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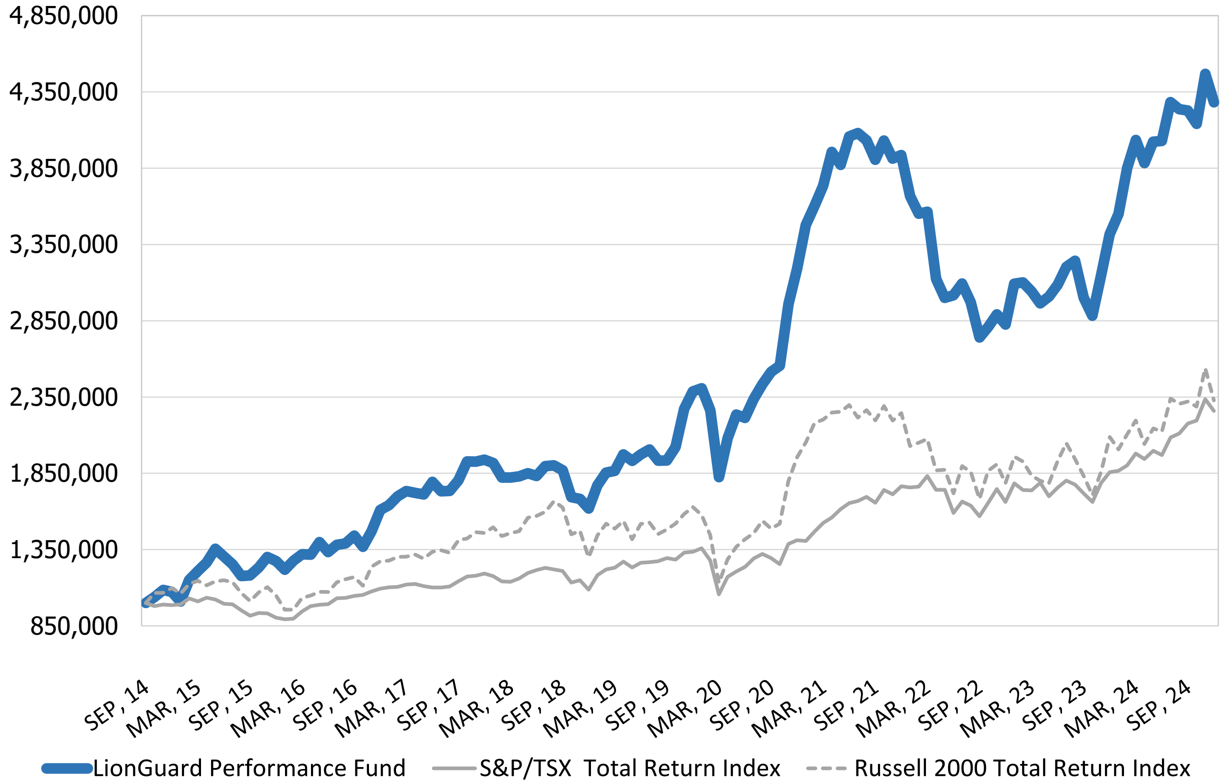
LIONGUARD PERFORMANCE FUND
2024 ANNUAL REPORT

LINK to Fundserv codes

PROCESS → RESULTS

Exhibit 1: Investment Performance



Sources: Bloomberg, LionGuard Capital

Investment Performance

Since strategy inception in October 2014, LionGuard Performance Fund ("Fund") delivered **annualized net return of 15.24%**. This compares to S&P/TSX Total Return Index at 8.28% and Russell 2000 Total Return Index at 8.60%.

Annualized net outperformance goes a long way over 10+ year horizon. **On a compounded basis, the Fund delivered a net return of 328.14% ($100,000 investment growing to $428,140)** versus S&P/TSX Total Return Index at 125.90% and Russell 2000 Total Return Index at 132.88%.

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During 2024, The Fund was up 25.32%. This compares to 21.65% for S&P/TSX Total Return Index and 11.54% for Russell 2000 Total Return Index.

	LionGuard Performance Fund	S&P/TSX Total Return Index	Russell 2000 Total Return Index
2014 (Oct-Dec)	7.27 %	(1.47) %	9.73 %
2015	18.79 %	(8.32) %	(4.41) %
2016	26.35 %	21.08 %	21.31 %
2017	20.47 %	9.10 %	14.65 %
2018	(16.55) %	(8.89) %	(11.01) %
2019	47.42 %	22.88 %	25.53 %
2020	33.77 %	5.60 %	19.96 %
2021	23.31 %	25.09 %	14.82 %
2022	(28.21) %	(5.84) %	(20.44) %
2023	20.90 %	11.75 %	16.93 %
2024	25.32 %	21.65 %	11.54 %
Annualized Net Return	**15.24 %**	**8.28 %**	**8.60 %**

	LionGuard Performance Fund	S&P/TSX Total Return Index	Russell 2000 Total Return Index
2014 (Oct-Dec)	7.27 %	(1.47) %	9.73 %
2015	27.42 %	(9.67) %	4.88 %
2016	61.00 %	9.37 %	27.23 %
2017	93.95 %	19.33 %	45.87 %
2018	61.85 %	8.72 %	29.80 %
2019	138.61 %	33.59 %	62.94 %
2020	219.19 %	41.08 %	95.46 %
2021	293.60 %	76.47 %	124.42 %
2022	182.56 %	66.17 %	78.56 %
2023	241.62 %	85.69 %	108.79 %
2024	328.14 %	125.90 %	132.88 %
Cumulative Net Return	**328.14 %**	**125.90 %**	**132.88 %**

Market Commentary for 2024 & Looking Ahead to 2025

The year 2024 was a period of diverging performance in global markets, marked by strong U.S. equity performance. The S&P 500 emerged as the standout equity market, delivering a remarkable 23% gain, underpinned by resilient consumer base, and the dominance of AI-driven innovation led by America's largest technology companies.

The U.S. economy remained the global benchmark of strength, maintaining momentum despite concerns over elevated, albeit trending down, interest rates. The services sector and consumer spending were key drivers, while optimism around pro-business policies anticipated from the incoming Trump administration further bolstered equity markets. In our opinion, these policies are expected to have a disproportionately positive impact on small-cap equities, with reduced regulatory hurdles and tax cuts likely benefiting smaller businesses. Small caps, as measured by the Russell 2000 Index, underperformed large caps in 2024, gaining only 10%.

The Federal Reserve played a pivotal role in shaping market dynamics, cutting interest rates multiple times during the year. Yet, December brought a hawkish tone from Chair Jerome Powell, signaling caution about the pace of future rate reductions. This dampened investor sentiment in the final days of 2024, adding a note of uncertainty to an otherwise positive year for equities.

Outside the U.S., market performance was mixed. European equities lagged due to high energy costs, weak export demand, and political instability in key economies like France and Germany. These factors weighed heavily on the region's manufacturing sector, limiting its ability to participate in the broader global growth story. Furthermore, European regulatory and capital formation landscape does not provide favorable conditions for innovation and scaling up of businesses. As a result, they lack large technology companies who can profit from the AI revolution.

Emerging markets delivered more favorable results, buoyed by a late-year rally in Chinese equities and strong performance from India and Taiwan. Nevertheless, the stark divergence between U.S. and international markets became a defining theme of 2024.

Canada's S&P/TSX Composite Index enjoyed a strong year, rising 18% (before dividends). The Canadian dollar (CAD) exhibited notable weakness, depreciating by 9% against the U.S. dollar during the year. This decline highlighted the divergence between the U.S. and Canadian economic trajectories and underscored the importance of currency dynamics in cross-border investments.

Artificial intelligence remained the year's dominant investment theme, fueling market enthusiasm and transformative industry shifts. The "Magnificent Seven" AI-focused stocks delivered outsized gains fueling S&P500 returns, while the broader market has yet to benefit from the long-term potential of AI applications. In our opinion, AI promises to reshape industries by enhancing productivity, unlocking new revenue streams, and driving operational efficiencies.

Commodities had a mixed year, with broad indices delivering 5%. Gold stood out, surging 27% as concerns over U.S. fiscal policy and global uncertainties heightened demand for safe-haven assets. In contrast, global investment-grade bonds struggled, delivering a -2% return amid rising yields and a strengthening U.S. dollar. We maintain our view that precious metals and fixed income will underperform equity markets over the long term.

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Overall, the year highlighted the importance of resilience, adaptability, and a disciplined investment approach. While the U.S. economy and mega cap stocks led the charge, regional disparities underscored the need for exceptional stock selection and a nuanced understanding of global trends.

Looking ahead at 2025, we maintain our customary practice of refraining from making broad market predictions. However, the pro-business agenda of the incoming U.S. administration is expected to create a favorable environment for U.S.-based businesses. Initiatives such as tax reductions, deregulation, and incentives for domestic investment are likely to enhance productivity and foster growth. At the same time, technological innovation at scale is set to accelerate further, driving transformative changes across industries. Importantly, the clarity around which businesses are poised to benefit from these unfolding dynamics, on top of their already attractive profiles, is greater than in a typical year.

At LionGuard, we invest across numerous U.S. businesses that stand to benefit from favorable dynamics outlined above. Additionally, we favor Canadian-listed companies with large U.S. revenue exposure. These businesses are well-positioned to capitalize on pro-business tailwinds south of the border, are largely insulated from tariff-related concerns, and are also increasingly attractive acquisition targets for U.S. firms, given the strength of the U.S. dollar relative to the Canadian dollar.

Investment Operations

During the year, some of our largest contributors included **Bombardier (BBD.B), Kinsale (KNSL), Globant (GLOB), IES Holdings (IESC), Lumine (LMN)** and others. On the opposite side, our detractors included **Premium Brand Holdings (PBH), Mattr (MATR), Burford Capital (BUR).** The commentary on some of these companies' operations, as well as some others, is included below.

- **Bombardier (BBD)** – Bombardier Inc., a Canadian multinational specializing in business jets, has undergone a significant transformation since becoming a standalone business jet franchise in early 2021. This strategic shift followed the divestment of its commercial aviation and rail manufacturing assets, which had burdened the company with substantial overhead costs and a $10 billion debt load. At that time, Bombardier's business aviation segment struggled under the weight of these legacy issues and the adverse effects of the pandemic. Historically, even before the pandemic, the business aviation division rarely reached its full potential, often reporting single-digit EBITDA margins despite offering competitive products.

  Fast forward to the present, Bombardier has made remarkable progress. Since 2020, the company has increased revenue at a 13% CAGR through 2023, driven by 11% growth in Aircraft Manufacturing and 21% growth in the Aftermarket segment. Adjusted EBITDA has grown at an 84% CAGR, with margins expanding by over 1,100 basis points to a historically high 15.3%. This significant improvement in financial performance has been recognized by the market, leading to strong share price appreciation and a recent valuation multiple re-rating.

  Looking forward, we view the business jet cycle positively due to recent backlog growth, restrained OEM production rates, and secular trends. We believe growth in earnings and margins will continue, supported by organic growth opportunities within Bombardier's more economically resilient aftermarket and defence businesses.

The company's solid book-to-bill ratio and the order for 244 aircraft from NetJets suggest a strong competitive position that will likely endure through the late 2020s. Most importantly, we do not foresee any capital-intensive projects in the near-term, which means that solid free cash flow generation will benefit shareholders. However, we are aware of likely forthcoming capital investments several years out, which must be properly reflected in DCF-based valuation. We encourage thoughtful investors to forego using EV/EBITDA valuation methodology, which does not incorporate future capital requirements. Overall, over the next 1-2 years Bombardier should be on track to achieve an increasing margin profile while reducing its leverage. This financial strength should enable significant capital returns to shareholders through share buybacks and dividends.

Exhibit 2: Bombardier 5-Year Chart

Sources: Bloomberg, LionGuard Capital

- **Kinsale Capital (KNSL)** is a pure-play insurer in the Excess & Surplus (E&S) market, offering specialized coverage for high-risk, hard-to-place policies across the U.S. Key markets include California, Florida, and Texas, where Kinsale excels at providing small policy limits with higher premiums in underserved areas. By maintaining in-house underwriting rather than delegating to third parties, Kinsale enriches its proprietary dataset, which enhances the expertise of its underwriters and allows the company to expand its product lines. This focus on niche markets,

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where competition is minimal, enables Kinsale to command higher pricing and dominate segments where other insurers hesitate to participate.

A key driver of Kinsale's success is its outstanding financial performance, particularly its industry-leading combined ratio of around 75%, which reflects disciplined risk management and operational efficiency. Kinsale's gross written premiums (GPW) have grown at a compounded annual growth rate (CAGR) of 29% from 2014 to 2023, significantly outpacing the broader E&S market. This growth is driven by Kinsale's fast quoting process, proprietary technology, and data-rich underwriting approach. These strengths create a virtuous cycle, where the company's ever-growing dataset allows for better risk assessment, continuous product innovation, and further expansion into new lines of business, all while maintaining profitability well above industry averages.

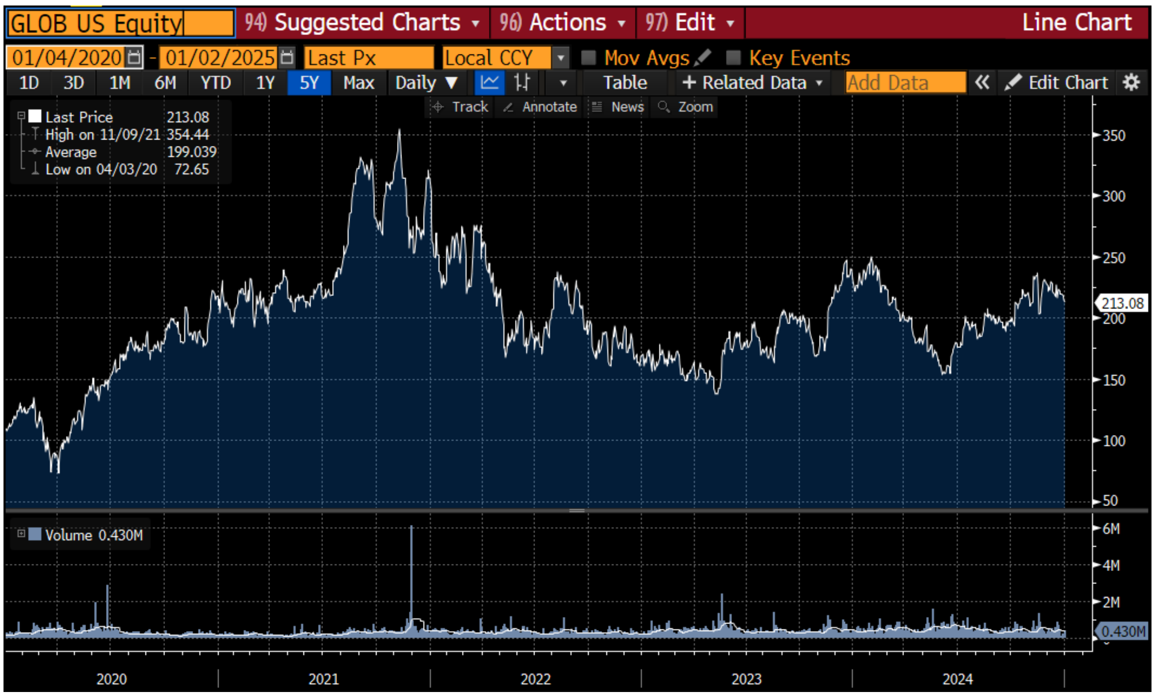
Exhibit 3: Kinsale Capital 5-Year Chart

Sources: Bloomberg, LionGuard Capital

Kinsale's remarkable growth and success can largely be attributed to the leadership of its founder and CEO, Michael Kehoe. With over three decades of experience in the insurance industry, Kehoe has instilled a culture of discipline, innovation, and accountability within the company. His focus on in-house underwriting, data-driven decision-making, and operational efficiency has positioned Kinsale as a leader in the E&S space. Kehoe's leadership style, which emphasizes rewarding high performance and making tough decisions, has been crucial to Kinsale's ability to maintain its competitive edge and deliver superior financial results. Under his guidance, Kinsale continues to thrive, making it a compelling investment opportunity for many years to come.

- **Globant (GLOB)** – Globant is a global leader in IT services, specializing in digital transformation, software development, and AI-driven innovation. Founded in Argentina in 2003, the company has grown to over 28,900 employees across 33 countries, operating through a unique "Agile Pod" model. This structure allows Globant to deliver highly customized solutions in emerging technologies such as AI, cloud computing, and digital experiences. Serving industries like media, entertainment, finance, and healthcare, Globant partners with top-tier clients such as Disney, Google, and Electronic Arts, helping them reinvent their operations and accelerate growth in an increasingly digital landscape.

Exhibit 4: Globant 5-Year Chart



Sources: Bloomberg, LionGuard Capital

The investment thesis for Globant is supported by its position in the fast-growing IT services market, expected to expand at a 9% compound annual growth rate (CAGR) through 2027. Globant is capitalizing on the demand for AI-driven solutions, already generating over $100 million in AI-related revenue in 2023. Its diversified service offering across industries, combined with strong client relationships—evidenced by a high retention rate and a growing number of clients generating more than $1 million in annual revenue—gives it a competitive edge.

A key driver of Globant's success is its strong leadership under CEO Martín Migoya, one of the company's co-founders. Migoya's vision of blending innovation, technology, and design has shaped the company's global strategy, which emphasizes sustainable growth through innovation and strategic acquisitions. His leadership has fostered a culture of autonomy and creativity within

Globant, encouraging teams to explore cutting-edge solutions and deliver exceptional results for clients. This approach has been instrumental in securing large-scale projects and expanding Globant's footprint across the world, making it a standout player in the IT services industry.

Globant's robust financial performance further solidifies its investment appeal. Its focus on expanding AI capabilities, combined with a disciplined approach to scaling operations globally, positions Globant for continued growth. As demand for digital transformation and AI services accelerates, Globant's ability to innovate at scale and deepen client relationships will only further different their offerings.

- **IES Holdings (IESC)** – IESC, led by Jeffrey Gendell's Tontine Partners, which owns more than 50% of the stock, exemplifies exceptional capital allocation. Gendell's successful acquisition strategy focuses on acquiring small companies at lower multiples, plus by growing the business organically by investing in projects with exceptionally high rates of returns, has been effectively applied at IESC over the past decade with low or zero leverage and no stock dilution.

Exhibit 5: IES Holdings 5-Year Chart

Sources: Bloomberg, LionGuard Capital

With a very large Total Addressable Market (TAM), IESC has ample room for growth through accretive mergers and acquisitions or via internal growth capex initiatives. The company's significant size lends credibility in its service areas, and its low capital intensity and zero leverage further bolster its financial stability. The exemplary compensation structure aligns the interests of management with minority shareholders, incentivizing long-term EPS per share growth and mitigating potential dilution through the absence of “free” stock options. Headquartered in Houston, TX, with an executive office in Greenwich, Connecticut, IESC provides critical infrastructure products and services to key markets in North America. We acquired company’s shares in January of 2024 after following the company for more than six years.

- **Lumine (LMN)** - We have extensively discussed our views on Lumine, one of Canada’s most exciting compounders and a spin-off from Constellation Software, in prior reports. We continue to believe that Lumine’s vast addressable market, their capability to deploy capital at returns exceeding 25%, and the highly favorable capital deployment environment (with significant accretive capital deployments anticipated potentially in very short order) are not reflected in the stock price. Lumine’s latest results clearly demonstrate their abilities to quickly and effectively improve the margins of acquired businesses, supporting the basis for the highly scalable and exceptionally attractive business model.

Despite **Premium Brand Holdings (PBH)** and **Mattr (MATR)** lack of contribution to performance in 2024, we continue to see significant value in both securities and remain committed shareholders. We believe their long-term fundamentals remain strong, and market conditions have created opportunities for informed investors. Notably, yours truly featured PBH and MATR as “Top Picks” during BNN Bloomberg Market Call appearance (see below for details) on December 3, 2024. Summary of our views on these companies, as well as **Badger Infrastructure Solutions (BDGI)**, my third pick and a neutral contributor to our performance in 2024, are the following:

- **Premium Brands Holdings (PBH)** is on the cusp of a significant transformation driven by its multi-year investments in new manufacturing capacity, which are now beginning to be filled. These investments are setting the stage for highly predictable and much higher profitability, with incremental EBITDA margins on new business around 30 per cent.

  PBH’s robust U.S. pipeline includes around $700 million in new client programs slated for 2025, with additional opportunities in later stages. As these programs scale, margins are expected to expand significantly, leading to higher free cash flow and reduced leverage throughout 2025 and beyond.

  The company is trading at multiples that do not reflect benefits of forthcoming higher margins, higher profitability and greatly reduced leverage. Recent high insider buying is another indication of positive unfolding underlying dynamics.

- **Mattr Infrastructure (MATR)** is a standout growth story, driven by a management team that has successfully transformed the business through sales of non-core operations, smart internal investments and recently a disciplined acquisition. Under their leadership, Mattr has focused on very high-return internal projects, such as the new FlexPipe facility in Rockwall, Texas, which showcases scalable, low-cost expansion capabilities and positions the company to meet rising demand.

Additionally, the team has proven itself as thoughtful and diligent acquirers with the strategic purchase of AmerCable, completed at an attractive around five times TTM adjusted EBITDA multiple. This acquisition significantly enhances Mattr's portfolio, strengthens its North American manufacturing footprint, and unlocks substantial cross-selling opportunities.

Mattr's stands to benefit from increased U.S. infrastructure investments and rising demand for transportation solutions, energy infrastructure buildout, data centers boom and other predictable trends. Trading at exceptionally low multiples, Mattr offers compelling value and numerous catalysts to unlock it in the near-term.

- **Badger Infrastructure Solutions (BDGI)** is well-positioned for substantial growth following the clarity brought by the U.S. presidential elections. Historically, election years have caused delays in certain U.S. projects, but with the political landscape now settled, clients are actively securing capacity, driving a notable increase in activity for Badger. Badger is set to benefit significantly from the anticipated surge in U.S. infrastructure investments, supported by strong secular demand across key regions and commitments of incoming republican administration.

  At current levels, Badger trades at an exceptionally attractive valuation, well below its historical averages. The company's expanded NCIB (10 per cent of float) and buybacks to date highlight management's confidence in its long-term trajectory. With its strong market position, improving margins, and a clear growth runway, Badger is a prime takeout candidate for strategic acquirers or private equity buyers. It is also an obvious way for Canadian-focused managers to gain exposure to positive unfolding dynamics south of the border.

On the last day of the year, **Softchoice (SFTC)** announced its acquisition by World Wide Technology (WWT) in an all-cash transaction, giving the company an enterprise value of approximately C$1.8 billion. We had previously profiled Softchoice in our Q1/24 report, recognizing its strong free cash flow generation, disciplined capital allocation, and strategic positioning in the IT sector. We extend our sincere appreciation to the Softchoice leadership team for their outstanding execution and for building a resilient business that has now attracted a high-quality strategic buyer.

Magic of Compounding

The human brain is not naturally wired to grasp the full power of compounding. We tend to think linearly, so the exponential growth that compounding delivers over time is difficult to intuitively understand. The difference of even one percentage point in returns, compounded over a long period, can create great differences in outcomes.

For example, consider the difference in growth between two investments over 30 years: one compounding at 10% annually, the other at 11%. While a 1% difference may seem negligible in the short term, over 30 years, $1 grows to approximately $17.45 at 10%, but to $22.89 at 11%. Similarly, an investment compounding at 15% grows to about $66.21, while at 16%, it grows to around $85.85 over the same period.

Table below provides an illustration of the power of compounding that is worthwhile to remember.

Exhibit 6: Illustrative growth of $1 over time, rounded

	5%	10%	15%	20%
10 years	$1.63	$2.59	$4.05	$6.19
20 years	$2.65	$6.73	$16.37	$38.34
30 years	$4.32	$17.45	$66.21	$237.38
40 years	$7.04	$45.26	$267.86	$1,469.77
50 years	$11.47	$117.39	$1,083.66	$9,100.44

Source: LionGuard Capital

In the light of the illustration above, we want to remind everyone of a quote by great Charlie Munger: *"The first rule of compounding: Never interrupt it unnecessarily."*

Recent Media Appearances

To better educate our current and prospective investors, I recently participated in several media engagements. At LionGuard, transparency and investor education are of paramount importance, as we believe that a well-informed investor is a confident investor. It is essential that our investors understand our investment process, philosophy, and disciplined approach to capital allocation. These appearances provide an opportunity to share insights into how we analyze businesses and capitalize on recurring market inefficiencies.

Beyond providing insight into our investment strategy, I hope that my views **convey a sense of optimism and conviction—that investing in high-quality businesses with strong pricing power, well-aligned management teams, and compelling valuations remains one of the most effective ways to compound capital over time**. Instead of making bold and often flawed market or asset class predictions, we focus on owning pieces of great businesses, a strategy that fosters clearer thinking and superior risk-adjusted returns.

Our recent media appearances are:

- **January 1, 2025 – BNN Bloomberg article.** Contributed to BNN Bloomberg's special report on investing in 2025, sharing my perspective on the current market environment. Read here.

- **December 3, 2024 – BNN Market Call.** Watch here.

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- **October 21, 2024 – Podcast with Francis Sabourin.** In my most candid and in-depth public interview to date, I shared my background and details on investment philosophy and process. Watch here.

- **September 10, 2024 – BNN Market Call.** Watch here.

For any questions or investment inquiries, please feel free to contact our team at any time.

Sincerely,

Andrey Omelchak, CFA
President & Chief Investment Officer
LionGuard Capital Management