



LIONGUARD CANADIAN SMALL CAP FUND QUARTERLY REPORT – MARCH 2021

Since inception Returns:

During the quarter ended March 31, 2021, LionGuard Canadian Small Cap Fund (“Small Cap Fund”) gross returns were at 11.25% comparing favorably to the S&P/TSX Small Cap Total Return Index (“Benchmark”) that ended the year with a return of 9.74%. Our 5-year annualized return also compares favorably to the benchmark with a return of 14.47% for our Fund whereas Benchmark had a return of 9.01%. Since inception the Fund delivered 10.55% annualized returns which also compares well with the Benchmark at 5.67%.

Views on the market:

Our team remains focused on identifying numerous mispricing opportunities present among North American small- and medium-capitalization equities. The current market environment bodes well for fundamental stock picking despite higher overall market levels. Rather than making a call on the direction of the markets, we much prefer managing the capital in a prudent manner by investing in unique situations with highly attractive upside-to-downside profiles.

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

Q1-2021 Investment Performance:

LionGuard Canadian Small Cap Fund (“Fund”) outperformed the S&P/TSX Small Cap Total Return Index (“Benchmark”) during the first quarter of 2021, returning 11.25% against the Benchmark’s 9.74%.

The sectors where the Fund performed best in comparison to the Benchmark were Materials with 335 bps of relative outperformance and Industrials with 236 bps of relative outperformance. Sectors where the Fund underperformed vs the Benchmark included Consumer Staples with -85 bps of relative underperformance and Energy with -82bps.

Our largest relative contributors came from being overweight in **Airboss of America (BOS)**, **Sangoma Technologies (STC)** and **Photon Control (PHO)**. At the same time, being overweight in **Dye & Durham (DND)**, not owning **Crescent Point (CPG)**, and being overweight in **Kinaxis (KXS)** has cost us relative to the Benchmark. For more information about **Photon Control (PHO)**, please refer to our Q1 2021 report of the LionGuard Opportunities Fund. We are including a short update on **Sangoma Technologies (STC)** below:

Sangoma Technologies (STC) – we have written extensively on STC. Please refer to our earlier reports for a more detailed discussion.

We are happy to highlight that, in January, STC announced the acquisition of Star2Star, its largest and most important acquisition to date. The transaction finalizes STC’s strategic pivot to becoming a one-stop



cloud communications solution provider, and more importantly, completes the transformation from hardware to SaaS/Cloud Services with over 70% of revenue coming from the latter. We are excited about the prospects for the combined entity and believe this highly strategic acquisition creates the necessary scale for Sangoma to compete effectively and to gain market share at an even faster pace.

With the acquisition of Star2star and increasing interest from U.S. investors, we look forward to the company listing its shares on a U.S. Exchange. Based on the last management comments, we believe that Sangoma will start trading in the U.S. (likely on NASDAQ) in Q3/2021. We expect the U.S. listing to serve as a catalyst to lower the valuation gap between the company and its U.S. peers.

Note that B.Riley recently initiated coverage of the company with a target price of \$5.50/share and we certainly expect more U.S. investment banks to do the same. We also expect STC to continue its highly accretive M&A (and organic!) growth trajectory, which should bode well for the stock price for years to come.

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)