors and seeks to invest in companies with worth C\$100 million (\$78 million) to C\$5 billion in the U.S., founder and lead portfolio manager Andrey Omelchak said.

The fund will be sector agnostic and hold roughly 40 to 50 securities, Omelchak said. The idea is to use fundamental research and in-house modeling to help identify companies for which there are catalysts, such as potential acquisitions or expansion into new markets, that the market doesn't fully appreciate, Omelchak said.

“There's a lot of mispricing and dispersion, and we expect this to continue over the coming months and years,” he said. “This type of product is very compelling in the current environment where a lot of investors suffer from fear of missing out, but, at the same time, they see that markets are close to all-time highs.”

The small-cap market has limited institutional coverage, which provides more opportunities for specialized investors to identify mispriced stocks, he said.

The Montreal-based firm's Canadian small-cap fund earned 26.8% last year, before fees, with heavy bets on technology and industrial stocks and almost no exposure to energy. That fund gained 28.5% in 2019.

A long-short product, the LionGuard Market Neutral Strategy Fund, earned 8.3% after fees in 2020.

Its flagship LionGuard Opportunities Fund had net annualized returns of 15.3% since inception in 2014, according to Omelchak. It has C\$120 million under management and expects to increase that number “significantly” with the new fund, he said.