



# Barrantagh Small Cap Canadian Equity Fund

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## Interim Management Report of Fund Performance

Period ended June 30, 2019

## **Interim Management Report of Fund Performance April 15, 2019 – June 30, 2019**

**Firm:** Barratagh Investment Management Inc.  
**Fund Name:** Barratagh Small Cap Canadian Equity Fund

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During the period, the Fund outperformed its benchmark, the S&P/TSX Small Cap Index.

Trump continued to dominate the news cycle with his confrontations with the Fed (pushing for rate cuts) and China (trade tariff escalation) taking center stage and driving market volatility. Despite the onslaught of alarmist headlines and growing macro concerns, global equity markets continued to move higher during the period. Halfway through 2019, the S&P 500 and S&P/TSX Composite Index are within ~2% of their all-time highs. Drilling down, equally strong stock returns have not been enjoyed by all. At the risk of sounding like a broken record, in Canada smaller-cap stocks have notably lagged with TSX-60 names outperforming the TSX-Completion (mid-cap), in turn outperforming the S&P/TSX Small Cap index (1YR: +4.8% > +0.9% > -8.2%; 3YR CAGR: +9.5% > +5.1% > +0.1%). Whether this trend has been driven by more funds moving to passive index tracking strategies, challenged resource markets, quant/momentum trading, or concerns about safety/recession we are unsure. What we are sure of is 1) the importance of active stock picking to deliver superior returns in the small cap space, and 2) there will be a period in the future where small-cap outperforms given market cyclical and mean reversion.

Given this backdrop, the Fund has performed quite well not only against the benchmark, but also outperforming the S&P/TSX Composite Index over the last period. Relative to the benchmark the largest areas of outperformance are in Industrials and Energy, where stock selection has driven strong returns. Trading activity has remained quite low with the Fund nicely balanced between both offense (cyclicals, economically sensitive) and defense (secular winners, more stable businesses) and individual holdings are positioned well in their industries. Overall, there are some pockets of rich valuations – mainly related to rate-sensitive businesses or those with limited trade war exposure – offset by much lower multiples in the economically sensitive sectors (energy, heavy industrials, base metals, etc.). The Fund sits with slightly elevated cash looking to deploy into quality businesses at the right entry point.

The market continues to watch closely for signs of an improving trade environment and dovish Fed acting as potential catalysts that may invigorate corporate confidence and investment. The telegraphed economic slowdown in the first half of 2019 is behind us, as well as the damage inflicted to equity markets from the Q4-18 sell-off (for the most part). Consumer confidence has remained resilient with the employment picture very healthy in Canada and abroad. As noted above, the Fund remains quite balanced but biased towards continued economic growth. It has become more challenging to find new ideas at attractive valuations that don't bear heavier cyclical risks. We seek to avoid pockets of the market where exuberance has taken hold and look to find good businesses with strong competitive moats and attractive valuations based on rational expectations.

**BARRANTAGH SMALL CAP CANADIAN EQUITY FUND****The Fund's net assets attributable to holders of redeemable units per unit<sup>1</sup>****Class F**

	<b>2019<sup>(4)</sup></b>
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	\$ 10.00
<b>Increase (decrease) from operations:</b>	
Total Revenue	0.08
Total Expenses	(0.10)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	0.31
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.29</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of Capital	-
<b>Total Annual Distributions<sup>3</sup></b>	<b>-</b>
Net assets attributable to holders of redeemable units, end of period	\$ 10.06
<b>Ratios and Supplemental Data:</b>	
Total net asset value	\$ 438,162
Number of units outstanding	43,566
Management expense ratio <sup>5</sup>	3.73%
Management expense ratio before waivers or absorptions	3.73%
Trading expense ratio <sup>6</sup>	1.30%
Portfolio turnover rate <sup>7</sup>	-
Net asset value per unit	\$ 10.06

**Notes to Financial Highlights**

(1) This information is derived from the Fund's unaudited interim financial statements.

(2) Net assets attributable to holders of redeemable units and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of the net asset value per unit.

(3) There were no distributions paid by the Fund.

**Ratios and Supplemental Data**

(4) For the period from April 15, 2019 (date of commencement of operations) to June 30, 2019.

(5) The management expense ratio is based on total expenses (excluding commissions and other portfolio costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. It is calculated by dividing the total of operating expenses (excluding commissions and portfolio transaction costs) and management fees, including applicable taxes, by the average net asset value of the Fund for the financial period, then multiplying the result by 100.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

**BARRANTAGH SMALL CAP CANADIAN EQUITY FUND****The Fund's net assets attributable to holders of redeemable units per unit<sup>1</sup>****Class O**

	<b>2019<sup>(4)</sup></b>
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	\$ 10.00
<b>Increase (decrease) from operations:</b>	
Total Revenue	0.12
Total Expenses	(0.09)
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	0.11
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.14</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of Capital	-
<b>Total Annual Distributions<sup>3</sup></b>	<b>-</b>
Net assets attributable to holders of redeemable units, end of period	\$ 10.07
<b>Ratios and Supplemental Data:</b>	
Total net asset value	\$ 5,083,402
Number of units outstanding	505,000
Management expense ratio <sup>5</sup>	3.06%
Management expense ratio before waivers or absorptions	3.06%
Trading expense ratio <sup>6</sup>	1.30%
Portfolio turnover rate <sup>7</sup>	-
Net asset value per unit	\$ 10.07

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**Ratios and Supplemental Data**

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**BARRANTAGH SMALL CAP CANADIAN EQUITY FUND**

## Management Report of Fund Performance

**Summary of investment portfolio**

The summary of investment portfolio may have changed since June 30, 2019 due to ongoing portfolio transactions of the Fund.

<b>Top 25 Holdings</b>	<b>Percentage of Net Asset Value (%)</b>
Boyd Group Income Fund	6.6
Cargojet Inc.	5.5
Badger Daylighting Ltd.	4.7
Borex Inc.	4.4
Tidewater Midstream and Infrastructure Ltd.	4.2
Diversified Royalty Corp.	4.1
Cott Corp.	4.0
Intertape Polymer Group Inc.	4.0
Parkland Fuel Corp.	3.9
Morneau Shepell Inc.	3.8
Gibson Energy Inc.	3.8
Freehold Royalties Ltd.	3.6
Aecon Group Inc.	3.6
TORC Oil & Gas Ltd.	3.6
Premium Brands Holdings Corp.	3.5
Altius Minerals Corp.	3.3
StorageVault Canada Inc.	3.3
Wajax Corp.	3.2
Superior Plus Corp.	3.2
Jamieson Wellness Inc.	2.7
Minto Apartment Real Estate Investment Trust	2.7
Hudbay Minerals Inc.	2.6
CES Energy Solutions Corp.	2.4
Boston Pizza Royalties Income Fund	2.1
Birchcliff Energy Ltd.	1.7
	<b>90.5</b>

<b>Total Net Asset Value</b>	<b>\$5,521,564</b>
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**Portfolio by Category**

<b>Asset Type</b>	<b>Percentage of Net Asset Value (%)</b>
Equities	90.5
Cash	8.9
Other Net Assets (Liabilities)	0.6
	<b>100.0</b>

<b>Sector</b>	<b>Percentage of Net Asset Value (%)</b>
Industrials	27.4
Energy	23.2
Consumer Staples	10.2
Materials	9.9
Utilities	7.6
Consumer Discretionary	6.2
Real Estate	6.0
Cash	8.9
Other Net Assets (Liabilities)	0.6
	<b>100.0</b>