



LIONGUARD MARKET NEUTRAL STRATEGY QUARTERLY REPORT - MARCH 2021

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.

The Market Neutral Strategy remains exposed to highly diverse number of positive dynamics for its long positions, including but not limited to stand-alone multiple expansion opportunities, relative multiple expansion opportunities, numerous takeout announcements, correction in market misconceptions, positive earnings and free cash flow generation above the levels priced in by the market, mispriced volatility and resulting covered calls potentials. On the short side, the Market Neutral Strategy remains mainly exposed to mispriced securities and securities with numerous prevailing fundamental risk factors.

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)** and many others.

Q1-2021 Investment Performance:

LionGuard Market Neutral Strategy (“MN Strategy”) had a positive net return of 1.42% during the first quarter of 2021. Long positions added 915 bps while shorts cost us 773 bps. The sector with the biggest positive contribution was Technology at 407 bps while the sector with the largest negative contribution was Consumer Discretionary at -237 bps.

Our largest contributors during the period were our long positions in **DIRTT Environmental Solutions (DRT)**, **Sangoma Technologies (STC)** and **Donnelley Financial Solutions (DFIN)**. Our biggest detractors included our longs in **Dye & Durham (DND)** and **KAR Auction Services (KAR)**. For more information about **Donnelley Financial Solutions (DFIN)**, please refer to our Q1 2021 report on 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)