

BARRANTAGH

Investment Management

Update – Mar. 31, 2021

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



CIBC PRIVATE WEALTH
WOOD GUNDY

ICS Program



FIRM UPDATE

Firm Update

FIRM PROFILE

- 100% employee-owned investment managers since 1995
- 17 employees, firm ownership expanded to 6 employee-shareholders
- AUM: \$1.2 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

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, 13-year composite track-record
 - 'A' Class – 2.0% MER launching in Q2/2021
- Mid Cap – reached 3-year track record end of Q2/20

ESG Integration Update:

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

Sub-Advisory News:

- Awarded new SMA mandate (Global Equities) continuing to broaden our offerings with 5 leading IIROC firms

Website Upgrade 2020:

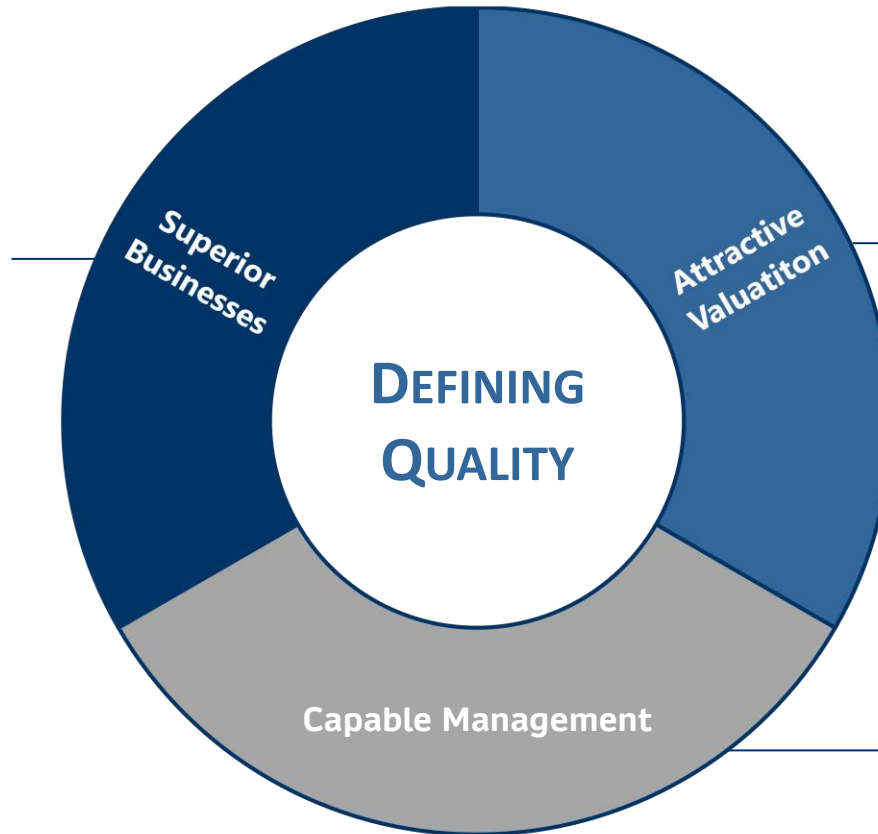
- Launched July, 2020
- Improved navigation, functionality & content
- Advisor Portal

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

Performance at March 31, 2021

For Periods Ending Mar. 31, 2021	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	3.6%	68.1%	16.5%	12.0%	9.3%	11.1%	8.3%	8.2%	11.2%	12.0%	12.5%
S&P/TSX Small Cap Index	9.8%	100.2%	13.9%	8.4%	4.4%	9.0%	6.4%	3.9%	5.3%	3.8%	1.8%
S&P/TSX Composite Index	8.1%	44.3%	11.3%	10.2%	8.0%	10.1%	7.1%	7.1%	8.1%	7.9%	6.0%

	1 Yr Mar 31	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
BIM Canadian Small Cap	68.1% ¹	21.3%	19.0%	-8.9%	5.9%	19.8% ¹	-5.3%	17.3%	30.9%	18.5%	15.6%	35.0%	43.8% ¹	-22.9%
S&P/TSX Small Cap Index	100.2%	12.9%	15.8%	-18.2%	2.7%	38.5%	-13.4%	-2.4%	7.6%	-2.2%	-16.4%	35.1%	62.3%	-45.5%

¹ Periods where index performance was driven by commodity rallies (Mining & Oil Exploration & Production)

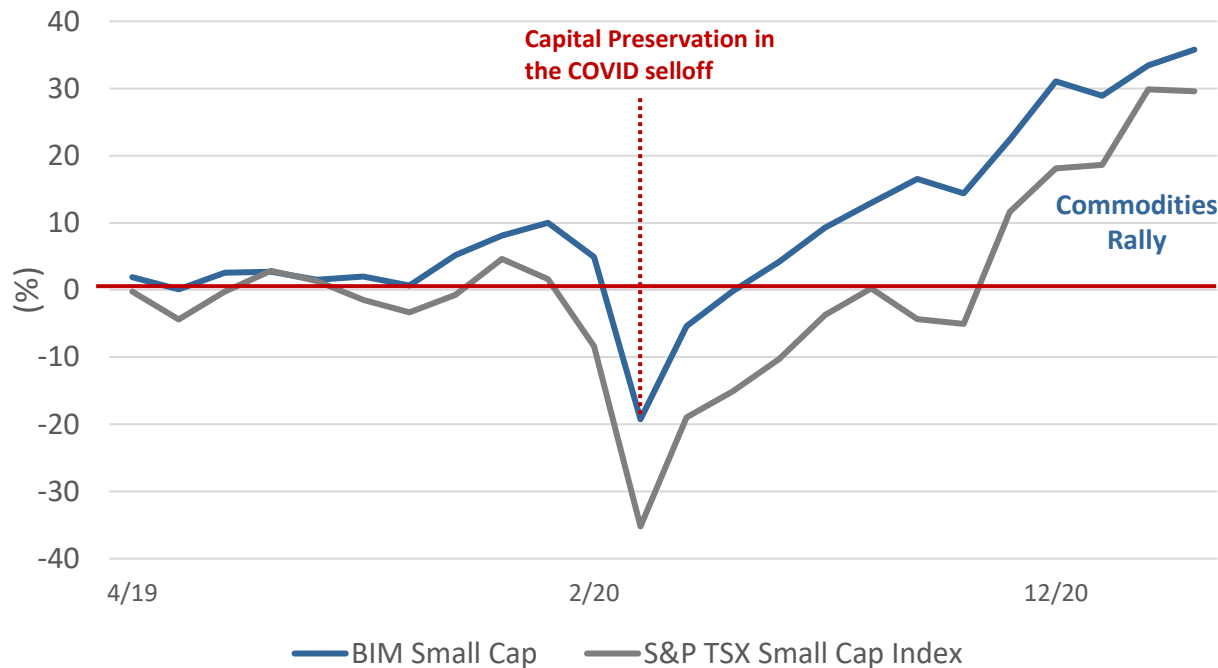
Green indicates periods that Barrantagh Small Cap outperformed

Returns are gross of fees. Composites include actual accounts managed by Barrantagh. Past performance is no guarantee of future returns.

Small Cap Canadian Equity

Returns: Down Market Protection Trumps the Beta Rally

Last 2 Years: BIM Small Cap vs. TSX Small Cap

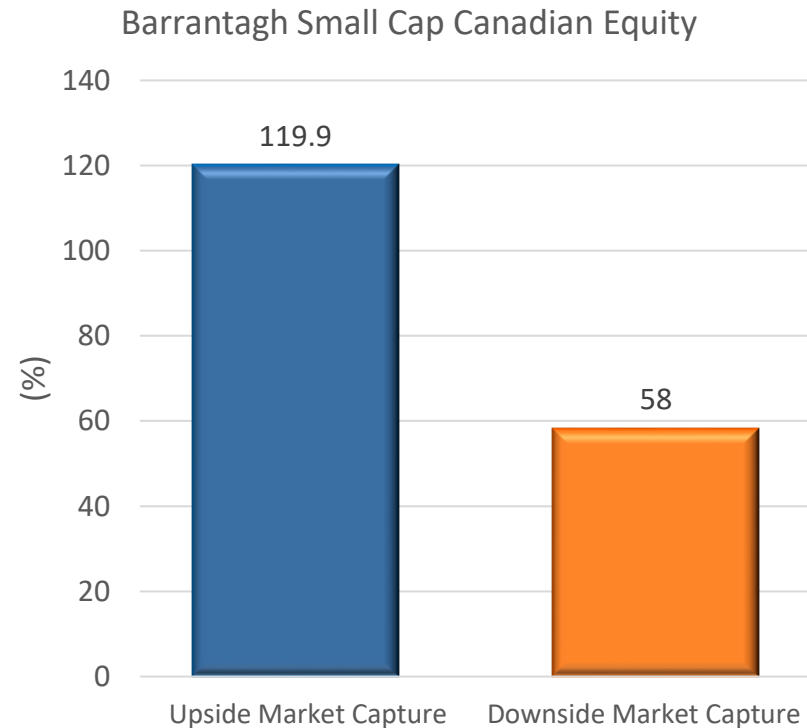


- Outperformance in the COVID selloff has outweighed the recent shortfall on the commodity rally
- Including the market sell off & recovery the strategy has returned +16.5% over the last 2 yrs vs. the TSX small cap index at +13.9% annualized

Small Cap Canadian Equities

Conservative Exposure to Commodities Delivers Much Lower Portfolio Risk vs. Market

	Barrantagh Small Cap Cdn. Equities ¹	TSX Small Cap	Median
Annualized Return	13.2	3.0%	9.2%
Standard Deviation	13.8	21.5%	16.6%
<i>Sharpe Ratio</i>	<i>0.88</i>	<i>0.09</i>	<i>0.41</i>

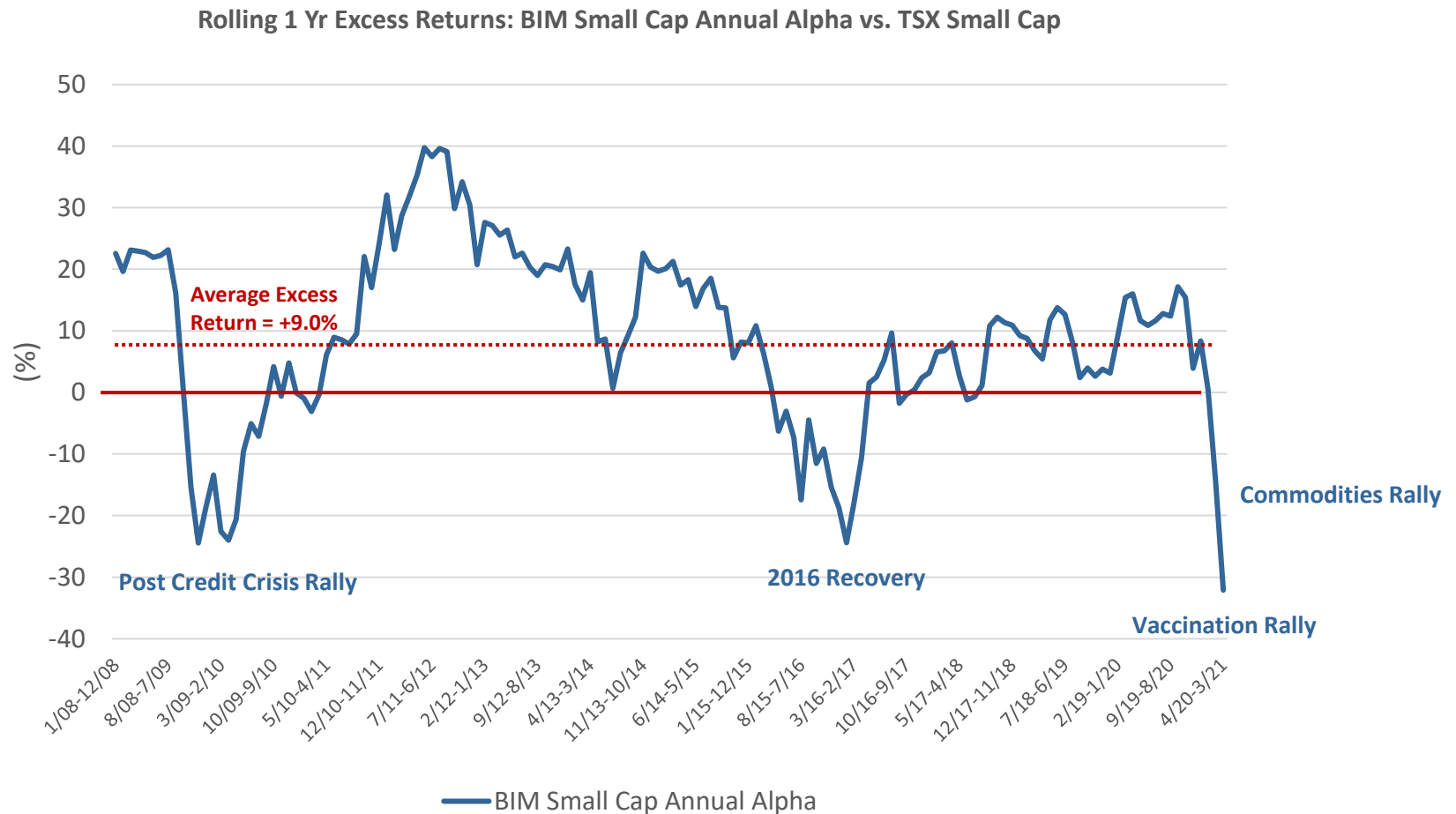


¹ Since Inception Jan. 1, 2008

² vs. Evestment Small Cap Universe

Small Cap Canadian Equity

Excess Returns: Substantial Commodity Rallies are Infrequent & Short-Lived



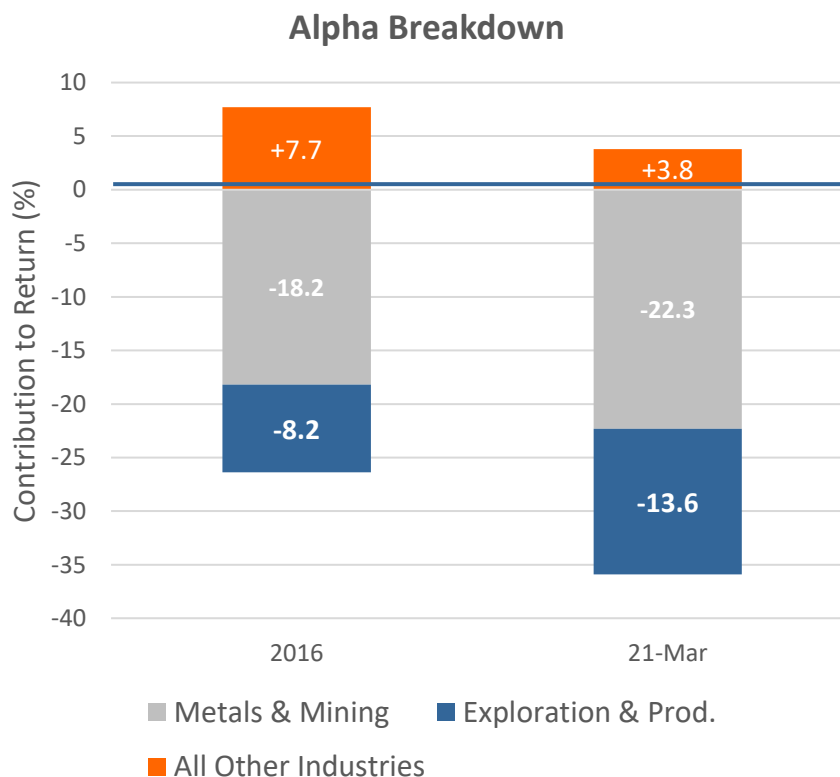
Small Cap Canadian Equity

Quality Lags the Index During Commodity Rallies

HIGH RISK/LOW QUALITY:

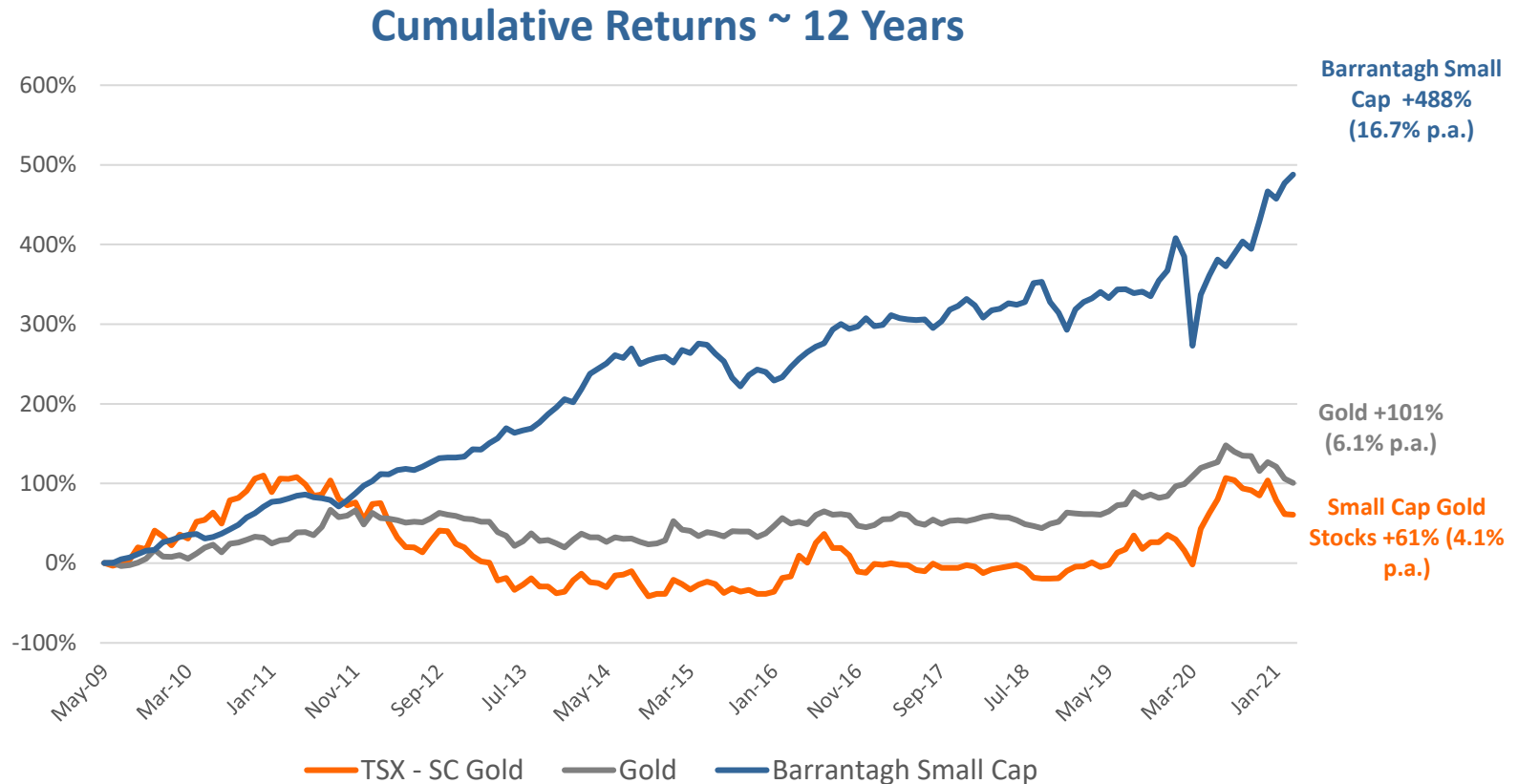
- Levered balanced sheets
- Negative free cashflow, no dividends
- Weak mgmt. teams
- Unpredictable & volatile

		2016	1 Yr Mar/2021
S&P TSX Small Cap Index Weights	Metals & Mining	26.5%	19.4%
	Oil E&P	<u>14.1%</u>	<u>9.9%</u>
	Total Index Weight	40.6%	29.3%
1 Yr Return	BIM SC Return	19.8%	68.1%
	TSX Small Cap	<u>38.5%</u>	<u>100.2%</u>
	Alpha	-18.7%	-32.1%
Major Contributors to Alpha	Mining & E&P	-26.4%	-35.9%
	All Other Industries	<u>+7.7%</u>	<u>+3.8%</u>
		-18.7%	-32.1%



Small Cap Canadian Equity Mandate

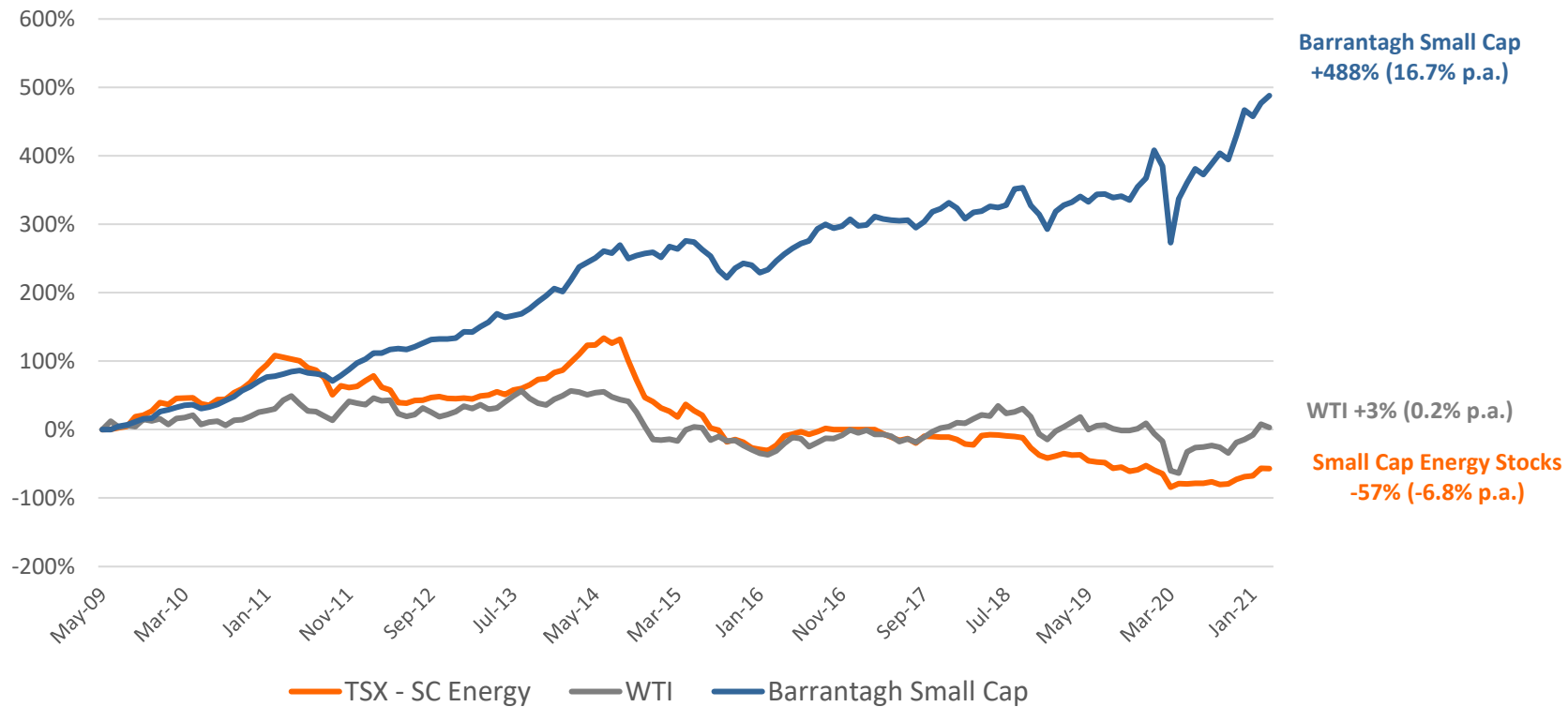
Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking



Small Cap Canadian Equity Mandate

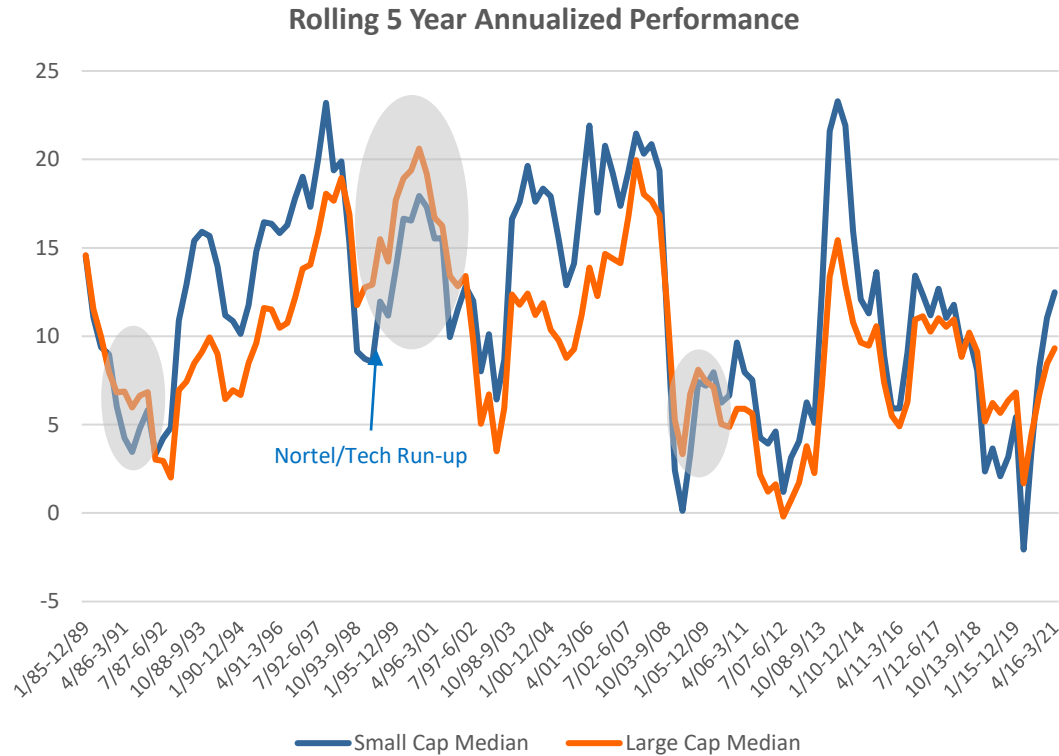
Small Cap Energy: Underperforming/Volatile & Poor Commodity Tracking

Cumulative Returns ~ 12 Years



Canadian Equity Markets

Small Cap Median Beats the Large Cap Median 70% 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%

← 5 year medians at Mar. 31/2021:

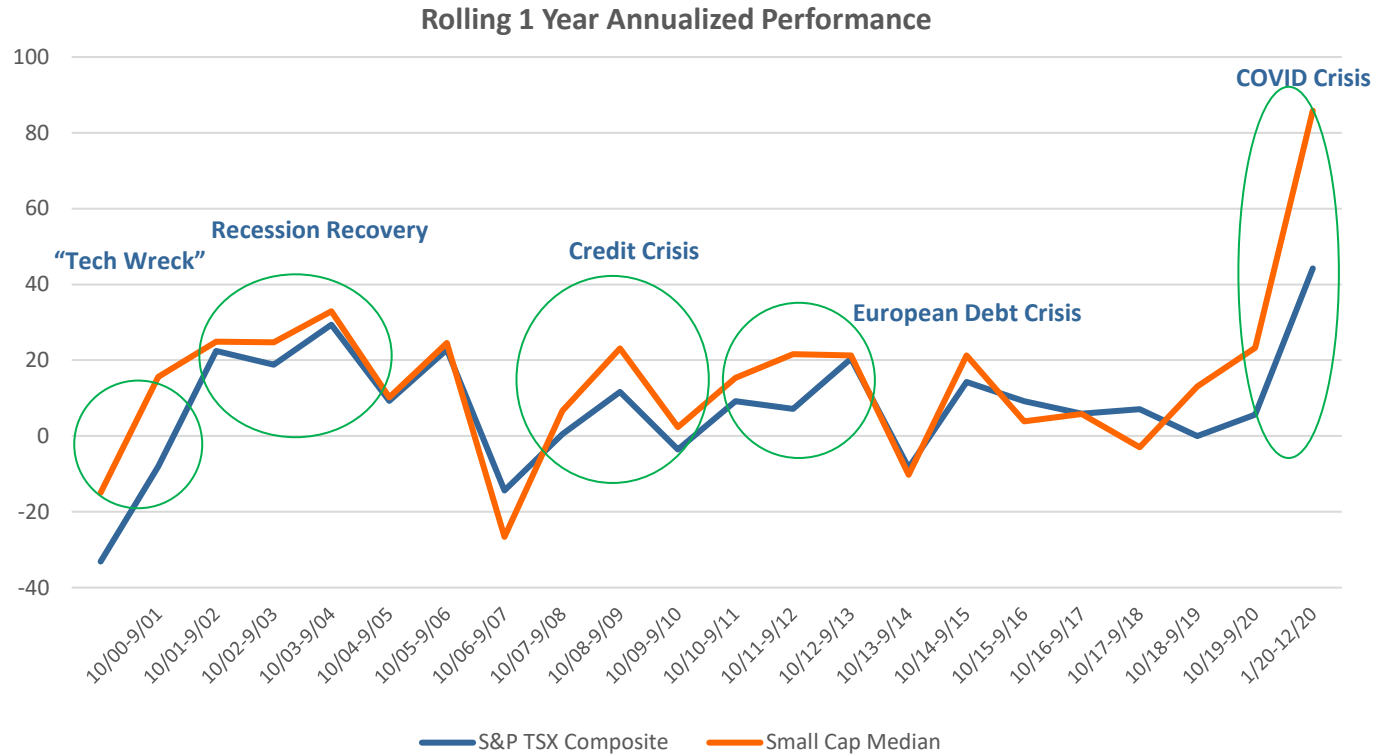
- Small cap median ~320bps higher than large cap

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

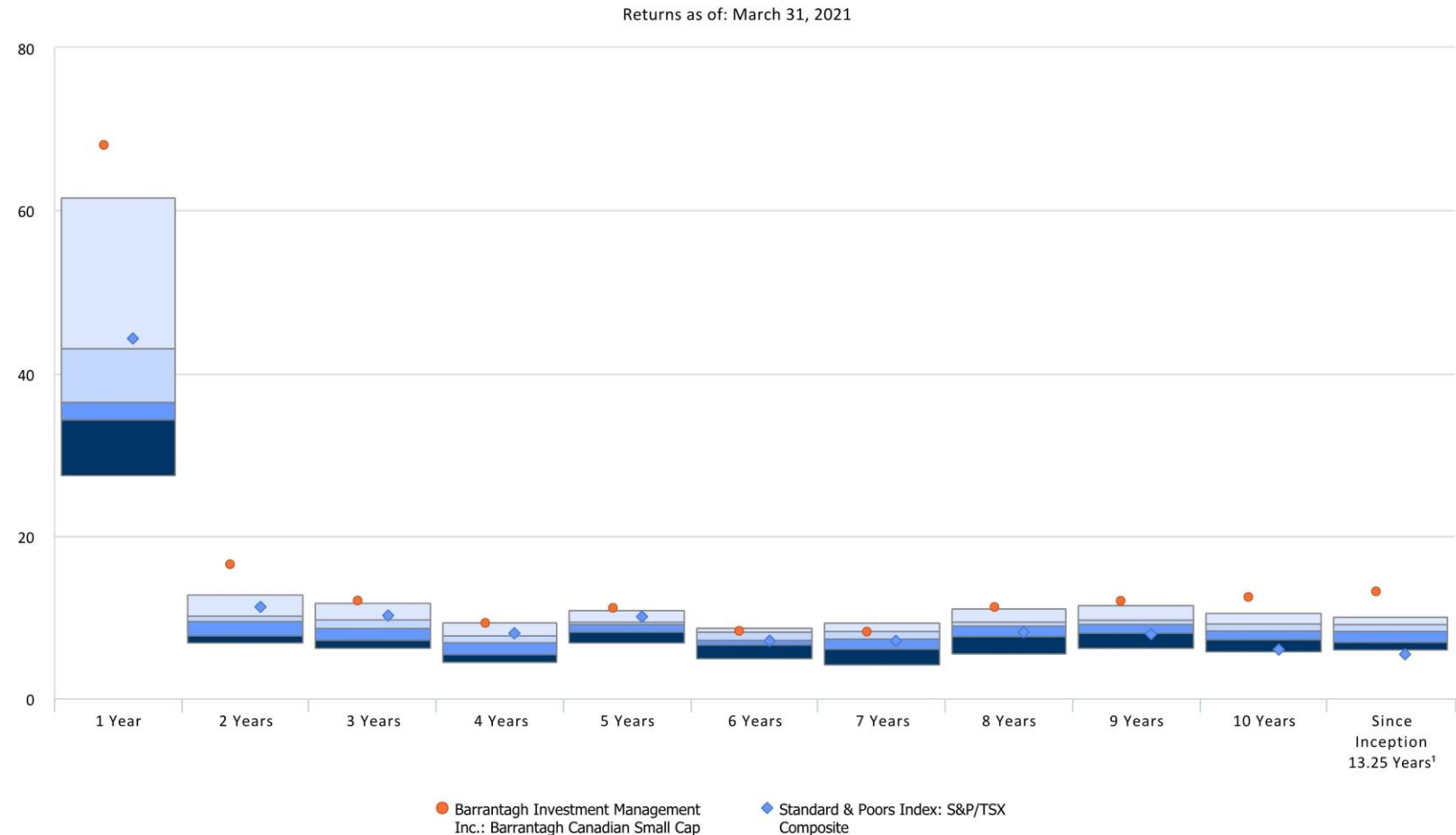


1 Yr Ended Mar. 2021

- Small cap median ~42% ahead of large cap TSX Composite

RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Core & Cdn Dividend Strategies (for Periods Ending Mar. 31, 2021)

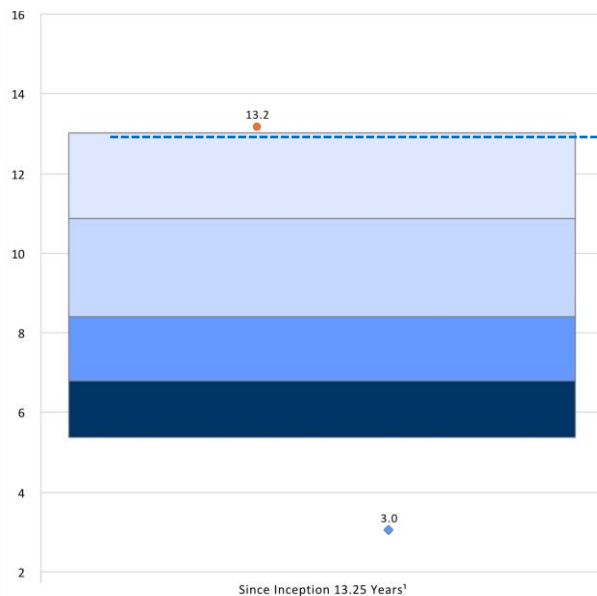


Universe: eVestment Canadian Dividend Focus Equity

RETURNS: Small Cap Canadian Equities

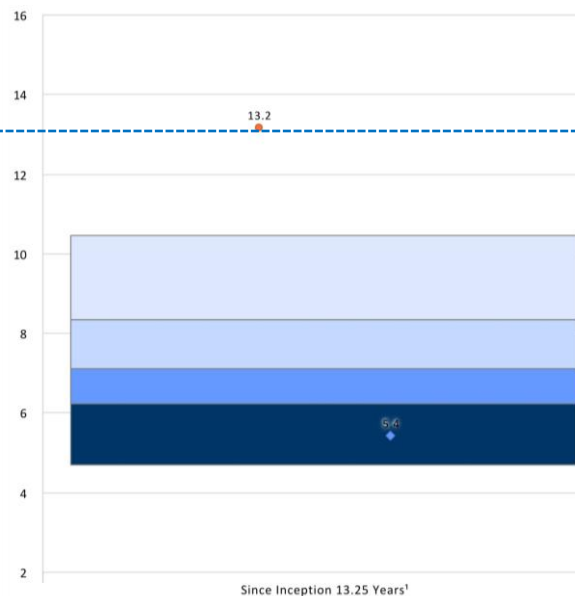
Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Mar. 31, 2021)

Canadian Small Cap Universe



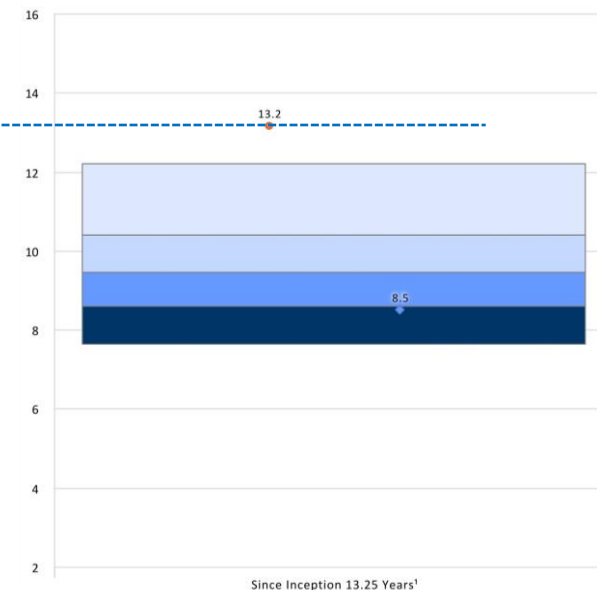
● Barrantagh Small Cap
◆ TSX Small Cap Index

Canadian Large Cap Universe



● Barrantagh Small Cap
◆ TSX Composite Index

Global Equity Universe (\$C)



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

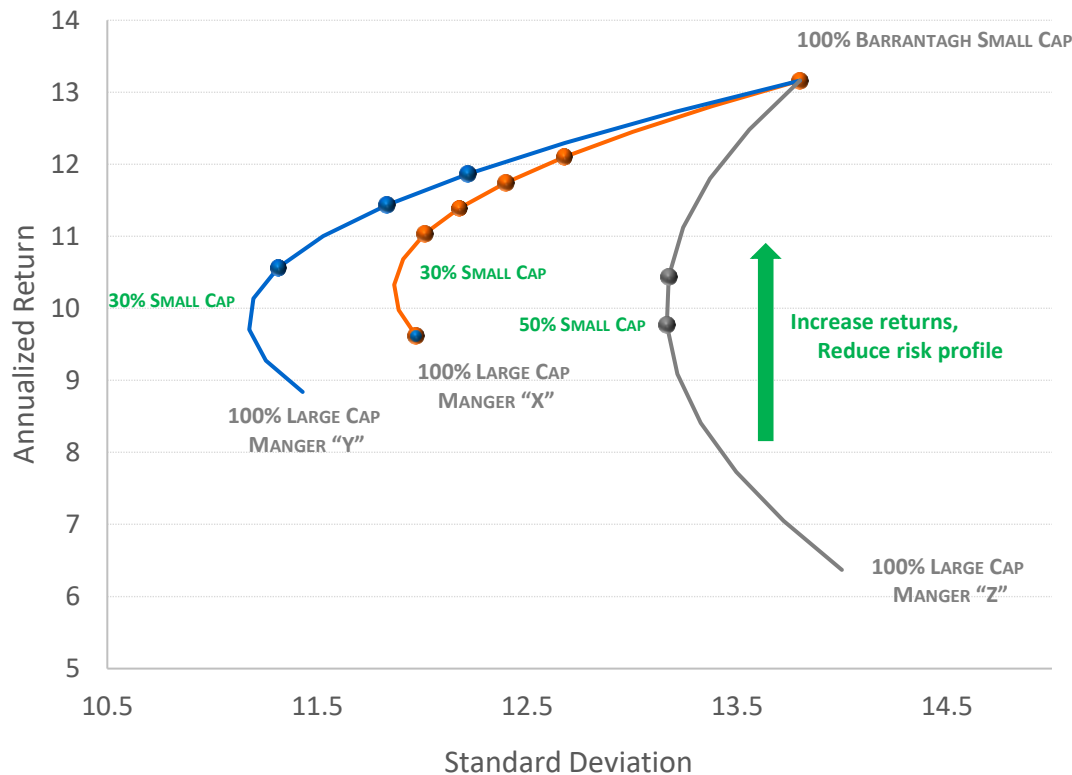
Strategy Inception Date: Jan. 1, 2008

DIVERSIFICATION: Small Cap Canadian Equities

Improve Returns & Lower Risk by Combining with Large Cap Managers

Canadian Equity Allocation

Since Jan/2008 Risk Return
For Periods Ending Mar. 31, 2021



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)

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



MANDATE REVIEW

Small Cap Canadian Equities

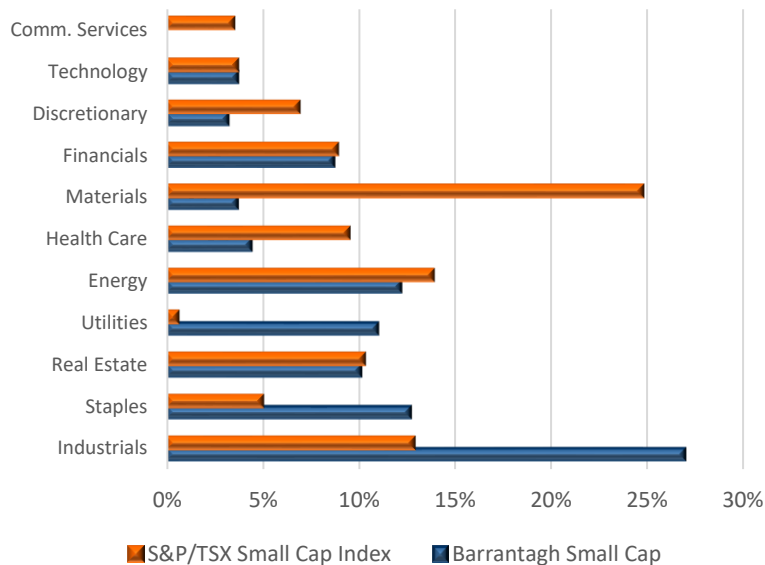
Profile: Small Cap Canadian Equities

Portfolio at March 31, 2021

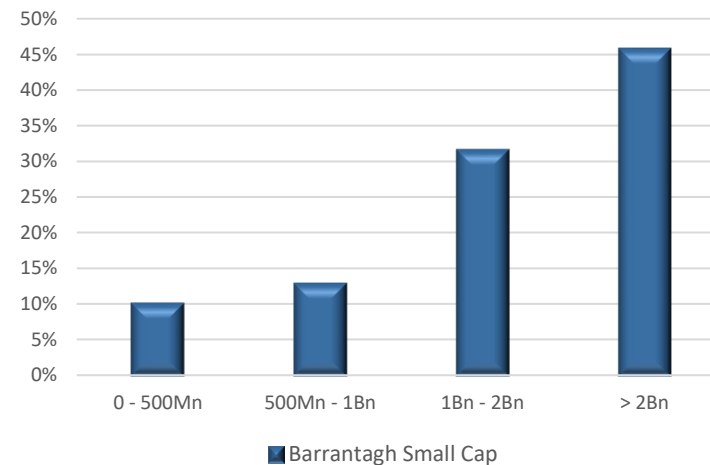
CHARACTERISTICS

Number of Holdings	29
Avg. Market Cap	\$2.1 Bn
# Industry Sectors	10
Dividend Yield	2.2%

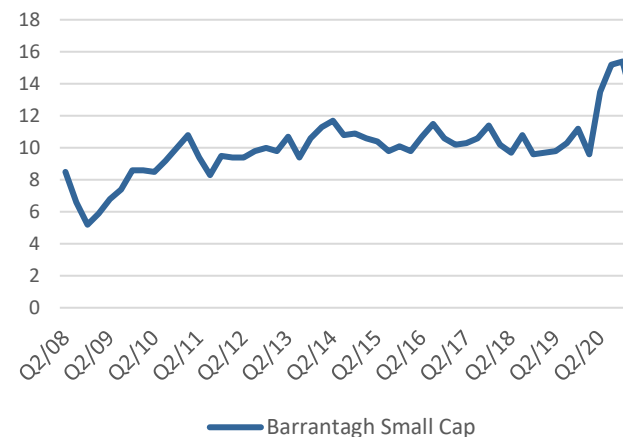
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



Canadian Small Cap Equity Portfolio

Portfolio at March 31, 2021 | Q1 Transactions

	Portfolio Weight		Portfolio Weight
Consumer Discretionary		Industrials	
MTY Food Group (NEW)	0.5%	Aecon Group	3.4%
Diversified Royal	2.5%	Badger Daylighting	3.4%
	3.1%	Boyd Group (-)	4.1%
		Cargojet (-)	3.6%
Consumer Staples		Calian Group	2.7%
Primo Water	3.8%	Savaria (+)	3.1%
Jamieson Wellness	4.1%	Mullen Group (NEW)	2.0%
Premium Brands	3.7%	Morneau Shepell	4.7%
	11.6%		27.0%
Energy		Real Estate	
Arc Resources (NEW)	2.9%	Minto Apartment REIT (-)	3.4%
Gibson Energy	3.2%	Storagevault Canada (-)	3.6%
Enerflex (NEW)	2.8%	Summit Industrial REIT	3.0%
Tidewater Midstream	3.0%		10.0%
	11.9%		
		Utilities	
Financials		Boralex (-)	3.2%
Equitable Group (NEW)	2.7%	Superior Plus	3.9%
Trisura Group	5.6%	Transalta Renewables	3.4%
	8.3%		10.5%
Health Care		Materials	
Andlauer Healthcare	4.3%	Altius Minerals	2.8%
	4.3%	Intertape Polymer (-)	3.9%
			6.7%
Information Technology			
Dye & Durham	3.7%		
	3.7%	Cash & Equivalent	2.9%
		Total	100.0%

SOLD
North West Co.
Parkland Fuel
People Corp.

TRIM = (-)
ADD = (+)

Canadian Small Cap Equity Portfolio

Select Holdings – Brand Recognition

JAMIESON WELLNESS (JWEL)



CARGOJET (CJT)



Amazon optional
ownership stake ~15%



BORALEX (BLX)



AECON (AEC)



Mullen Group (MTL)



BADGER DAYLIGHTING (BAD)





ECONOMIC REVIEW

Outlook

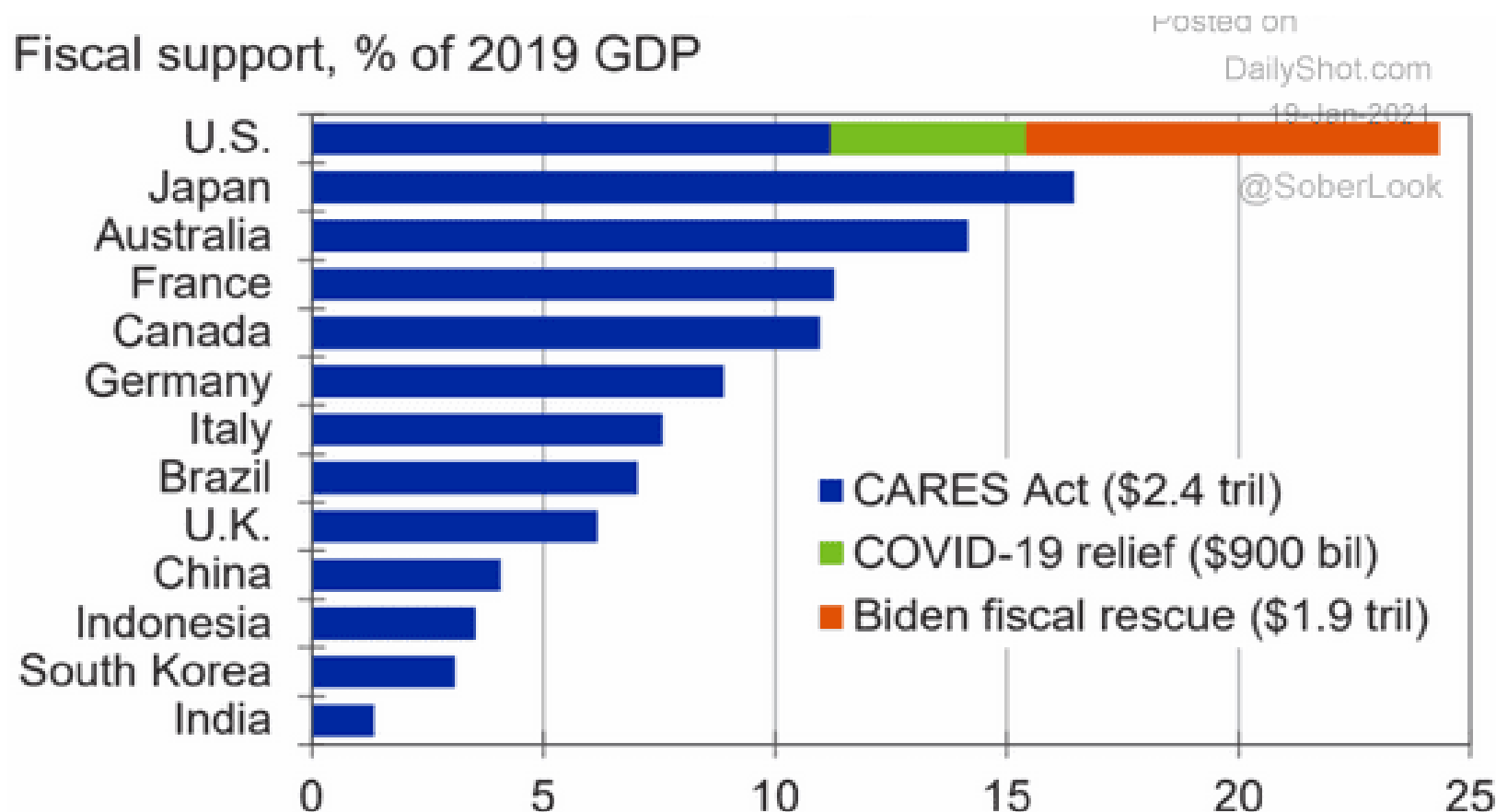
World:

- 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 ~\$5.2tn
 - The U.S. response is about 25% of current GDP
 - In 2008 the response was \$830bn or 6% of GDP

Canada:

- Fiscal support ~11% of GDP

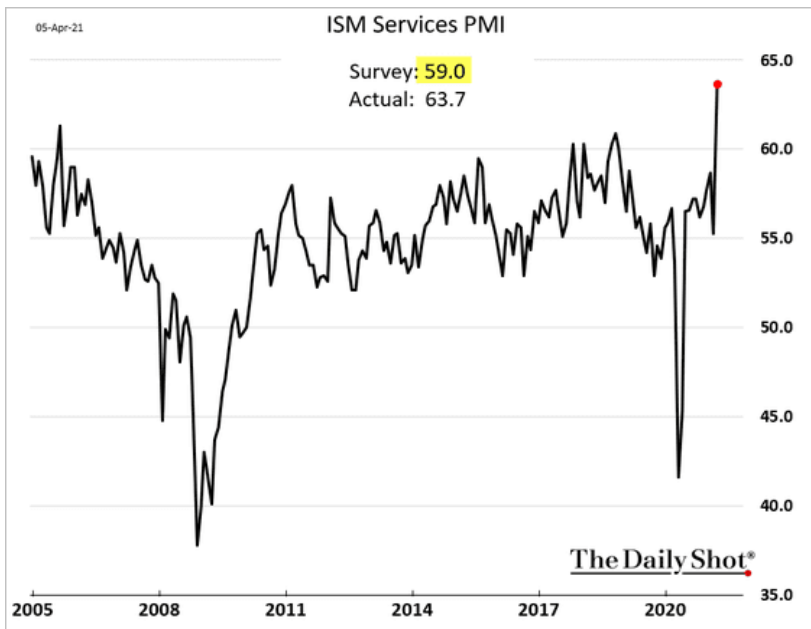
Biden Pumps Up Fiscal Policy



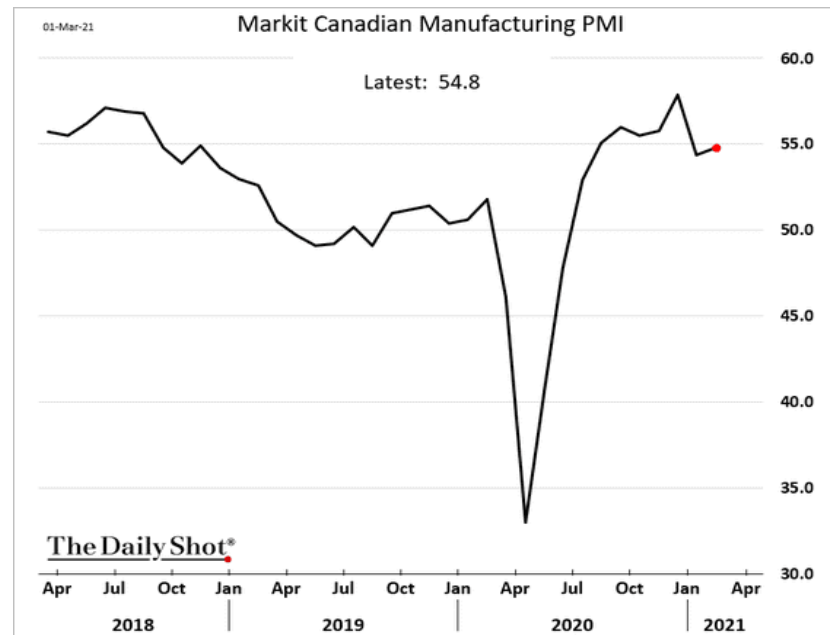
Source: The Daily Shot, Moody's

U.S. & Canada Manufacturing PMI

U.S. Mfg. PMI



Canada Mfg. PMI



Source: The Daily Shot

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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