LIONGUARD
CAPITAL MANAGEMENT

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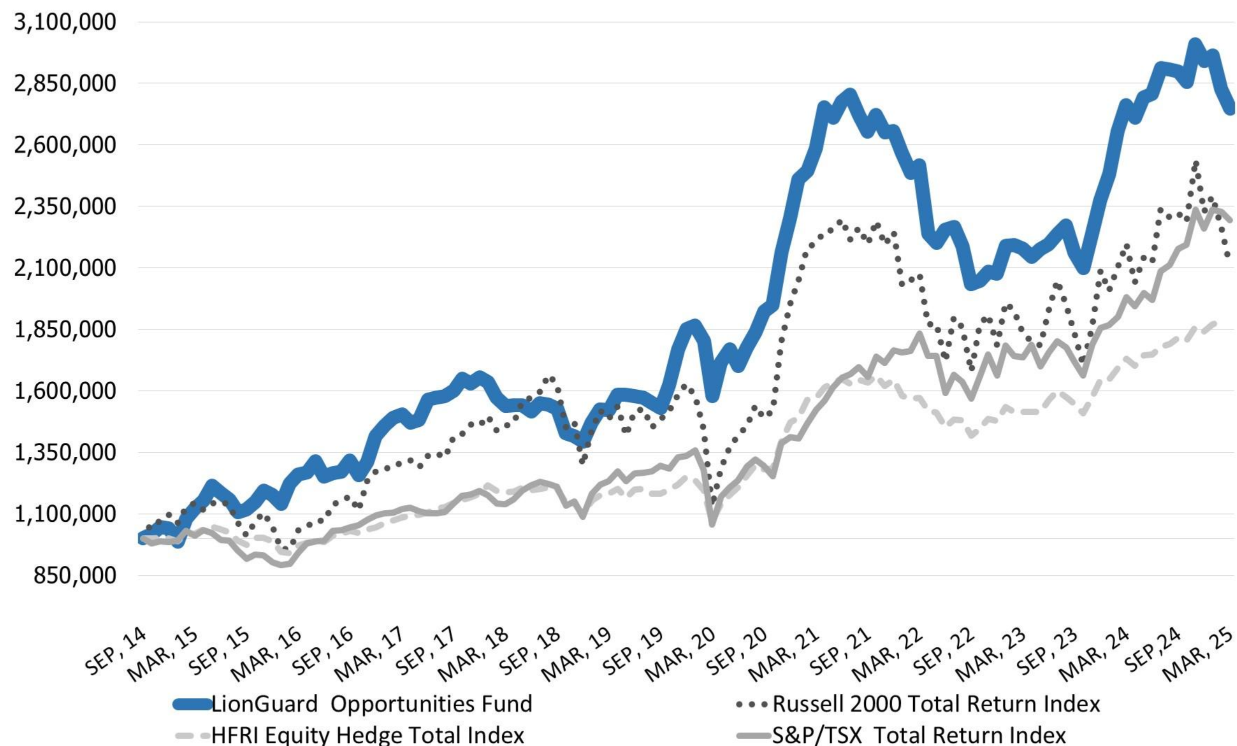
LIONGUARD OPPORTUNITIES FUND
Q1-2025 REPORT

LINK to Fundserv codes

PROCESS → RESULTS

Exhibit 1: Investment Performance



Sources: Bloomberg, LionGuard Capital

Investment Performance

Since inception in October 2014, LionGuard Opportunities Fund ("Fund") delivered **annualized net return of 10.10%**. This compares to S&P/TSX Total Return Index at 8.22% and Russell 2000 Total Return Index at 7.36%.

Annualized net outperformance goes a long way over a multi-year investment horizon. **On a compounded basis, the Fund delivered a net return of 174.63% ($100,000 investment growing to $274,629)** versus S&P/TSX Total Return Index at 129.31% and Russell 2000 Total Return Index at 110.80%. The Fund also greatly outperformed Long/Short equity indices.

During the first quarter of 2025, the Fund was down by 6.66%. This compares to 1.51% for S&P/TSX Total Return Index and -9.48% for Russell 2000 Total Return Index.

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	LionGuard Opportunities Fund	S&P/TSX Total Return Index	Russell 2000 Total Return Index
2014 (Oct-Dec)	4.11 %	(1.47) %	9.73 %
2015	13.07 %	(8.32) %	(4.41) %
2016	20.30 %	21.08 %	21.31 %
2017	17.00 %	9.10 %	14.65 %
2018	(15.90) %	(8.89) %	(11.01) %
2019	32.88 %	22.88 %	25.53 %
2020	24.32 %	5.60 %	19.96 %
2021	15.37 %	25.09 %	14.82 %
2022	(21.84) %	(5.84) %	(20.44) %
2023	14.38 %	11.75 %	16.93 %
2024	23.94 %	21.65 %	11.54 %
2025 YTD (Jan-Mar)	(6.66) %	1.51 %	-9.48 %
Annualized Net Return	**10.10 %**	**8.22 %**	**7.36 %**

	LionGuard Opportunities Fund	S&P/TSX Total Return Index	Russell 2000 Total Return Index
2014 (Oct-Dec)	4.11 %	(1.47) %	9.73 %
2015	17.71 %	(9.67) %	4.88 %
2016	41.60 %	9.37 %	27.23 %
2017	65.67 %	19.33 %	45.87 %
2018	39.33 %	8.72 %	29.80 %
2019	85.14 %	33.59 %	62.94 %
2020	130.17 %	41.08 %	95.46 %
2021	165.56 %	76.47 %	124.42 %
2022	107.55 %	66.17 %	78.56 %
2023	137.39 %	85.69 %	108.79 %
2024	194.22 %	125.90 %	132.88 %
2025 YTD (Jan-Mar)	174.63 %	129.31 %	110.80 %
Cumulative Net Return	**174.63 %**	**129.31 %**	**110.80 %**

Market Commentary

In the first quarter of 2025, global financial markets encountered a turbulent period marked by a sharp reversal in investor sentiment and the reemergence of trade war dynamics as a defining market catalyst. After beginning the year on relatively stable footing, U.S. equity markets corrected as the Trump administration unveiled a sweeping and surprisingly aggressive tariff regime—shifting trade policy from a perceived negotiation tactic to what the market believed to be a central structural theme. The S&P 500 declined over 10% from its February highs by mid-March, entering official correction territory. This marked the index's largest quarterly loss since Q3 2022, despite continued strength in the labor market and easing inflation pressures earlier in the year.

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Small-cap stocks bore the brunt of the selloff. The Russell 2000 entered bear market territory by the end of March, falling more than 20% from its late-2024 highs. The index, previously viewed as a beneficiary of reshoring and deregulation trends, suffered disproportionately amid rising input costs and waning investor risk appetite. The S&P MidCap 400 was also down over 15% year-to-date as of March 31, underscoring broader concerns that tariff-driven headwinds were beginning to weigh on the real economy.

Economic data reflected a mixed backdrop. The March ISM Manufacturing Index fell back into contraction territory, with new orders hitting a 22-month low and the prices paid component surging to the highest level since mid-2022. The services sector also showed signs of deceleration: the ISM Services Index slipped to 50.8 from 53.5, with softness in employment and cost pressures linked directly to tariff activity. Still, the labor market remained a relative bright spot. The March nonfarm payrolls report posted a 228,000 gain—well above consensus—though the unemployment rate ticked up to 4.2%. Wage growth moderated to 3.8% year-over-year. ADP private payrolls also exceeded expectations, with job gains broad-based across sectors such as health care, transport, and professional services. However, the Challenger job cuts report showed Q1 layoffs at their highest level since the 2008–2009 financial crisis, led by federal and corporate efficiency programs. Continuing jobless claims also rose to a multi-year high.

Federal Reserve Chair Jerome Powell struck a cautious tone during a late-March address, highlighting that the tariff announcements were “significantly larger than expected” and likely to contribute to near-term inflationary pressures and slower growth. He emphasized the Fed’s flexibility but offered no firm guidance on rate adjustments, reinforcing a more data-dependent stance.

Markets digested these developments in relatively orderly fashion—until the early days of April, when the administration enacted the “Liberation Day” tariff package on April 2. These sweeping measures included a 10% baseline tariff on all imports and a 34% tariff on Chinese goods, raising effective levies on Chinese imports to over 50%. China responded with a symmetrical 34% tariff on U.S. goods and new export restrictions, including on rare earths, while launching regulatory probes into sensitive U.S. sectors.

The initial market reaction was sharp and historic. On April 3, the S&P 500 fell 4.8%—its worst single-day performance since June 2020—followed by another 6% decline the next day, bringing the two-day loss to over 10%. The Nasdaq Composite and Russell 2000 both entered bear market territory, while the Dow Jones and S&P 500 deepened their corrections. Breadth collapsed: 97% of S&P 500 constituents traded lower. The CBOE Volatility Index surged to 45, and RSI readings across indices fell below 25, signaling deeply oversold conditions.

But just as swiftly as tensions escalated, sentiment turned decisively. On April 8, the White House announced a 90-day suspension of newly announced tariffs on all countries except China—a clear signal that the broader tariff framework was more negotiable than previously feared. The market's reaction was immediate and emphatic: the Nasdaq Composite surged over 12%, one of its largest single-day gains on record, while the S&P 500 jumped 6.1% and the Russell 2000 advanced 8.4%. Volatility compressed sharply, and oversold conditions across major indices set the stage for a broad-based rebound.

Just a few days later, the administration followed up by rolling back tariffs on smartphones and computers, citing concerns over consumer prices and supply chain disruptions.

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In our view, this sequence of events will likely be remembered as one of the most high-stakes trade negotiation maneuvers in recent memory. With over 70 countries now in active discussions to renegotiate trade terms with the U.S., and with both the U.S. and China deeply incentivized to stabilize relations, we believe there is a high likelihood that cooler heads will prevail.

With respect to the investment landscape, the recent selloff created compelling valuation resets. The Russell 2000 now trades at the lower end of its 20-year range, the S&P MidCap 400 sits at just 14x forward earnings (below its historical median), and even the equal-weighted S&P 500 has re-rated closer to long-term norms. While headline indices such as the Nasdaq 100 remain relatively elevated, they too have come off peak multiples, allowing for more balanced forward expectations.

Investment Operations & "LionGuard INSIGHTS"

Prior quarterly reports included commentary on the portfolio's largest contributors and detractors based on three-month performance. While we continue to monitor these movements internally, we want to emphasize that short-term price fluctuations—whether over a quarter or any limited time frame—have zero relevance to our long-term investment theses or expectations for capital appreciation.

As a result, rather than attributing significance to quarterly security-level returns, we will use this space to share **LionGuard INSIGHTS** that we believe are more value added. These insights will be mainly focused on explaining why we own certain businesses, the rationale behind certain portfolio actions, or broader investment activity we view as relevant and helpful to understanding our investment process and positioning.

On April 1, 2025, I participated during **BNN Bloomberg Market Call** and shared my "top picks" with the audience. As always, we aim to be open and transparent about our views and operations, and we welcome the opportunity to engage publicly on the businesses we find compelling. That said, we want to caution investors against attempting to replicate our investment results simply by following a list of occasionally profiled securities. Valuations must be constantly reassessed as new information becomes available, and portfolio weights, risk considerations, and opportunity costs are all part of a broader, dynamic framework. We operate in a fast-moving, ever-evolving world, and the decisions we make are informed by continuous research and a deep understanding of each business we own. Businesses profiled on April 1 are the following:

- **Topicus (TOI) –** Strong and consistent execution as a leading acquirer and operator of vertical market software businesses across Europe. A spin-out of Constellation Software, Topicus combines organic growth with disciplined acquisitions, delivering durable, high-margin recurring revenue. Its decentralized structure empowers entrepreneurial leaders, while recent results show solid organic growth, ability to deploy large sums of capital and strong cash flow generation. With a long runway for consolidation and reinvestment, we see Topicus as a premier compounder trading at an attractive valuation.

- **Boyd Group (BYD) –** Proven long-term compounder, currently executing exceptionally well in a tough environment. Despite industry pressure from elevated insurance premiums and lower submission rates, Boyd continues to gain a lot of market share and invest in high-ROIC greenfield

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and brownfield locations. The collision repair market remains highly fragmented, and all other sizeable competitors are owned by private equity—making Boyd the only scaled public operator with a long consolidation runway ahead. If the market continues to undervalue the business, it stands as a prime acquisition target for Private Equity.

- **Constellation Software (CSU) –** Exceptional track record of value creation and its unique position as a serial acquirer of vertical market software businesses. The company has demonstrated a consistent ability to reinvest capital at high rates of return, generating strong free cash flow and long-term shareholder value. With a global reach, CSU continues to find attractive acquisition targets, supported by its decentralized structure and highly disciplined capital allocation framework. Recent efforts to invest in larger platforms and spinoffs of **Lumine (LMN)** and **Topicus (TOI)** only add to the long-term growth runway. We believe CSU remains a top compounder, and the market continues to underestimate the durability and especially the scalability of its business model. Its culture, capital discipline, and demonstrated ability to generate high-ROIC investments make it one of the most attractive businesses globally.

During the same appearance on **BNN Bloomberg Market Call**, I discussed a recurring issue in how market participants—and sell-side analysts in particular—approach the valuation of long-term compounders. Almost always, these businesses are assessed based on near-term earnings multiples, such as next year's P/E or EV/EBITDA. This approach systematically undervalues companies that can reinvest their cash flows at exceptionally high rates for many years to come.

A much more appropriate methodology for these businesses is a discounted cash flow (DCF) analysis, which reflects the true economic value of long-term compounding. **Constellation Software (CSU)** is a prime example: one of the world's greatest compounders, it has delivered over 30% annualized returns since going public, despite appearing expensive on forward-looking multiples for nearly its entire public history.

I applied the same lens to **Lumine Group (LMN)**, one of our holdings, during the Market Call segment, stating that a case can be made for a $150/share valuation when using a DCF-based approach. The company currently trades at around $40/share. This is a direct illustration of how conventional valuation shortcuts can obscure the full potential of businesses with durable reinvestment capabilities. The same principle applies broadly across businesses which have an extremely high probability of reinvesting incremental capital at exceptional returns.

- **Lumine (LMN)** - We have extensively discussed our views on Lumine in prior quarterly 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 soon) 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.

Let's shift gears to how we are navigating current market conditions. At LionGuard, we have consistently used periods of market stress as opportunities to strengthen the fund by leaning into our disciplined, research-driven process. This approach has helped us navigate highly turbulent environments in the past,

and we're applying the same strategy today. **In our view, short-term volatility is not a threat but a welcome opportunity—one that allows us to materially enhance long-term risk-adjusted returns.**

In the current panic-level selloff, we are actively purchasing high-quality, mispriced businesses. We're finding especially attractive opportunities in Canadian-listed stocks, where persistent outflows from domestic equity funds have driven prices lower—often disconnected from the underlying fundamentals. In fact, many of the Canadian-listed companies we own operate primarily outside of Canada but are being penalized simply due to their listing location. This kind of temporary inefficiency creates exactly the type of opportunity our process is built to capture.

We are also seeing **major dislocations among select U.S.-listed companies that have been swept up in the broader market correction.** Our focus remains on businesses with top management teams, strong balance sheets, resilient cash flows, and long-term growth potential—regardless of tariffs outcome. As always, we concentrate on businesses we know very well, and we welcome the market's short-term irrationality as a chance to invest in them on increasingly attractive terms.

I also wanted to take this opportunity to highlight the **dangers of trying to time the market**—a mistake that continues to erode long-term investor outcomes. Missing just a few of the market's best days can dramatically impair returns. For instance, missing the ten strongest days in the S&P 500 over a 20-year period can reduce cumulative returns by more than half. What's most important to understand is that these best days often occur amid peak uncertainty, when emotions run high, and many investors have stepped away. **Compounding only works when capital remains invested through good times and bad**.

At the same time, holding cash is far from risk-free. Currency loses purchasing power over time, steadily eroded by inflation. What looks like safety on the surface often amounts to a guaranteed long-term loss in real terms.
That said, the ability to benefit from long-term investing is entirely contingent on the investor's capacity to withstand short-term fluctuations in asset values—and to be mentally prepared for volatility. A great number of people do not have this default setting. Even many so-called professional investors, who should know better, fall into this trap. This is a key reason why actual investor returns are so often inferior to the returns of the assets they invest in. **Having the right temperament is not optional—it's foundational**.

Media Appearances

To better educate our 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 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. Not by speculating and not by suddenly getting lucky, but by taking well-thought-out calculated bets where odds are disproportionately in your favor.

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Our recent media appearances are:

- **April 1, 2025 – BNN Market Call.** Watch here.
- **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.
- **October 21, 2024 – Podcast with Francis Sabourin.** My background and details on LionGuard 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. We are always glad to hear from you.

Sincerely,

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

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