

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Small Cap Equities

The risk-off tone entering the quarter quickly abated alongside two major global developments: Joe Biden's victory in the U.S. presidential election and strong results on the efficacy of COVID vaccine alternatives. This translated in a large move higher in risk markets with those most punished in a COVID-lockdown world seeing the most benefit (mean reversion). This large rotation to "losers" from "winners" saw the more cyclical areas of energy, commodities, industrials, discretionary, and financials leading the market higher, while smaller cap stocks outperformed larger cap names (typical "risk on" market behaviour). Closing out the year, the finalization of Brexit and approval of renewed U.S. fiscal stimulus has provided equity markets with further clarity and has investors focused on the economic light at the end of the tunnel that should follow more broad-based vaccine deployment.

2020 was an extreme year for equities and even more extreme for Canadian small caps. The sell-off in March was swift and painfully deep, while the sustained rally through the balance of the year came in the face of drastically reduced economic output and widespread angst about the human toll of the virus. The small-cap benchmark ended +13% on the year, outperforming large cap stocks (TSX +6%). During the year, precious metals miners were by far the largest contributor to the index, driving ~80% of the market gains. Despite no gold exposure, the portfolio outperformed by a wide margin in 2020, while weathering the market extremes throughout

the period. A mixture of COVID winners like Cargojet (beneficiary of e-commerce acceleration) and more traditional value opportunities like Intertape Polymer (cheap valuation combined with positive earnings and cash flow expectations coming out of the pandemic) lifted results.

Given the hardship and human suffering we are happy to have 2020 in the books. That said the portfolio delivered excellent returns on both an absolute and relative basis. We continue to be excited for the prospects coming out the other side of the lockdowns and getting back to synchronized global recovery and growth. Given the strong fourth quarter, markets are looking through any near-term stumbles and focusing firmly on a post-COVID world; however, we are still seeing areas of unrecognized value. We look to hold a balanced portfolio of names either poised to benefit from an outsized return-to-normalcy earnings acceleration or names that will continue thriving in a post-pandemic environment just as they did in 2020.

BUYS

Savaria (SIS) - New

Savaria is a leading manufacturer of accessibility, patient-handling, and adapted vehicle products with a vision to lead a barrier-free world for mobility. Secular trends supporting demand include an aging population with a potentially increasing desire to age

at home, a continued drive for safe patient-handling in all healthcare facilities, and continued requirements for building accessibility. Savaria offers a large breadth of product and network of dealers (who like a one stop shop for product/technical support/billing), low-cost structure (leveraging China footprint), and strong R&D investment/ability to navigate evolving regulations provide competitive advantages. An attractive ~3.5% dividend yield, valuation and a pristine balance sheet provide M&A upside potential.

SELLS

None.

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