



## LIONGUARD CANADIAN SMALL CAP STRATEGY Q3-2024 REPORT

### Since Inception Performance

Since inception LionGuard Canadian Small Cap strategy (“Strategy”) delivered annualized return of 9.68%. This compares to S&P/TSX Small Cap Total Return Index at 5.90%.

**Strategy’s since inception (over 8 years and 3 months) value added is now equal to 3.78% per annum.**

	LionGuard Canadian Small Cap Strategy	S&P/TSX Small Cap Total Return Index
2016 (Jul – Dec)	7.30 %	8.21 %
2017	11.60 %	2.75 %
2018	(15.54) %	(18.17) %
2019	28.28 %	15.84 %
2020	25.46 %	12.87 %
2021	20.39 %	20.27 %
2022	(23.96) %	(9.29) %
2023	19.47 %	4.79 %
2024 (Jan-Sept)	20.43 %	18.02 %
<b>Annualized Return</b>	<b>9.68 %</b>	<b>5.90 %</b>

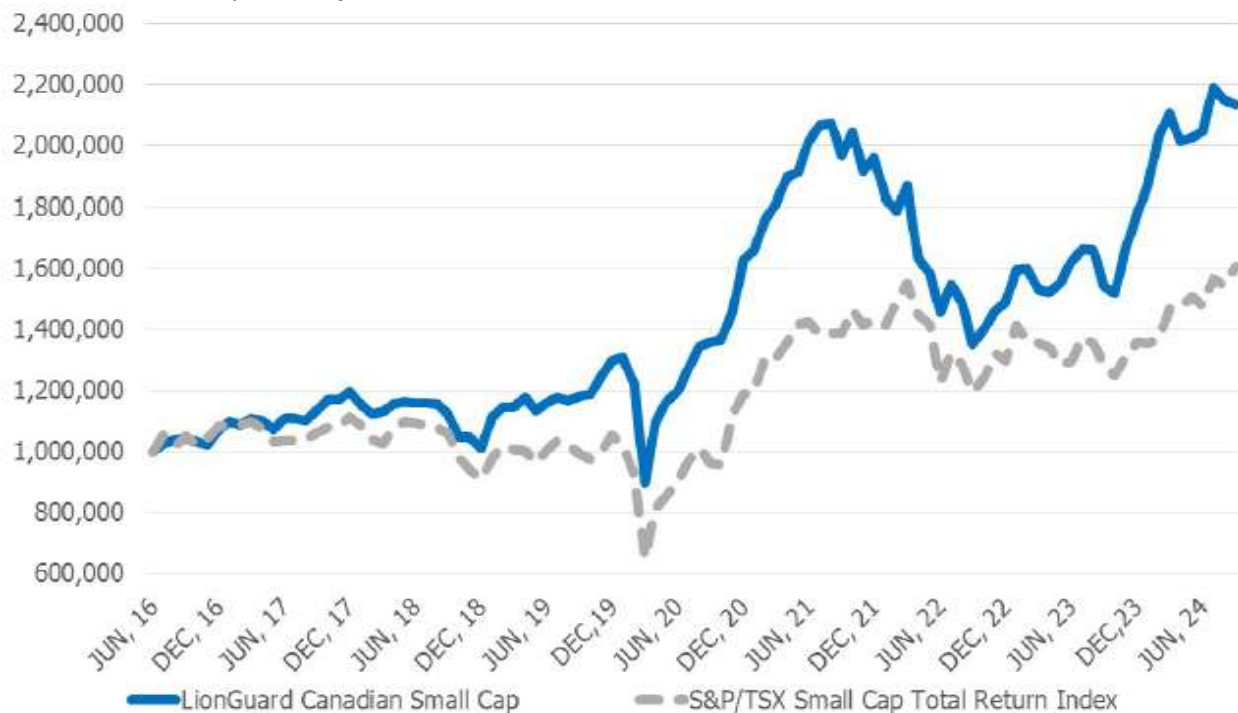
On a compounded basis, the Strategy delivered a return of 114.38%. This compares to S&P/TSX Small Cap Total Return Index at 60.52%.

	LionGuard Canadian Small Cap Strategy	S&P/TSX Small Cap Total Return Index
2016 (Jul – Dec)	7.30 %	8.21 %
2017	19.74 %	11.18 %
2018	1.13 %	(9.01) %
2019	29.73 %	5.29 %
2020	62.75 %	18.96 %
2021	95.93 %	43.07 %
2022	49.00 %	29.79 %
2023	78.01 %	36.01 %
2024 (Jan-Sept)	114.38 %	60.52 %
<b>Cumulative Return</b>	<b>114.38 %</b>	<b>60.52 %</b>

Disclaimer: This document does not represent an offering of securities in any jurisdiction and is for informational purposes only. The securities described herein are only available to Accredited Investors and Institutional Investors in Canada by private placement in accordance with applicable securities laws. The information disclosed in this summary is incomplete and is qualified in its entirety by the Offering Document. LionGuard Capital Management Inc. does not warrant the accuracy of the presented information nor is responsible for any actions taken because of this report. LionGuard Canadian Small Cap Fund LP was launched in November 2019. Prior performance is that of LionGuard’s main representative sub-advisory mandate following the same strategy. The indicated rates of returns do not consider sales, redemption, distribution, or optional charges or income taxes payable. While the data presented in the graph includes information through September 2024, the last date on the bottom axis is labeled as June 2024 due to formatting constraints. Despite this, the analysis reflects the full dataset, including data from July to September 2024.



*Exhibit 1: Since Inception Performance*



Sources: Bloomberg, LionGuard

## Market Commentary

The third quarter of 2024 saw significant gains across global markets, driven by falling interest rates and a long-awaited sector rotation. In the U.S., the Federal Reserve's historic reduction of interest rates helped propel equities to record highs, with the S&P 500 gaining 6.1% for the quarter. Notably, investors rotated out of mega-cap technology stocks and into value and small-cap stocks. This shift was a welcome sign of broader market participation, as more than 60% of S&P 500 components outperformed the index. Meanwhile, bonds also rallied, with the Morningstar US Core Bond Index gaining more than 5.1% as yields fell. This positive sentiment was underpinned by the Fed's easing cycle, which restored confidence in both the stock and bond markets.

In Canada, the TSX Composite Index had its best quarter in four years, as the Bank of Canada cut interest rates three times since June. The TSX ended the quarter just shy of a record high. The combination of falling interest rates and rising commodity prices provided a strong tailwind for the Canadian equity market, despite some weakness in metal miners.

Across both U.S. and Canadian markets, the broadening of the rally from tech into more rate-sensitive sectors such as utilities, financials, and real estate was a key theme. The Federal Reserve's and Bank of Canada's dovish stance helped to normalize the yield curve, benefiting dividend-paying stocks and small caps, which had been struggling under the weight of higher borrowing costs. Bonds continued to perform

Disclaimer: This document does not represent an offering of securities in any jurisdiction and is for informational purposes only. The securities described herein are only available to Accredited Investors and Institutional Investors in Canada by private placement in accordance with applicable securities laws. The information disclosed in this summary is incomplete and is qualified in its entirety by the Offering Document. LionGuard Capital Management Inc. does not warrant the accuracy of the presented information nor is responsible for any actions taken because of this report. LionGuard Canadian Small Cap Fund LP was launched in November 2019. Prior performance is that of LionGuard's main representative sub-advisory mandate following the same strategy. The indicated rates of returns do not consider sales, redemption, distribution, or optional charges or income taxes payable. While the data presented in the graph includes information through September 2024, the last date on the bottom axis is labeled as June 2024 due to formatting constraints. Despite this, the analysis reflects the full dataset, including data from July to September 2024.



well as yields dropped. The third quarter also saw significant rotation within sectors, as energy prices fell, real estate investment trusts (REITs) surged, and utilities benefited from falling rates and expectations of higher electricity demand from AI-driven data centers.

The rotation out of technology stocks reflected broader concerns about overvaluation, particularly in sectors like artificial intelligence (AI), which had driven much of the rally earlier in the year. Despite this, large cap technology stocks remain up significantly for the year, though they faced headwinds in Q3.

Looking ahead, optimism remains for both U.S. and Canadian markets as falling interest rates, solid corporate earnings, and broad sector participation provide a supportive environment. However, risks remain, including the potential for volatility in tech stocks, geopolitical tensions, and arguably elevated valuations in some sectors. As the Fed and Bank of Canada continue their rate-cutting cycles, investors will be watching for signs of sustained economic strength and continued earnings growth to justify the market's multiples.

## Investment Operations

During the quarter, some of our largest contributors included **Mainstreet Equity (MEQ)**, **Colliers (CIGI)** and **Aritzia (ATZ)**. On the opposite side, our detractors included **Lumine (LMN)** and **Badger (BDGI)**.

- **Mainstreet Equity (MEQ)** – Mainstreet, one of Canada's best compounders, continued its impressive performance this quarter, reaffirming its strategic focus on mid-market rental properties across Western Canada. As we've highlighted in previous reports, MEQ's ability to compound capital through acquisitions and renovations remains a cornerstone of its success. In addition to the value generated by its rental income growth and operational efficiencies, there is hidden value in the land they own, which offers further upside potential. Despite inflationary pressures, MEQ's disciplined management and solid margins position the company to capitalize on future opportunities while delivering long-term value to investors.
- **Colliers (CIGI)** – Colliers' stock price had a good quarter, as investors started to grasp eventual return of commercial real estate transactions. While the current cycle has been pronounced, price discovery inevitably occurs, leading to a surge in transaction volumes. We were fortunate to acquire CIGI at a significant discount to its intrinsic value, as the market was overly fixated on short-term dynamics. Additionally, the majority of Colliers' business remains stable and predictable, so the market's focus on the temporarily impacted segment of the business has been a unique buying opportunity.
- **Aritzia (ATZ)** – Aritzia had a solid quarter, as we correctly predicted the return of new products to shelves, driving increased customer engagement and sales. Additionally, the company's new store openings are progressing exceptionally well, contributing to its expanding footprint and revenue growth. While short-term concerns affected the stock earlier, our long-term perspective allowed us to capitalize on this great buying opportunity. To put in perspective, ATZ stock price is up 84% since the beginning of the year.

Disclaimer: This document does not represent an offering of securities in any jurisdiction and is for informational purposes only. The securities described herein are only available to Accredited Investors and Institutional Investors in Canada by private placement in accordance with applicable securities laws. The information disclosed in this summary is incomplete and is qualified in its entirety by the Offering Document. LionGuard Capital Management Inc. does not warrant the accuracy of the presented information nor is responsible for any actions taken because of this report. LionGuard Canadian Small Cap Fund LP was launched in November 2019. Prior performance is that of LionGuard's main representative sub-advisory mandate following the same strategy. The indicated rates of returns do not consider sales, redemption, distribution, or optional charges or income taxes payable. While the data presented in the graph includes information through September 2024, the last date on the bottom axis is labeled as June 2024 due to formatting constraints. Despite this, the analysis reflects the full dataset, including data from July to September 2024.



- **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 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 potentially in very short order) are not reflected in the stock price.
- **Badger Infrastructure (BDGI)** – Given the level of mispricing, vis-à-vis its intrinsic value, in our opinion Badger is a prime takeout candidate at these levels, likely attracting interest from strategic buyers including Clean Harbors (which tried to buy the company in the past and which coincidentally just increased their Canadian subsidiaries’ credit facilities) and numerous other industry players.

We also believe that the company’s board of directors might have to announce a review of strategic alternatives.

## Focus on Compounding

We sincerely thank our esteemed partners for placing their trust in our ability to compound their capital. Our commitment remains steadfast: to seize the distinct opportunities presented by the irrationalities of the stock market and its various dynamics, aiming to acquire stakes in superior businesses at exceptionally favorable prices. This approach has proven its merit, as illustrated by our risk-adjusted returns.

We are excited about what the future holds and look forward to sharing our ongoing progress with you.

Sincerely,

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

Disclaimer: This document does not represent an offering of securities in any jurisdiction and is for informational purposes only. The securities described herein are only available to Accredited Investors and Institutional Investors in Canada by private placement in accordance with applicable securities laws. The information disclosed in this summary is incomplete and is qualified in its entirety by the Offering Document. LionGuard Capital Management Inc. does not warrant the accuracy of the presented information nor is responsible for any actions taken because of this report. LionGuard Canadian Small Cap Fund LP was launched in November 2019. Prior performance is that of LionGuard’s main representative sub-advisory mandate following the same strategy. The indicated rates of returns do not consider sales, redemption, distribution, or optional charges or income taxes payable. While the data presented in the graph includes information through September 2024, the last date on the bottom axis is labeled as June 2024 due to formatting constraints. Despite this, the analysis reflects the full dataset, including data from July to September 2024.