LionGuard Capital Management
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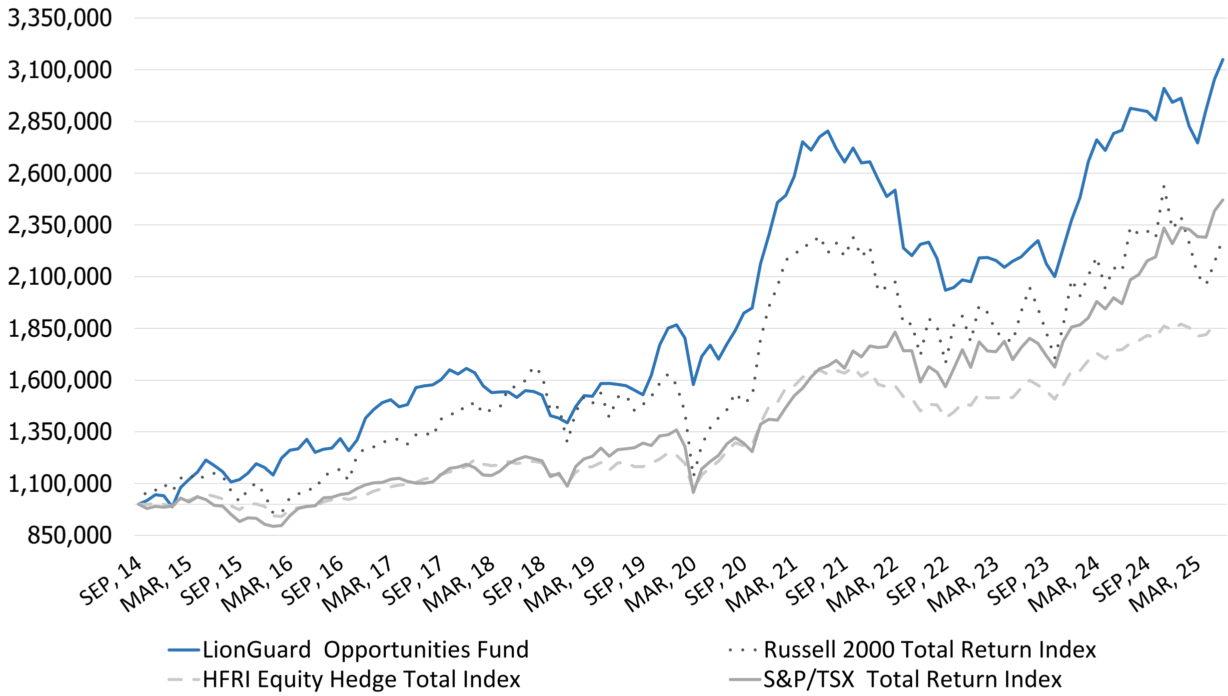
LIONGUARD OPPORTUNITIES FUND
Q2-2025 REPORT

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 11.26%**. This compares to S&P/TSX Total Return Index at 8.22% and Russell 2000 Total Return Index at 8.78%.

Annualized net outperformance goes a long way over a multi-year investment horizon. **On a compounded basis, the Fund delivered a net return of 214.93% ($1,000,000 investment growing to $3,149,300)** versus S&P/TSX Total Return Index at 147.12% and Russell 2000 Total Return Index at 128.72%. The Fund also greatly outperformed Long/Short equity indices.

During the second quarter of 2025, the Fund was up 14.68%. This compares to 7.77% for S&P/TSX Total Return Index and 8.50% for Russell 2000 Total Return Index. We want to remind our readers that quarterly returns are of no consequence to our long-term results and that it is more appropriate to evaluate our work over a minimum of 3 and better 5-year horizon.

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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-June)	7.04 %	9.39 %	(1.78) %
Annualized Net Return	**11.26 %**	**8.78 %**	**8.00 %**

	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-June)	214.93 %	147.12 %	128.72 %
Cumulative Net Return	**214.93 %**	**147.12 %**	**128.72 %**

Market Commentary

The second quarter of 2025 provided another sharp reminder that attempting to time financial markets is a futile exercise. As always, short-term market swings are driven by headline risks, sentiment shifts, and political developments, none of which lend themselves to consistent prediction. Investors should remain mentally prepared for any type of market activity at any time, recognizing that true long-term compounding remains anchored in the ownership of high-quality businesses (as long as they are available at attractive prices) rather than reacting to short-term noise. This quarter served as a textbook example of these dynamics at work.

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Markets entered Q2 already on fragile footing following the tariff-driven selloff at the end of Q1. In early April, the U.S. administration introduced the "Liberation Day" tariff package, triggering one of the sharpest short-term drawdowns in years. Equity markets sold off violently: the S&P 500 fell over 10% in two sessions, the Nasdaq Composite declined more than 12%, and small caps, as measured by Russell 2000 Index, entered bear market territory. This selloff unfolded with remarkable breadth, and short-term sentiment indicators reached deeply oversold levels. Shortly thereafter, the administration announced a 90-day suspension of most newly announced tariffs (excluding China), signaling a more pragmatic approach and opening the door for broader trade negotiations. Markets rebounded sharply, recovering much of the earlier losses within a matter of weeks.

While U.S. trade policy remains a potential source of event-driven volatility, attention has increasingly turned to the domestic fiscal and economic policy stance of the Trump administration. It has become increasingly clear that the administration has fully abandoned any pretense of fiscal restraint and has instead embraced an aggressive pro-growth agenda centered around domestic stimulus, supply chain realignment, defense expansion, and strategic industrial policy. With U.S. mid-term elections approaching, maintaining solid economic momentum has become a central political priority. Current macroeconomic conditions—positive real GDP growth, low unemployment, rising capital investment—are likely to support that objective. The shift toward a growth-first agenda, supported by expanded federal spending, represents a notable structural tailwind for the U.S. economy, even as it may contribute to elevated inflationary pressures over time.

Despite the strong policy backdrop, underlying economic data continues to reflect a more mixed picture. U.S. real GDP rebounded modestly in Q2 following a contraction in Q1, but consensus growth estimates for full-year 2025 have been revised lower to approximately 1.4%. Inflation remains elevated, with core PCE readings hovering around 3%, reflecting both lingering tariff passthrough and persistent services sector pressures. The labor market remains generally healthy but shows signs of incremental loosening, with unemployment drifting higher toward 4.5% and job openings narrowing. The Federal Reserve held its policy rate steady at 4.25%–4.50% during the quarter, while communicating growing openness to rate cuts later this year if inflation moderates and labor market softness persists.

From a sector perspective, the resources complex has once again attracted substantial investor attention as commodity prices experienced sharp swings throughout the quarter, particularly in energy and metals. As we have consistently communicated, we view this segment of the market as a prime example of speculative trading activity with little visibility or durable value creation over time. Our disciplined approach remains focused on owning businesses where we can underwrite long-term returns with confidence, supported by management alignment, business model durability, and attractive reinvestment economics.

Canada’s Watershed Moment

In Canada, the nation finds itself at a critical inflection point. In our opinion, while the federal government under Prime Minister Carney has made strides in supporting domestic investment, infrastructure, and defense spending, the next leg of progress must address a deeper, structural challenge: capital formation, innovation, and entrepreneurial vitality. Canada cannot afford to treat investment in productivity and innovation as optional—doing so would risk long-term competitiveness in an increasingly fragmented and competitive global economy.

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At the policy level, momentum is building. The recently proposed "One Canadian Economy" Act marks a long-overdue effort to dismantle interprovincial trade barriers—an inefficient legacy that has long burdened Canadian consumers and businesses. By some estimates, these artificial constraints cost the economy tens of billions annually in lost productivity, price inefficiencies, and duplicated regulatory costs. Their removal is not merely symbolic. If executed properly, it would create a more seamless national market, enable scaling of small and medium-sized businesses across provincial borders, and significantly enhance the investment attractiveness of Canadian enterprises. More importantly, it would remove friction from labor mobility, procurement, and supply chain execution—all of which are crucial for businesses to grow into national champions.

Yet while government policy may be shifting in the right direction, Canada's domestic economy continues to show signs of strain. The Canadian consumer is clearly under pressure. Elevated debt levels, high interest burdens, and a persistently tight cost-of-living environment are compressing household balance sheets. Retail activity is softening, insolvency rates are rising, and consumers are increasingly prioritizing necessities over discretionary spending. These developments are not surprising. They reflect long-standing imbalances in Canada's growth model—one that has leaned too heavily on consumption and real estate appreciation while underinvesting in productivity-enhancing innovation and business formation.

If Canada is to compete globally, we must dramatically expand support for innovation and entrepreneurial risk-taking. Small businesses remain the engine of job creation and long-term economic dynamism, yet access to growth capital in Canada remains limited. We believe there is an urgent need for broader capital formation—both public and private—through well-designed government initiatives that reward long-term thinking and help translate Canadian research and immense domestic talent into global champions.

This is not about subsidizing unviable ventures or chasing fads. It's about catalyzing ambition. Government programs and institutional capital must work together to bridge early-stage funding gaps, reduce immense regulatory complexity, and incentivize private capital to scale promising firms. Canada produces world-class research, technology talent, and engineering capacity—yet we continue to see our best companies either stall due to lack of access to capital or exit early to foreign acquirers. That's not a failure of ideas—it's a failure of follow-through. Canada must not only develop talent; it must retain and compound it. This requires ecosystem thinking: policies that enable more venture formation, scale-up infrastructure, mentorship networks, and adaptable capital access.

Encouragingly, the political tone has begun to reflect this reality. Canadian government appears increasingly committed to modernizing Canada's economic foundation—not only through traditional stimulus, but by fostering productivity-driven, innovation-led growth.

At LionGuard, we are passionate supporters of entrepreneurship, innovation, and responsible risk-taking. Through our public markets' activities, we stand ready to support entrepreneurs who are building enduring businesses, driving innovation, and showcasing abilities to deliver outsized returns on employed capital. We believe strongly that Canada is now standing at a true watershed moment. The opportunity is in front of us to embrace this challenge, work collectively across private and public sectors, and ignite a long-overdue acceleration in Canada's GDP per capita growth—growth that Canadians rightfully deserve in a global economy where domestic competitiveness will increasingly define national prosperity.

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We also call on all levels of government to think boldly, think creatively, and think much bigger than before. Canada's future prosperity will depend on our collective willingness to support calculated risk-taking and enable the formation of globally competitive enterprises that can define the next generation of Canadian leadership on the world stage.

Investment Philosophy & Process

As more and more limited partners entrust us, we believe it is timely to again articulate how we operate and how we approach the stewardship of capital. Our investment process is built to navigate a wide range of market environments with adaptability to changing conditions, but also with patience and discipline. Our minimum objective is to preserve capital during periods of market stress, while capturing upside during favorable conditions. Should we be able to deliver on this objective, long-term results would add up to a large market outperformance while taking only a portion of the overall market risk.

Many of the businesses we invest in are intentionally selected for their idiosyncratic characteristics, where price movements are driven primarily by company-specific developments rather than broad market swings. Whenever we can allocate capital to businesses whose success is largely independent of overall market direction, we actively welcome those opportunities.

We operate with a distinct and highly differentiated approach that deliberately avoids areas where long-term value creation, which we define as growth in free cash flow per share on a constant leverage ratio, is structurally unpredictable. This is most evident in our decision to avoid the resources sector, where returns are largely determined by commodity price movements and macroeconomic variables with extremely limited forecasting reliability. Instead, we focus on businesses where long-term value is determined by factors that can be studied, understood, and properly evaluated with high odds of success. We seek companies with stable, predictable business models, consistently high free cash flow returns on invested capital, exceptional reinvestment opportunities, strong and shareholder-aligned management teams, and very prudent capital structures.

Every position we hold is the result of in-depth bottom-up fundamental research. We conduct hundreds of direct management meetings annually, write internal research reports, build detailed financial models, etc.

While we invest in businesses that we believe can compound value over many years, valuation remains the anchor of every decision. Intrinsic value is estimated through conservative, internally developed discounted cash flow models, with well-defined downside protection thresholds and clear upside targets. Positions are continuously evaluated and sized dynamically based on evolving upside-to-downside profiles, creating ongoing competition for capital across the portfolio. Within this framework, we are prepared to adjust positions before full intrinsic value is realized when superior opportunities arise elsewhere.

Critically, our alignment of interests is exceptionally strong with our own capital invested alongside other investors. We consider this alignment to be one of the greatest safeguards for disciplined long-term decision-making.

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Media Appearances

To better educate our growing list of investors, over the last year I 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.

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