

BARRANTAGH

Investment Management

Update – Sept 30, 2020

- Firm Update
- Small Cap Canadian Equities
 - Observations
 - Diversification
 - Mandate Review
- Economic Update



CIBC PRIVATE WEALTH
WOOD GUNDY

ICS Program



INTRODUCTION

Firm Update

FIRM PROFILE

- 100% employee-owned investment managers since 1995
- 17 employees, firm ownership expanded to 6 employee-shareholders
- AUM: \$1 Bn (private wealth, institutional, sub-advisory)
- Fundamental quality value style

STRATEGIES OFFERED

- Balanced Mandates – active asset mix mgmt.
- Fixed Income – Credit barbell + active duration mgmt.
- Equity Strategies – Focus Portfolios (20 – 40 stocks in a strategy):
 - **Small Cap – quality/yield focus**
 - Mid Cap – S&P TSX Completion Index
 - All Cap Cdn Equities
 - Income – yield focus
 - Global Equities – Global leaders + Special situations

FIRM UPDATE

Barrantagh celebrating 25 years in business!

COVID 19:

- Operating remotely with full trading, portfolio accounting, investment team and client service capability
- Rotating limited office schedule & video conferencing

Diversification Strategies:

- Small Cap – new prospectus fund launched in Q2/19
 - ‘F’ Class – 1.0% MER, 12-year composite track-record
- Mid Cap – reached 3-year track record end of Q2

ESG Integration Update:

- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy

Sub-Advisory News:

- Awarded new SMA mandate at key bank brokerage firm broadening our offerings to 4 leading IIROC firms

Website Upgrade 2020:

- Launched July, 2020
- Improved navigation, functionality & content
- Advisor Portal

Barrantagh

Competitive Advantages

Barrantagh

Outcomes

Investment Boutique

- 100% employee-owned & independent
- Investing in small, mid-size & larger companies with minimal trading impact
- Integrated client-focused team

Quality/Value investing style

- Capital preservation/absolute returns
- Low portfolio risk metrics

Fundamental bottom-up research

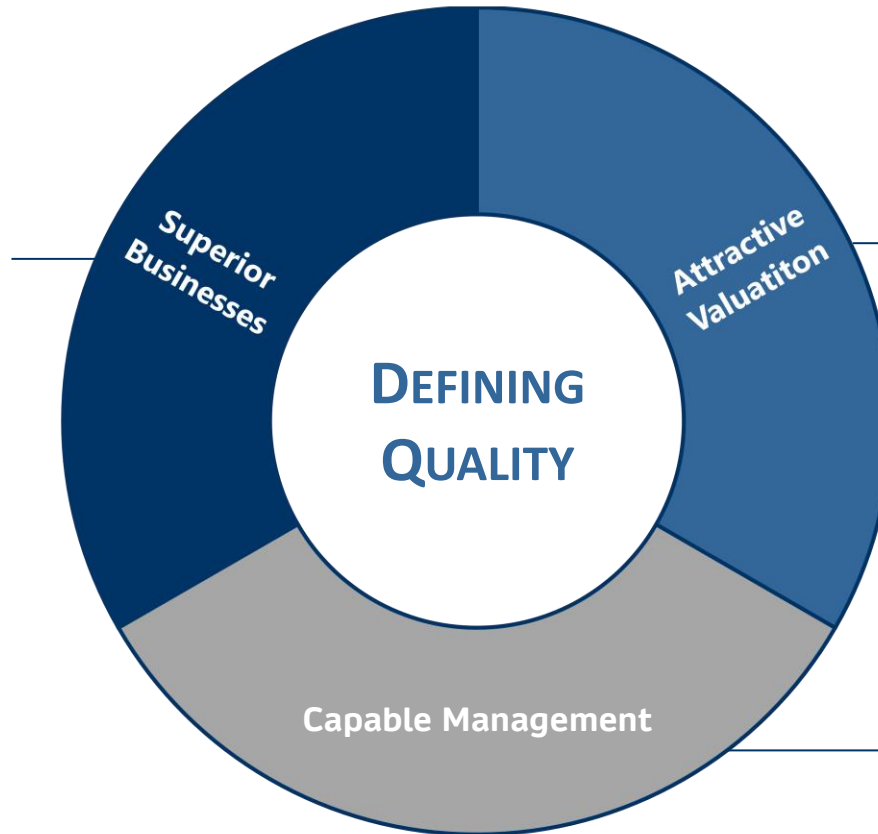
- Focused “Best Idea” portfolios
 - Low portfolio turnover
-

Investment Philosophy

Defining Quality

IDEA GENERATION

- Competitive advantages
- Industry leaders
- Pricing Power
- High return on capital
- Low capital intensity
- **ESG** Profile



INDEPENDENT VALUATION

- Cashflow analysis
- Independent valuation
- Forecast use of leverage
- Quality reduces risk
- Buy/Sell Targets

MANAGEMENT INTERVIEWS

- Aligned with shareholders
- Clear business strategy
- Record of value creation
- Low cost operators
- Conservative use of leverage



OBSERVATIONS:

Small Cap Canadian Equities

Small Cap Canadian Equity Mandate

Performance at September 30, 2020

For Periods Ending Sept. 30, 2020	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs
BIM Canadian Small Cap	7.9%	14.3%	5.5%	7.7%	6.0%	9.4%	6.3%	9.0%	10.2%	12.8%	13.0%
S&P/TSX Small Cap Index	-8.6%	-2.9%	-4.8%	-3.2%	-2.2%	4.5%	-0.5%	1.5%	1.2%	1.7%	0.8%
S&P/TSX Composite Index	-3.1%	-0.0%	3.5%	4.3%	5.5%	7.2%	4.4%	6.5%	6.6%	6.9%	5.8%

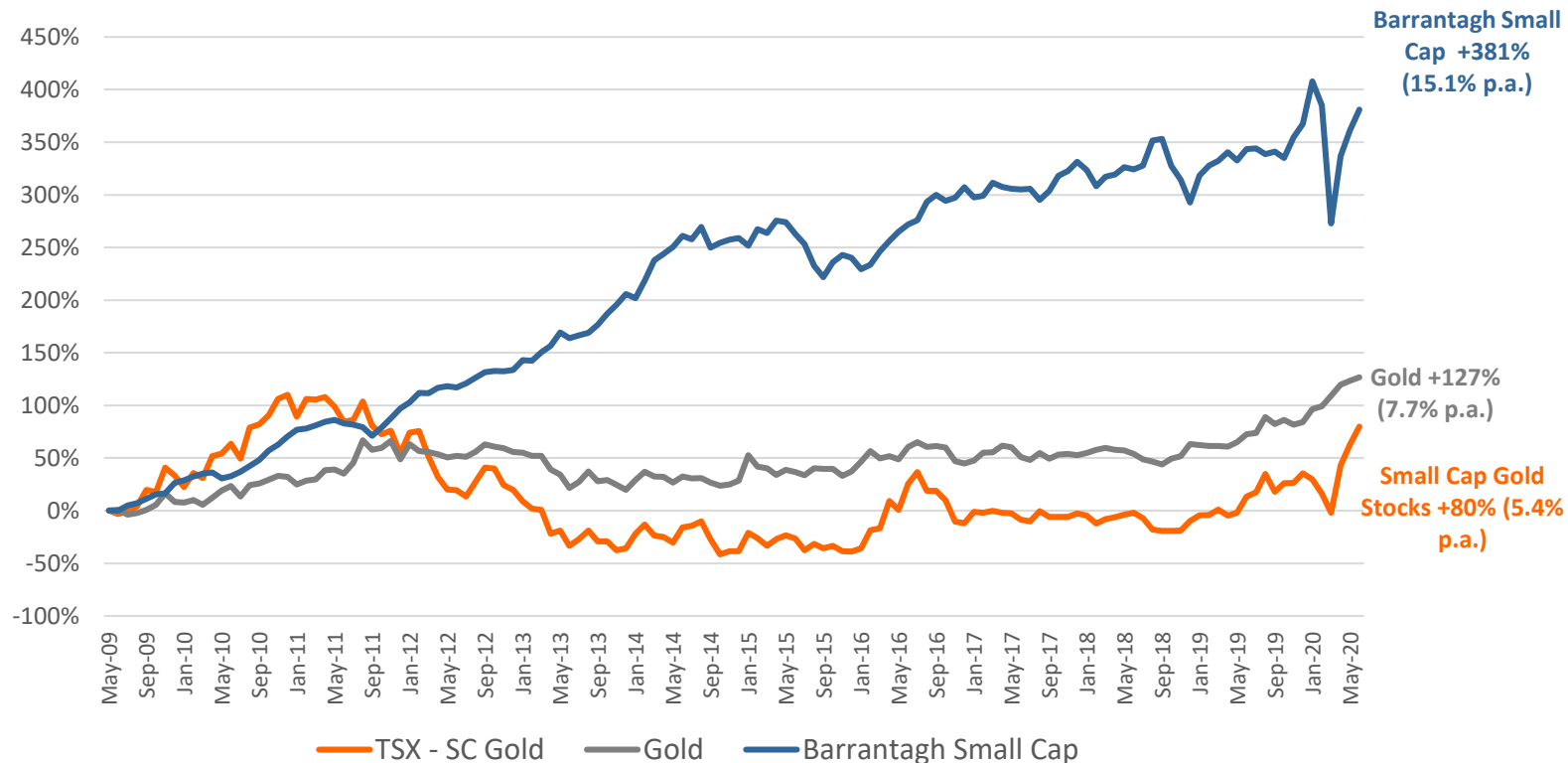
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
BIM Canadian Small Cap Equity	19.0%	-8.9%	5.9%	19.8%	-5.3%	17.3%	30.9%	18.5%	15.6%	35.0%	43.8%	-22.9%
S&P/TSX Small Cap Index	15.8%	-18.2%	2.7%	38.5%	-13.4%	-2.4%	7.6%	-2.2%	-16.4%	35.1%	62.3%	-45.5%

Green indicates periods that Barrantagh Small Cap outperformed

Small Cap Canadian Equity Mandate

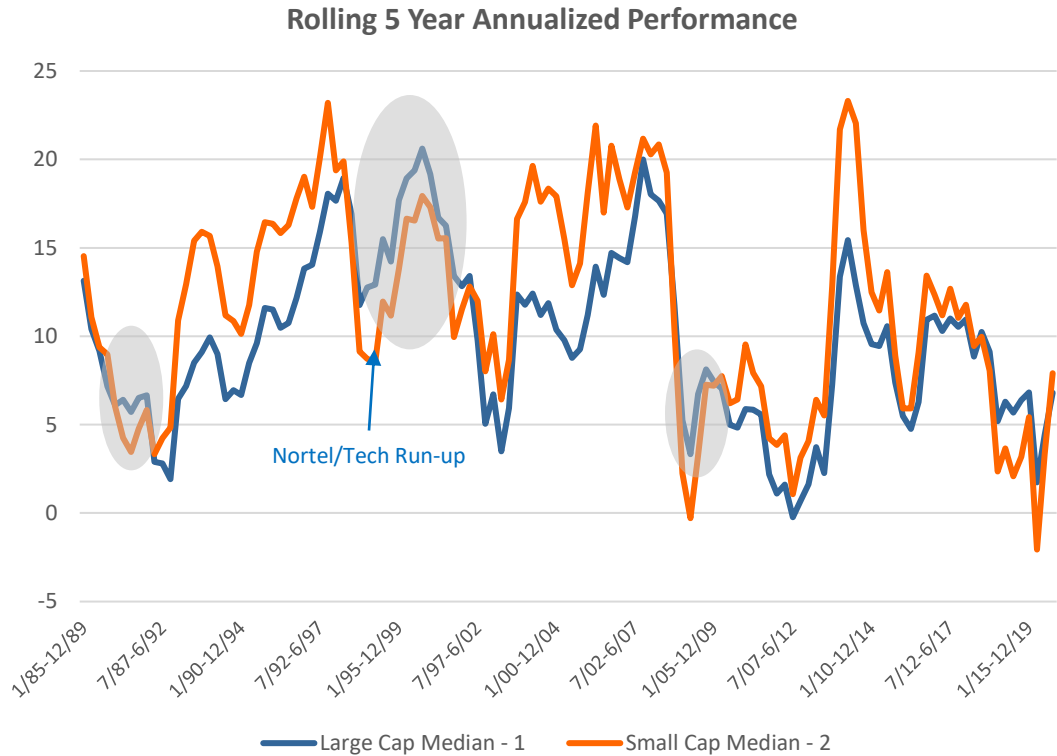
Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

Cumulative Returns ~ 10 Years



Canadian Equity Markets

Small Cap Median Beats the Large Cap Median 71% of the time Since 1985



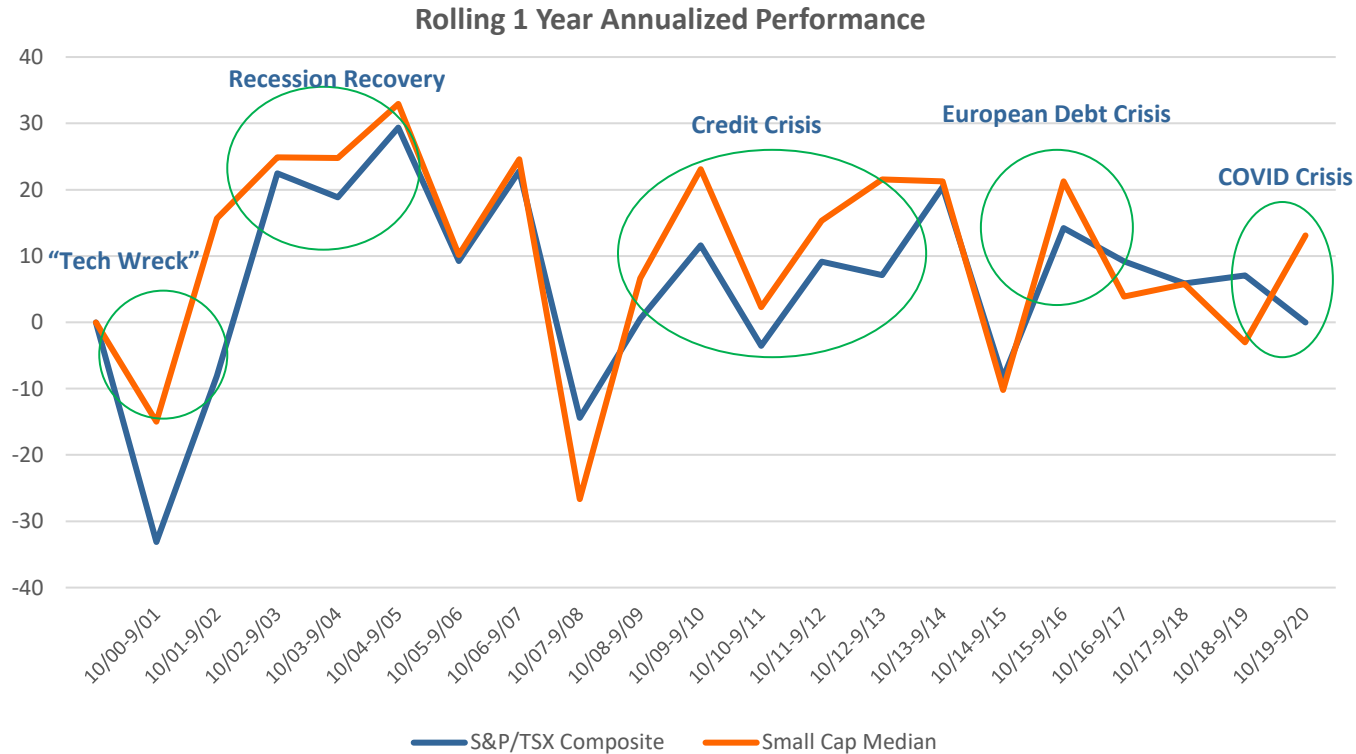
- Periods of small cap *active manager* underperformance are not persistent and as the shaded areas indicate the difference in performance for those periods was only 2-3%

¹Evestment Large Cap Canadian Equity

²Evestment Small Cap Canadian Equity

Small Cap Median Manager Outperforms on Rebounds

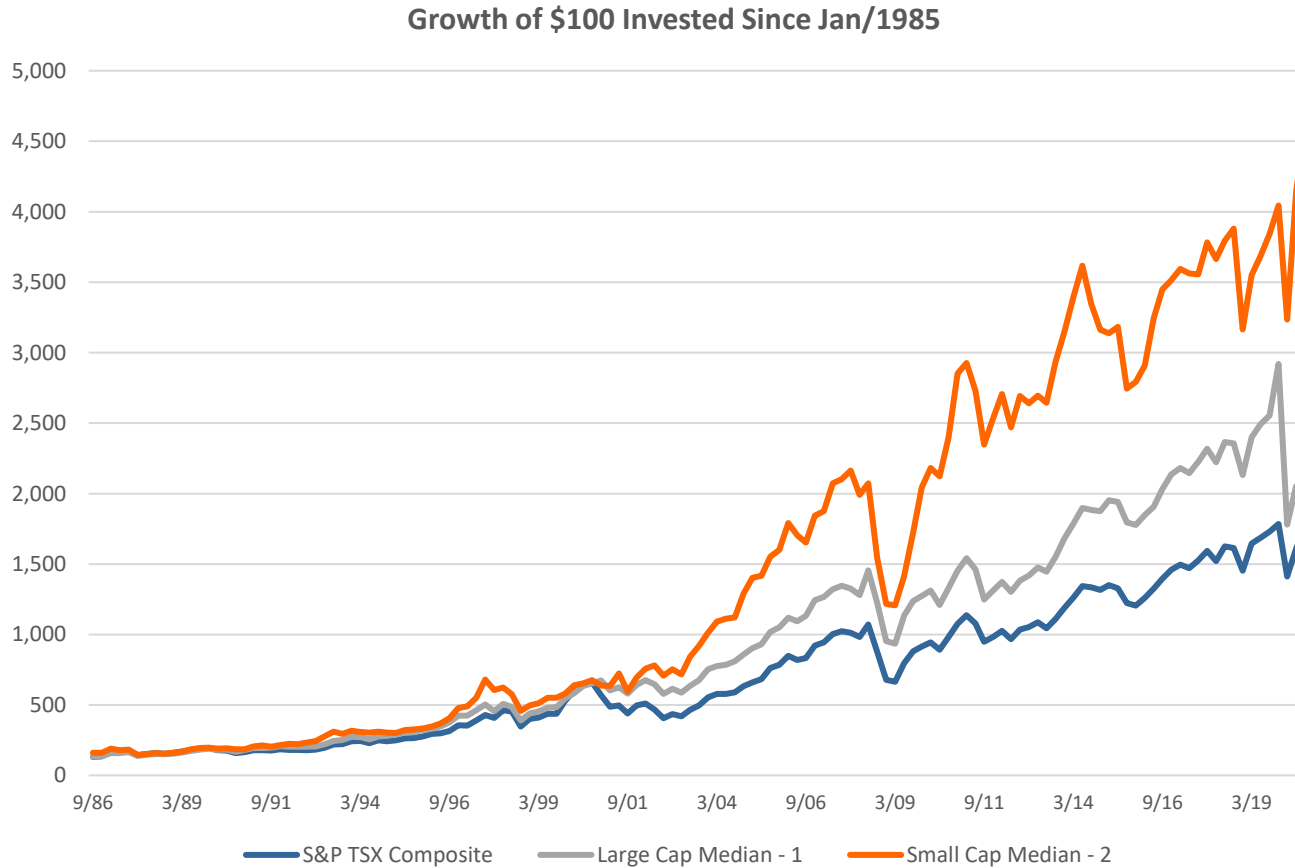
Beats the Large Cap TSX Composite on Market Recoveries



1 Yr Ended Sept. 2020
Small Cap Median +13.1%
TSX Comp. -0.03%

Canadian Equity Markets

Growth of \$100 since Jan/1985



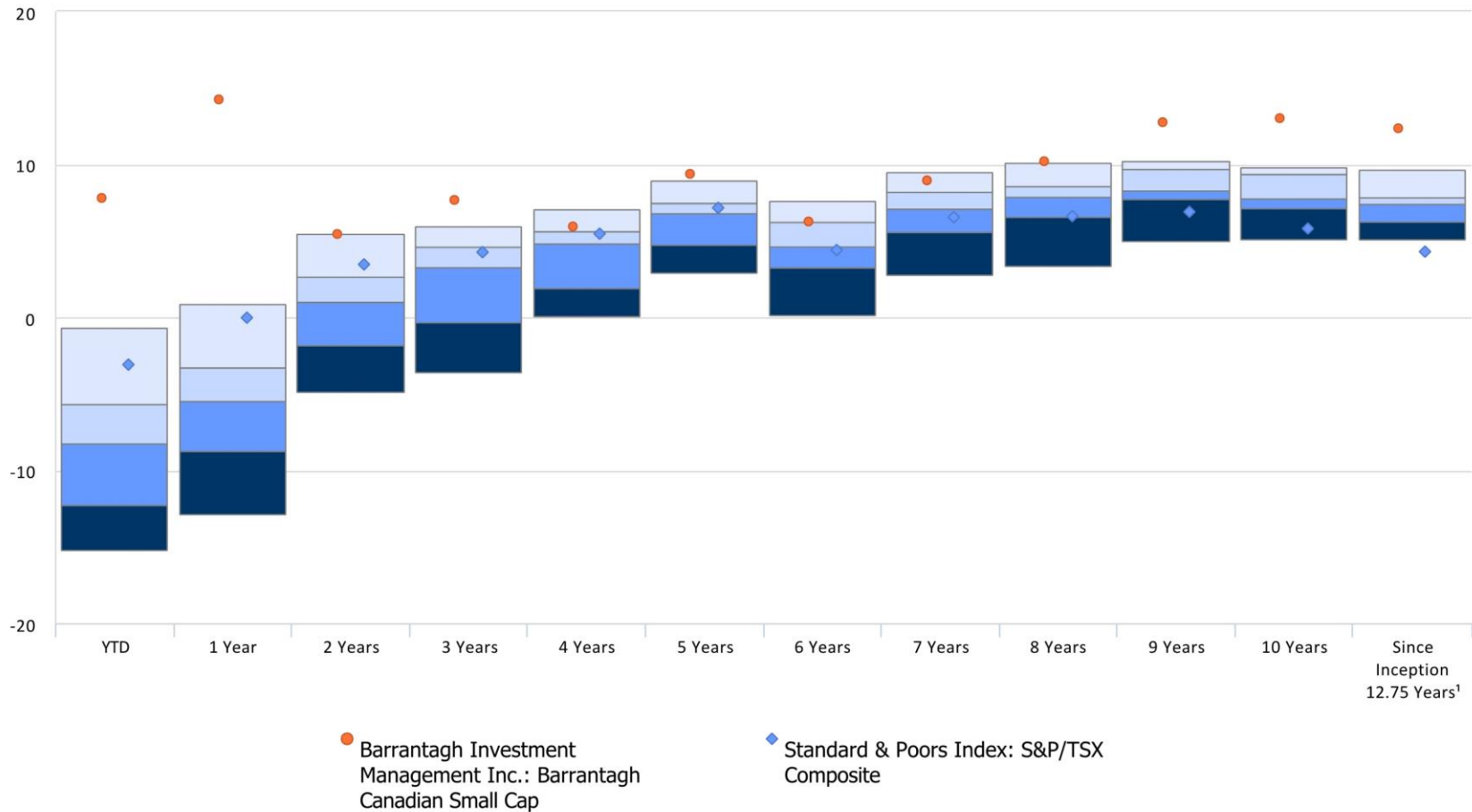
¹Evestment Large Cap Canadian Equity

²Evestment Small Cap Canadian Equity

RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Core & Cdn Dividend Strategies (for Periods Ending Sept. 30, 2020)

Returns as of: September 30, 2020

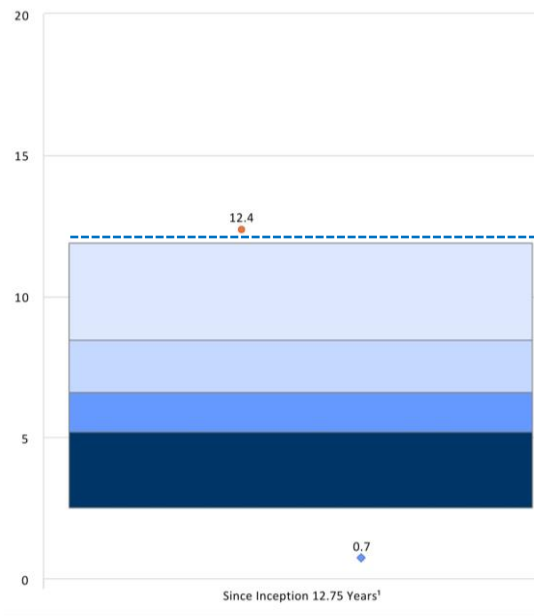


Universe: eVestment Canadian Dividend Focus Equity

RETURNS: Small Cap Canadian Equities

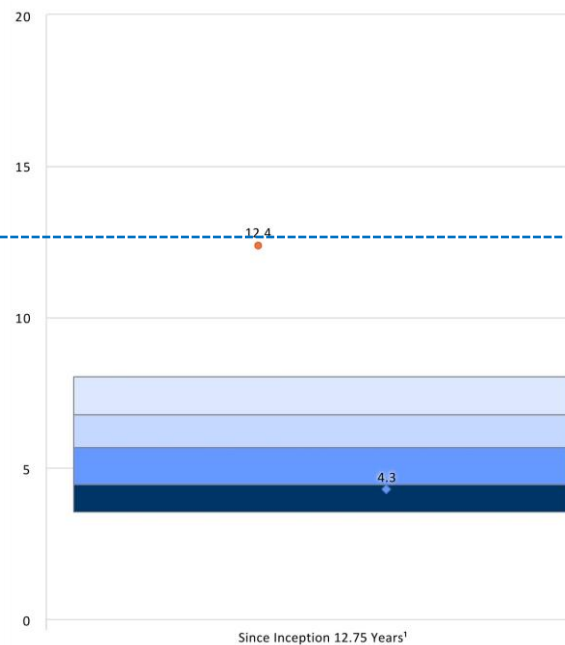
Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Sept. 30, 2020)

Canadian Small Cap Universe



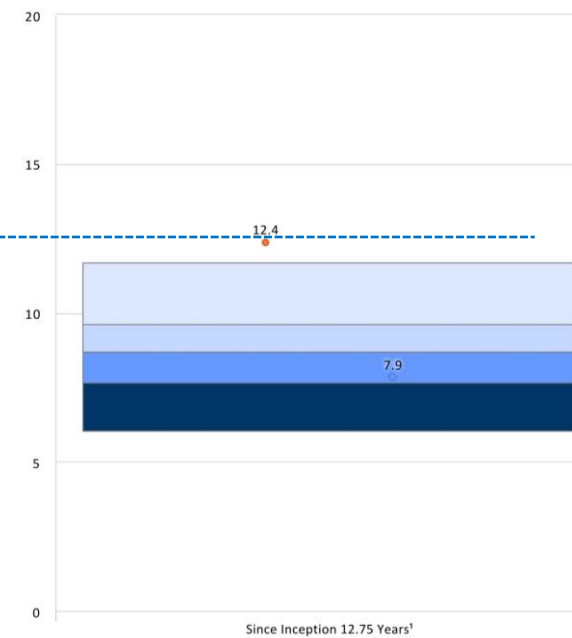
● Barrantagh Small Cap
◆ TSX Small Cap Index

Canadian Large Cap Universe



● Barrantagh Small Cap
◆ TSX Composite Index

Global Equity Universe (\$C)

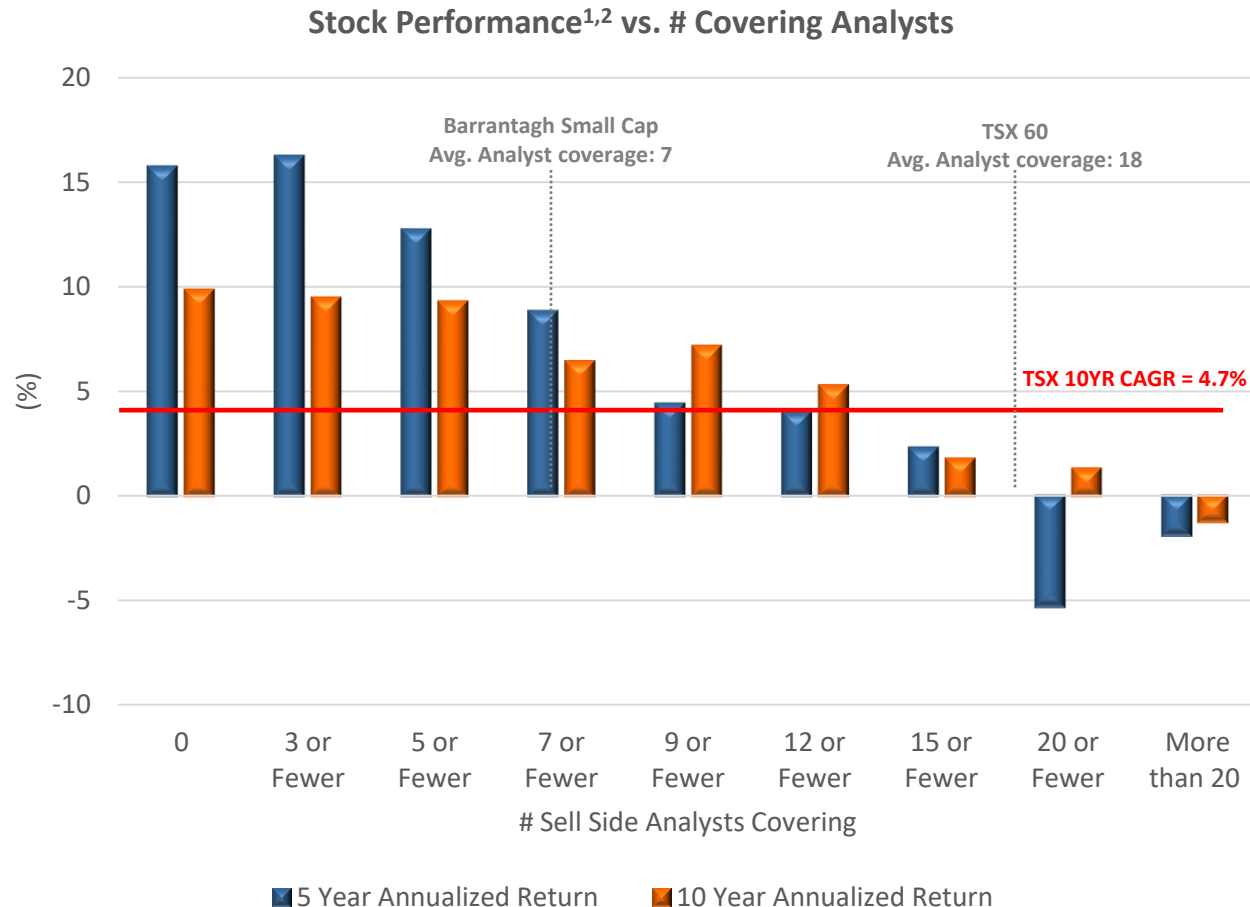


● Barrantagh Small Cap
◆ MSCI World Net (\$C)

Strategy Inception Date: Jan. 1, 2008

Small Cap Canadian Equities

Information Advantage: Lack of Research Coverage Creates Opportunities in Small Cap



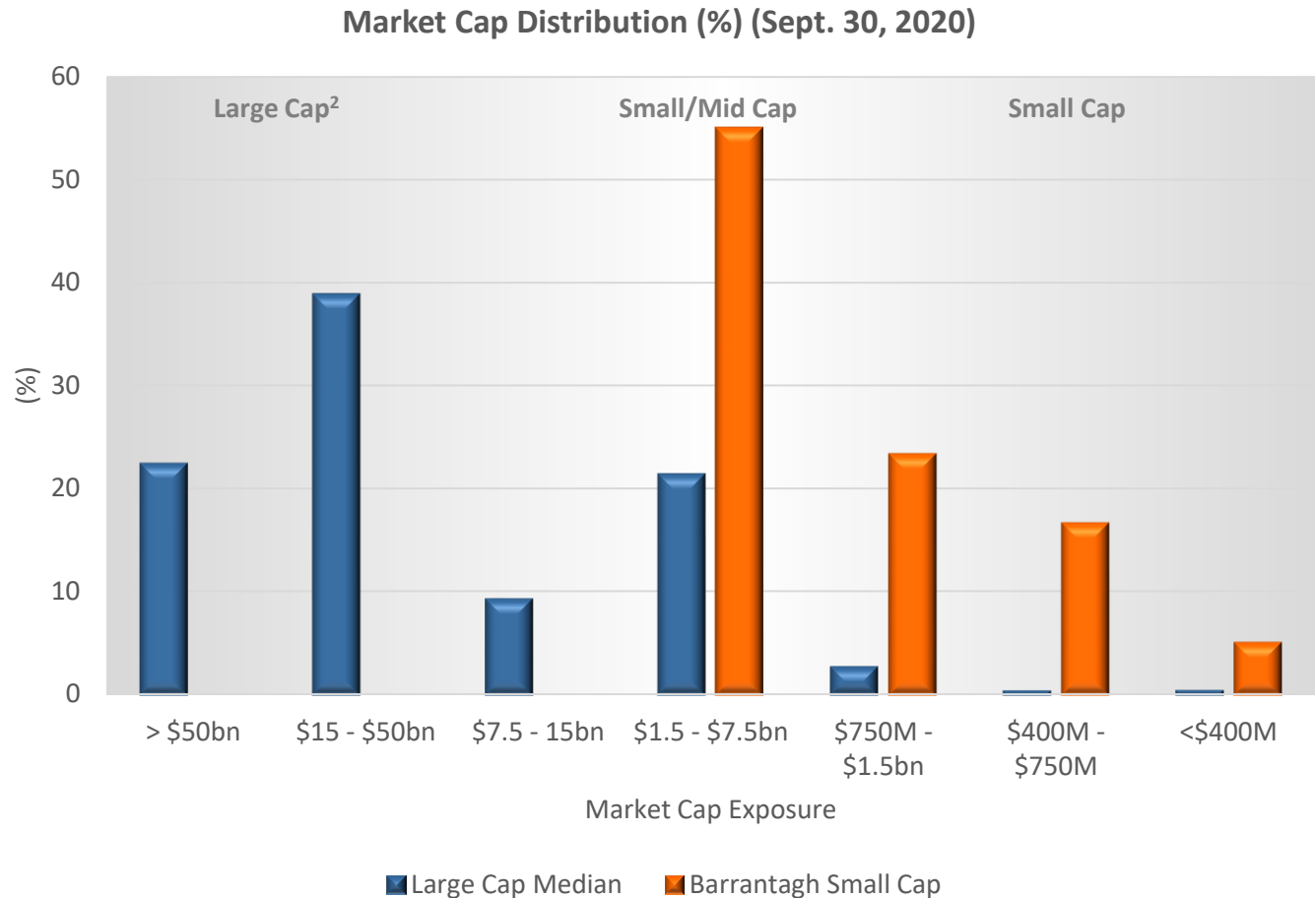
¹ Study universe includes all members of the TSX Composite & TSX Small Cap Indices with 5 & 10-year track records

² Returns are for periods ending Aug. 31, 2018

Small Cap Canadian Equities

Large Cap Managers Ignore Small Cap Opportunities

Small Cap & Large Cap universes are mutually exclusive – Large Cap managers don't own below \$1.5bn. Overlap exists in the Small/Mid bucket - \$1.5bn - \$7.5bn.



¹ Large Cap Median = Evestment Large Cap Canadian Universe

² Market Cap buckets as defined by Evestment



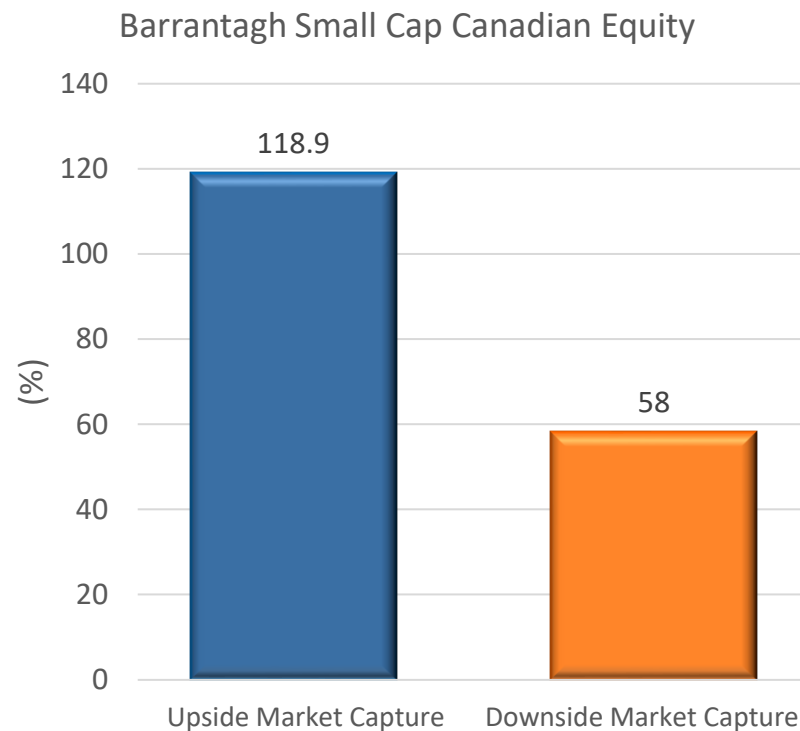
OBSERVATIONS:

Diversification with
Small Cap Canadian Equities

Small Cap Canadian Equities

Risk Statistics vs. *Small Cap* Canadian Equity (for Periods Ending September 30, 2020)

	Barrantagh Small Cap Cdn. Equities ¹	Percentile Rank ²	
Annualized Return	12.4	1	1st Percentile
Standard Deviation	13.8	1	Lower Volatility than Median
<i>Sharpe Ratio</i>	.82	1	<i>Highest risk-adjusted return</i>
Beta	0.53	1	Very Low risk vs. market
<i>Treynor Ratio</i>	21.18	1	<i>Highest risk-adjusted return</i>



¹ Since Inception Jan. 1, 2008

² vs. Evestment Small Cap Universe

Creating Minimum Risk (Optimal) Portfolios

Combining Barrantagh Small Cap with Cdn Large Cap Managers

Canadian Equity Allocation

Since Inception (Jan./08) Risk Return
For Periods Ending Sept. 30 2020



Most large-cap Cdn. Equity managers are **highly correlated (>0.9)** – with each other and the index

Barrantagh small cap offers **very low correlation with large cap (0.6)** and indices

- Allocation can *reduce overall portfolio risk + increase return*

Total Portfolio Risk a function of:

1. Weights (ω) of underlying components
2. Risk (σ) of underlying components
3. Correlation (ρ) of components

Portfolio Standard Deviation(σ_p)

$$= \sqrt{\omega_A^2 \sigma_A^2 + \omega_B^2 \sigma_B^2 + 2\omega_A \omega_B \sigma_A \sigma_B \cdot \rho_{AB}}$$

DIVERSIFICATION: Small Cap Canadian Equities

Perspective on Allocation to Small Cap

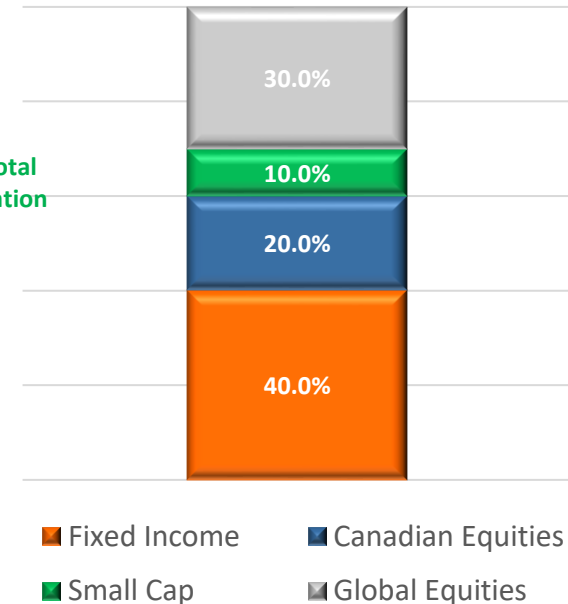
Incremental addition of small cap shows optimal (minimum risk) allocations of 20% - 50% which would suggest 5% - 15% of a typical 60% equity/40% fixed client portfolio

Canadian Equity Allocation

Since Inception (Jan./08) Risk Return
For Periods Ending Sept. 30 2020

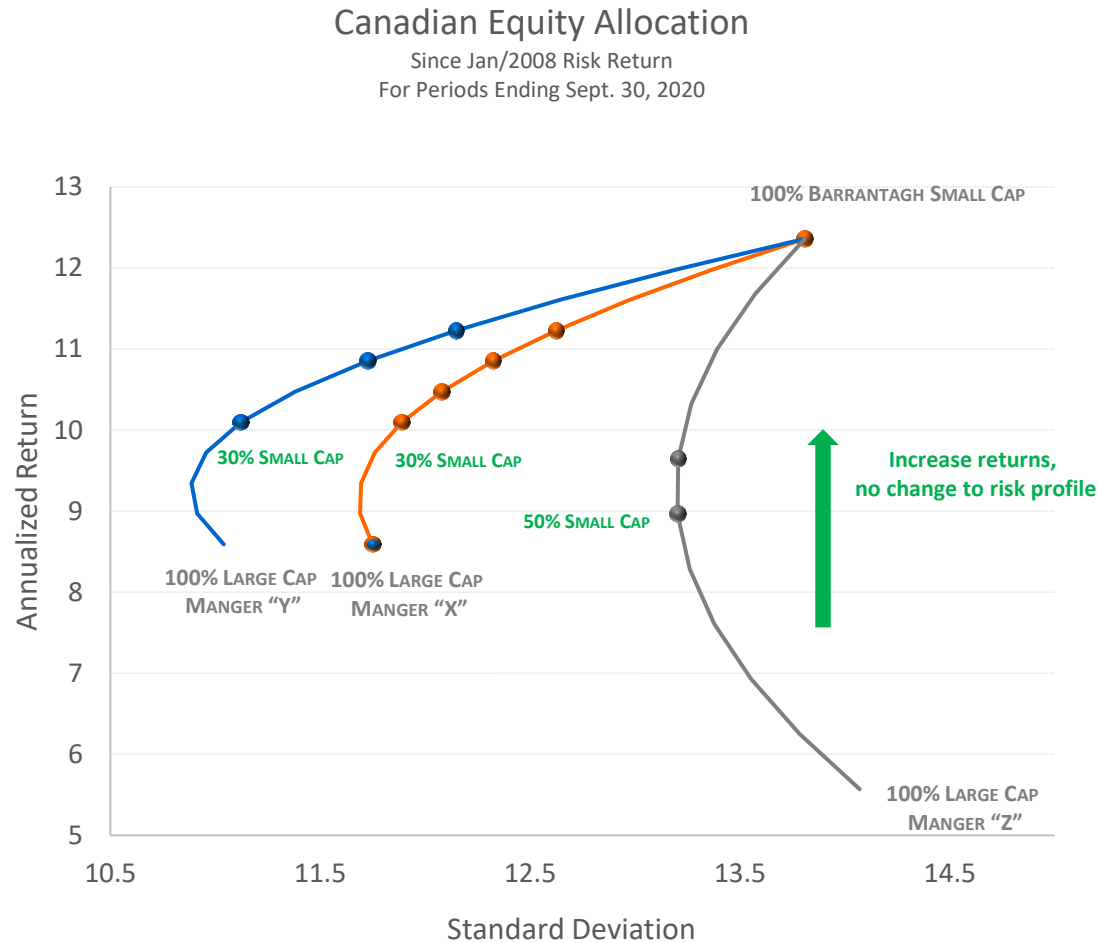


"Typical" Client Asset Mix



DIVERSIFICATION: Small Cap Canadian Equities

Results are Similar with Other Large Cap Managers



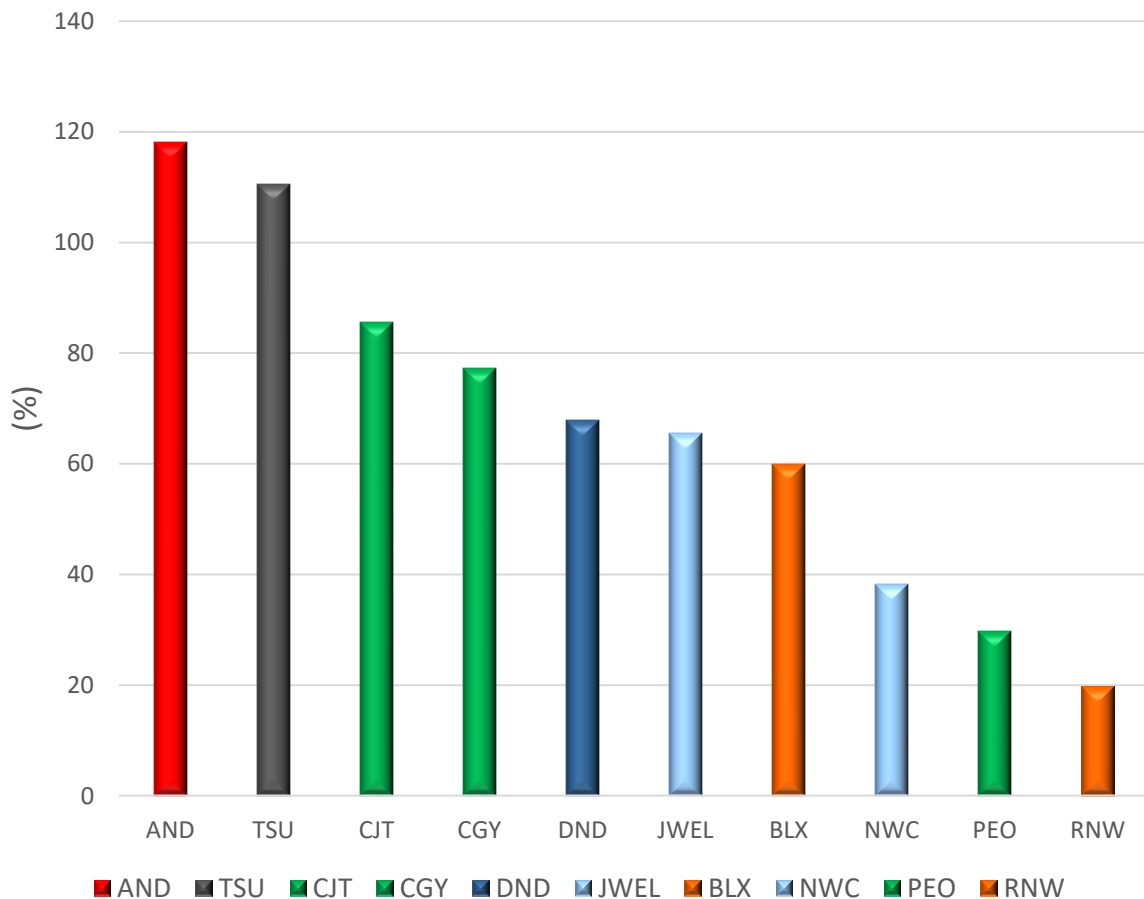


SMALL CAP CANADIAN EQUITIES

TSX Small Cap Canadian Equity

Contributions by Sector to Total Index Return

Top 10 Stock Contributors: 2020 YTD Return



Top 10 - Broad Alpha sources:

- Industrials (3)
- Utilities (2)
- Staples (2)
- Technology (1)
- Health Care (1)
- Financials (1)

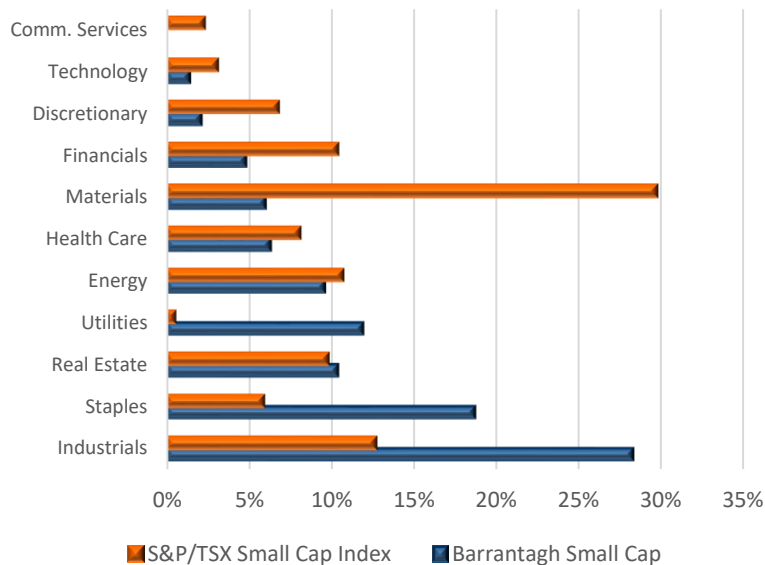
Profile: Small Cap Canadian Equities

Portfolio at September 30, 2020

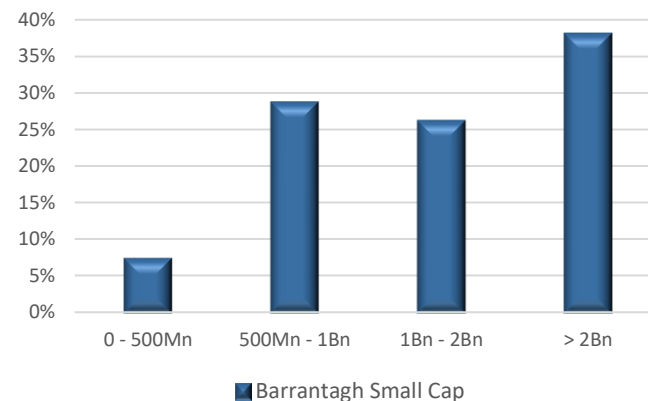
CHARACTERISTICS

Number of Holdings	26
Avg. Market Cap	\$1.93 Bn
# Industry Sectors	10
Dividend Yield	2.5%

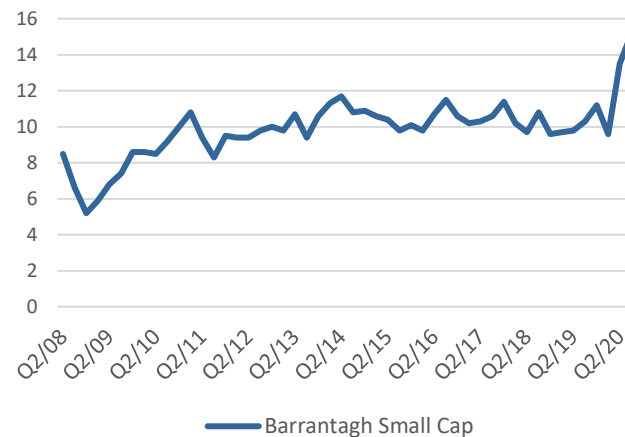
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



Canadian Small Cap Equity Portfolio

Portfolio at September 30, 2020 | 2020 Transactions

	Portfolio Weight		Portfolio Weight	
Consumer Discretionary		Industrials		SOLD
Diversified Royal	2.1%	Aecon Group	2.8%	CES Solutions
	2.1%	Badger Daylighting (+)	3.8%	TORC
Consumer Staples		Boyd Group	4.9%	Wajax
Primo Water (+)	4.6%	Cargojet (-)	6.1%	
Jamieson Wellness	5.5%	Calian Group (NEW)	3.7%	
North West Co.	4.5%	People Corp. (NEW)	2.6%	
Premium Brands	3.7%	Morneau Shepell	3.7%	TRIM = (-)
	18.3%		27.6%	ADD = (+)
Energy		Real Estate		
Gibson Energy (+)	3.6%	Minto Apartment REIT (+)	3.4%	
Parkland Fuel	2.9%	Storagevault Canada	3.6%	
Tidewater Midstream (+)	2.7%	Summit Industrial REIT (NEW)	3.1%	
	9.2%		10.1%	
Financials		Utilities		
Trisura Group	4.7%	Boralex (-)	4.6%	
	4.7%	Superior Plus	3.8%	
Health Care		Transalta Renewables (NEW)	3.2%	
Andlauer Healthcare (-)	6.1%		11.6%	
	6.1%	Materials		
Information Technology		Altius Minerals	2.2%	
Dye & Durham (NEW)	1.4%	Intertape Polymer (+)	3.6%	
	1.4%		5.8%	
		Cash & Equivalent	3.1%	
		Total	100.0%	

Canadian Small Cap Equity Portfolio

Select Holdings – Brand Recognition

JAMIESON WELLNESS (JWEL)



CARGOJET (CJT)



Amazon optional
ownership stake ~15%



BORALEX (BLX)



AECON (AEC)



PARKLAND FUEL (PKI)



BADGER DAYLIGHTING (BAD)





ECONOMICS

Outlook

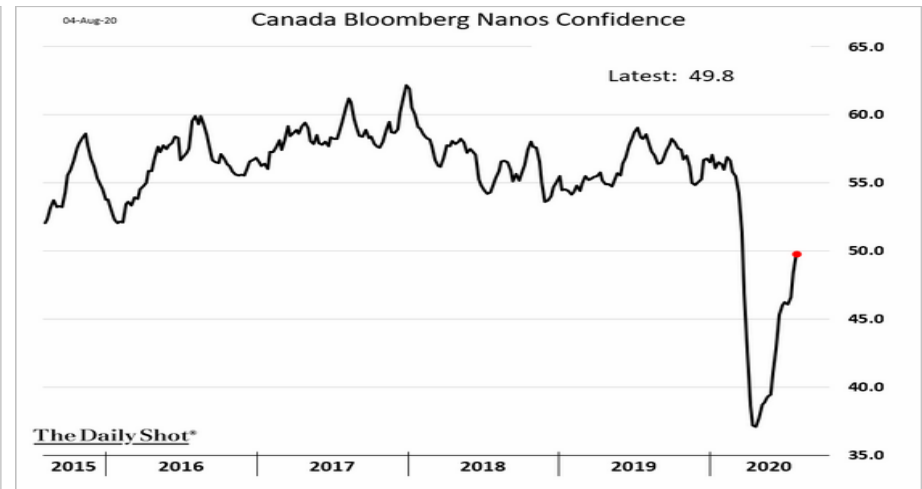
World:

- Response has been quick
- Rate cuts, fiscal stimulus, monetary support, credit supports, regulatory burden relief
- Fiscal policy response expected to add 1.3% to global GDP
- U.S. Example – fiscal policy between \$850bn to \$1.2tn
 - The U.S. response is about 5% of current GDP
 - In 2008 the response was \$830bn or 6% of GDP

Canada:

- Announced \$82bn response package or 3% of GDP

Canadian Manufacturing PMI & Confidence

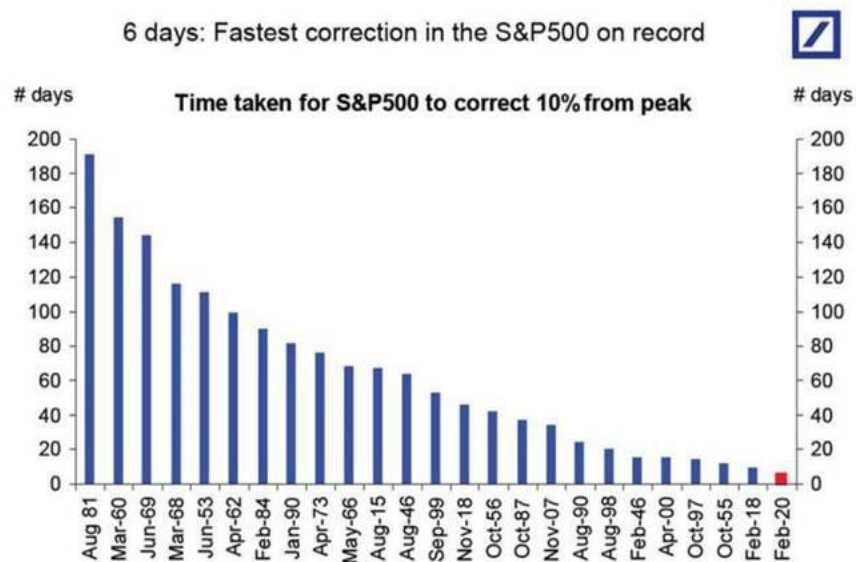


Source: The Daily Shot

Coronavirus Impact

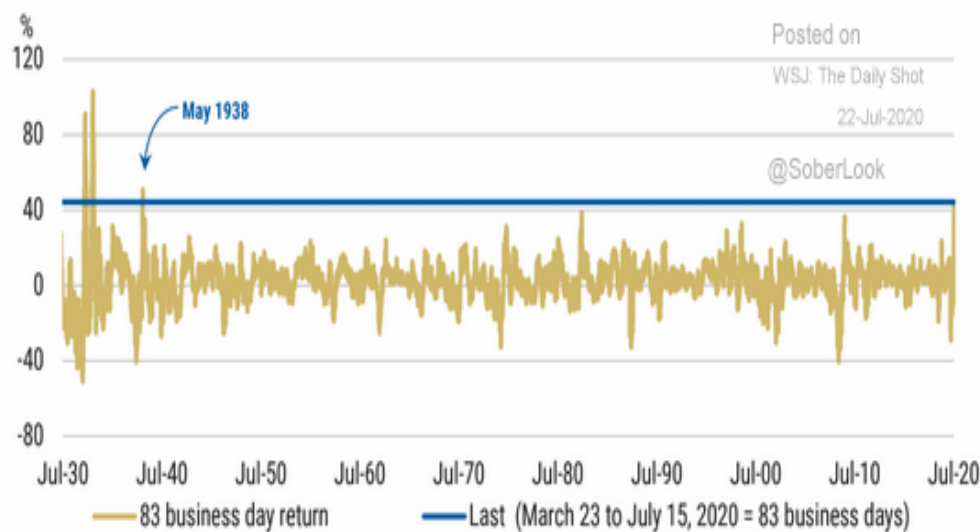
Rapid Correction & Recovery

6 days: Fastest correction in the S&P500 on record



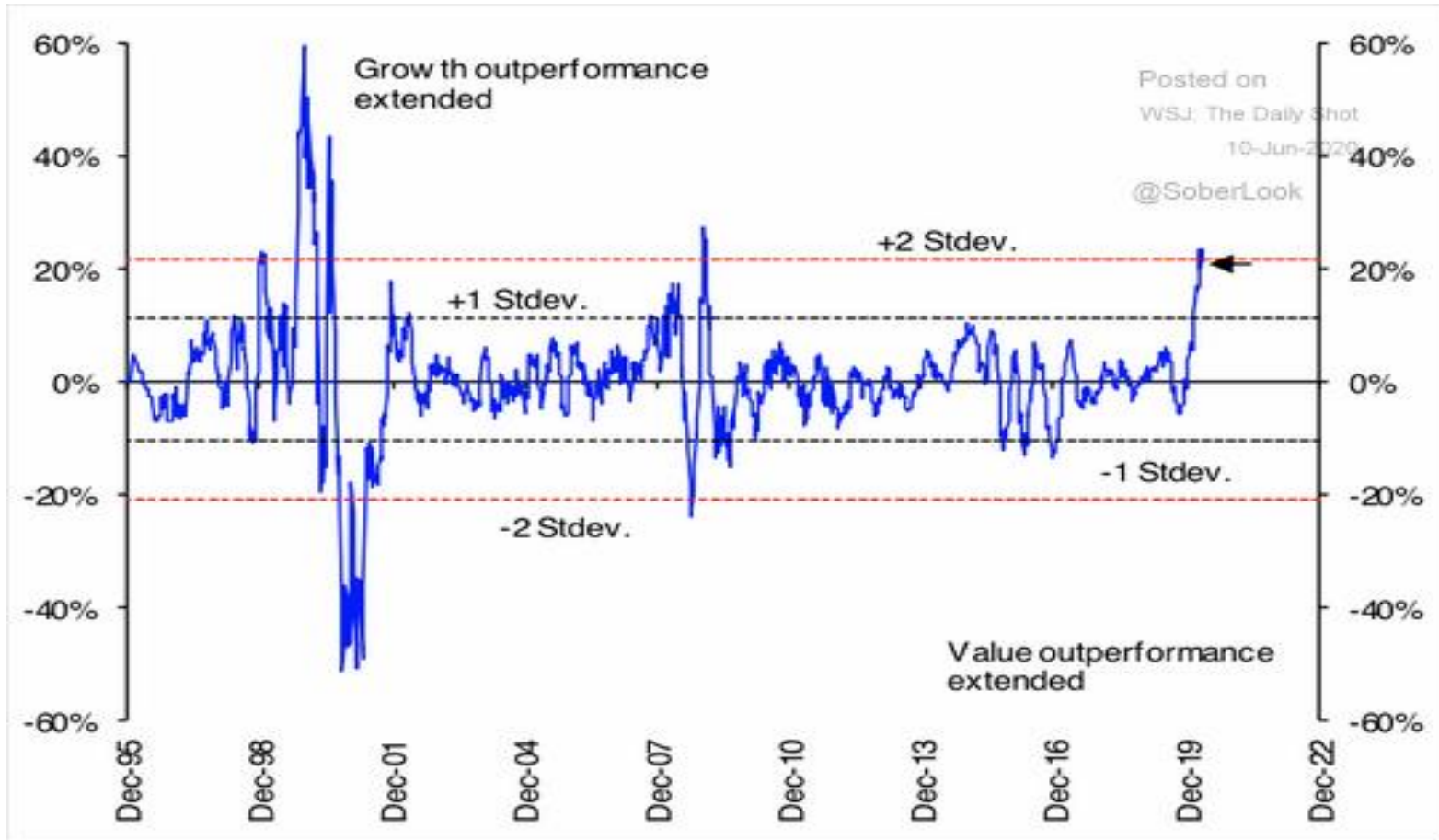
Source: Deutsche Bank Research, Bloomberg

S&P 500 Price Return Over Every 83 Business Day Period Since July 1930



Source: WSJ, Morgan Stanley, Bloomberg

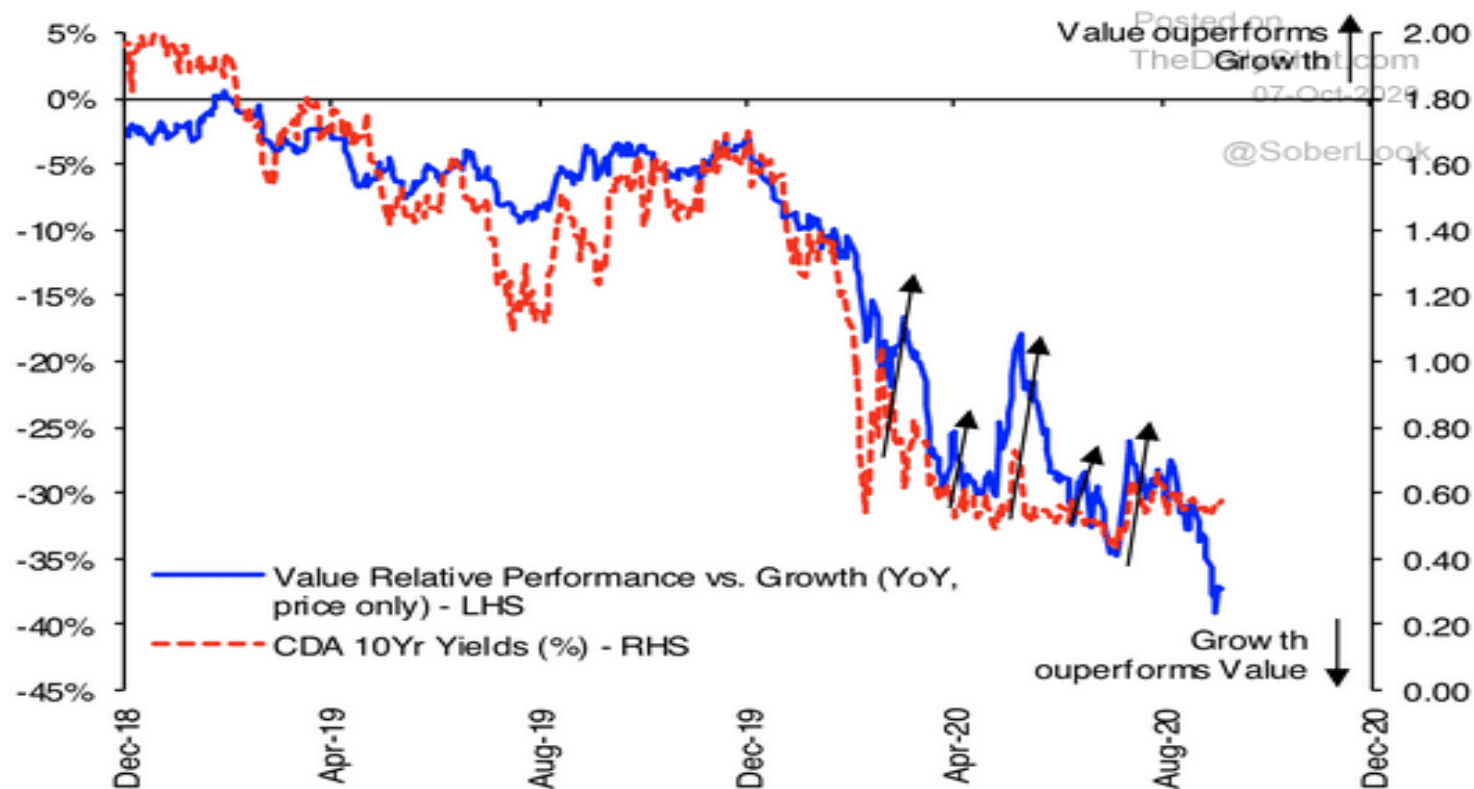
Canadian Growth Stocks Valuation Stretched



Source: WSJ, Hugo Ste-Marie, Scotia Capital

Canadian Value vs Growth vs Yield

MSCI Canada Value vs. Growth & CDA 10Yr Yields



Source: The Daily Shot, Scotiabank, Bloomberg

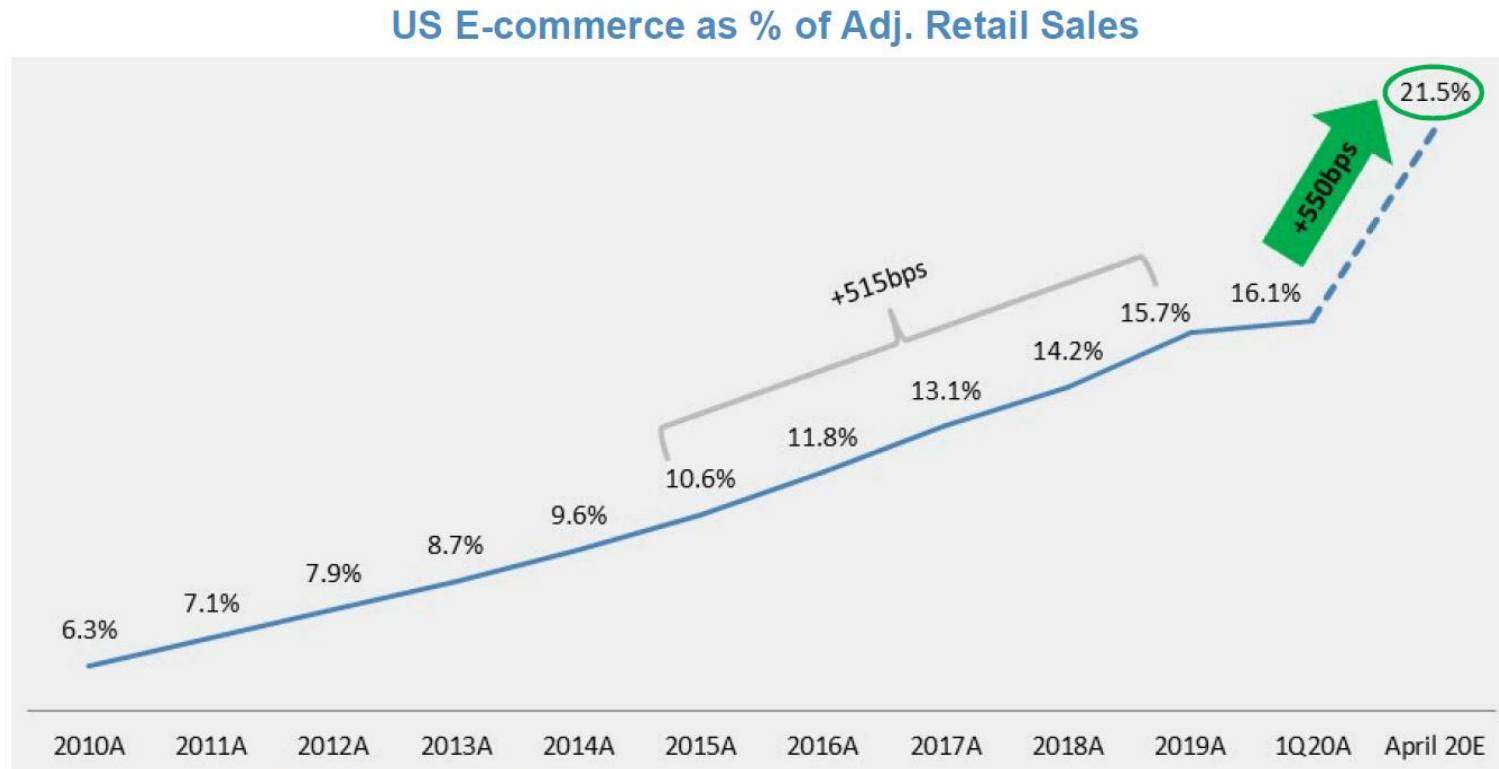
Strategy Performance in Recessions and Recoveries U.S. 1963 - 2019

Period	Factor	Average Odds of Outperformance	Average Outperformance		
			All	Bubble	Shock to Fundamentals
Recession, Peak to Trough	Value	3 out of 6	11.0%	33.7%	-0.3%
	Low Volatility	5.5 out of 6	15.9%	23.5%	12.1%
	Quality	2.5 out of 6	2.8%	13.0%	-2.3%
	Small-Cap	2 out of 6	-2.7%	5.8%	-7.0%
	Momentum	3 out of 6	-2.2%	-0.3%	-3.1%
Recovery, 2 Yrs. After Trough	Value	5 out of 6	23.9%	24.6%	23.6%
	Low Volatility	1 out of 6	-7.1%	0.4%	-10.9%
	Quality	6 out of 6	22.4%	21.7%	22.8%
	Small-Cap	5.5 out of 6	22.0%	26.5%	19.8%
	Momentum	2 out of 6	-3.6%	-8.8%	-1.1%
Full Period, Peak to Recovery	Value	4.5 out of 6	33.8%	71.7%	14.9%
	Low Volatility	5.5 out of 6	19.4%	33.6%	12.2%
	Quality	5 out of 6	18.9%	33.2%	11.8%
	Small-Cap	4 out of 6	8.4%	23.2%	1.0%
	Momentum	1 out of 6	-4.8%	-5.4%	-4.6%

Note: The shaded rows represent factor strategies that significantly outperformed the market during the recovery period.

Source: The Daily Shot, Research Affiliates, LLC, CRSP, Compustat

U.S. E-commerce Penetration in COVID-19



Source: JP Morgan, US Department of Commerce

Working with You

- Why Small Cap Canadian Equities
 1. Adds **low-risk alpha** & yield to client portfolios
 2. Diversification - **reduce** overall client portfolio **risk** (low correlation)
 3. Exploit the opportunity in small cap stocks (**limited sell-side coverage**)
- SMA Min. Investment Small Cap: \$80,000
- Advisor Portal available www.barrantagh.com Password: CIBC3

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