

**BARRANTAGH**

Investment Management

## Update – Mar. 31, 2021

- Firm Update
- Key Mandate Review
  - Small Cap Canadian Equities
  - NEW MANDATE: Global Equities (Available Soon)
- Economic Update

**RICHARDSON**  
**Wealth**

**Small Cap Canadian Equities**  
**Global Equities**



## 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:

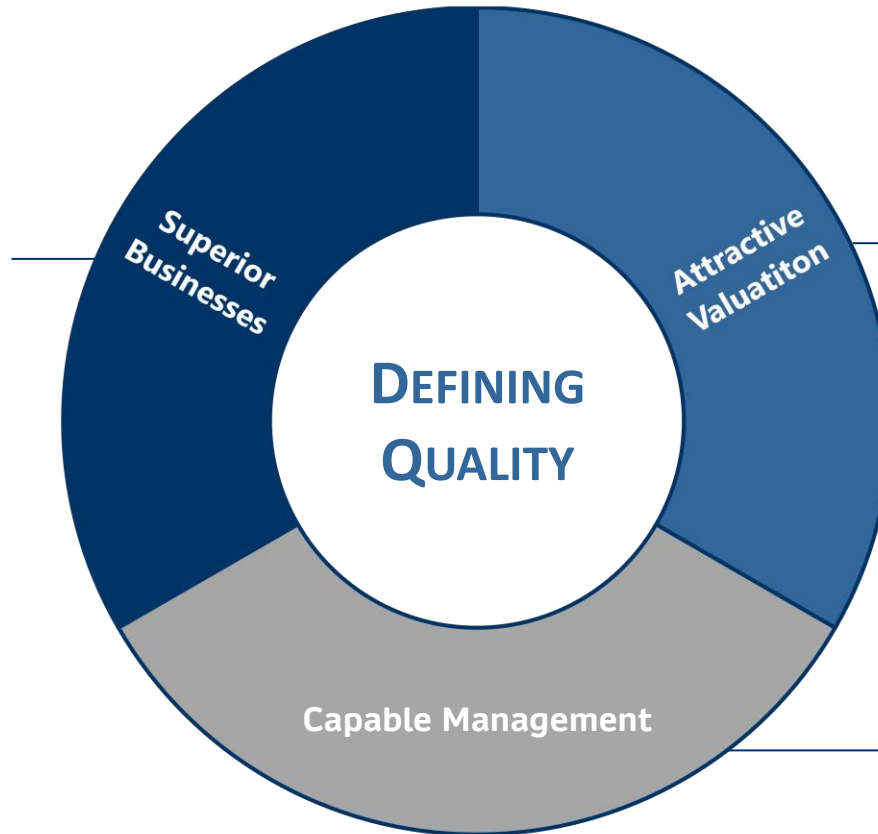
- Launched July, 2020
- Improved navigation, functionality & content
- Advisor Portal

# 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
<b>BIM Canadian Small Cap</b>	<b>3.6%</b>	<b>68.1%</b>	<b>16.5%</b>	<b>12.0%</b>	<b>9.3%</b>	<b>11.1%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>11.2%</b>	<b>12.0%</b>	<b>12.5%</b>
<b>S&amp;P/TSX Small Cap Index</b>	<b>9.8%</b>	<b>100.2%</b>	<b>13.9%</b>	<b>8.4%</b>	<b>4.4%</b>	<b>9.0%</b>	<b>6.4%</b>	<b>3.9%</b>	<b>5.3%</b>	<b>3.8%</b>	<b>1.8%</b>
<b>S&amp;P/TSX Composite Index</b>	<b>8.1%</b>	<b>44.3%</b>	<b>11.3%</b>	<b>10.2%</b>	<b>8.0%</b>	<b>10.1%</b>	<b>7.1%</b>	<b>7.1%</b>	<b>8.1%</b>	<b>7.9%</b>	<b>6.0%</b>

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

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

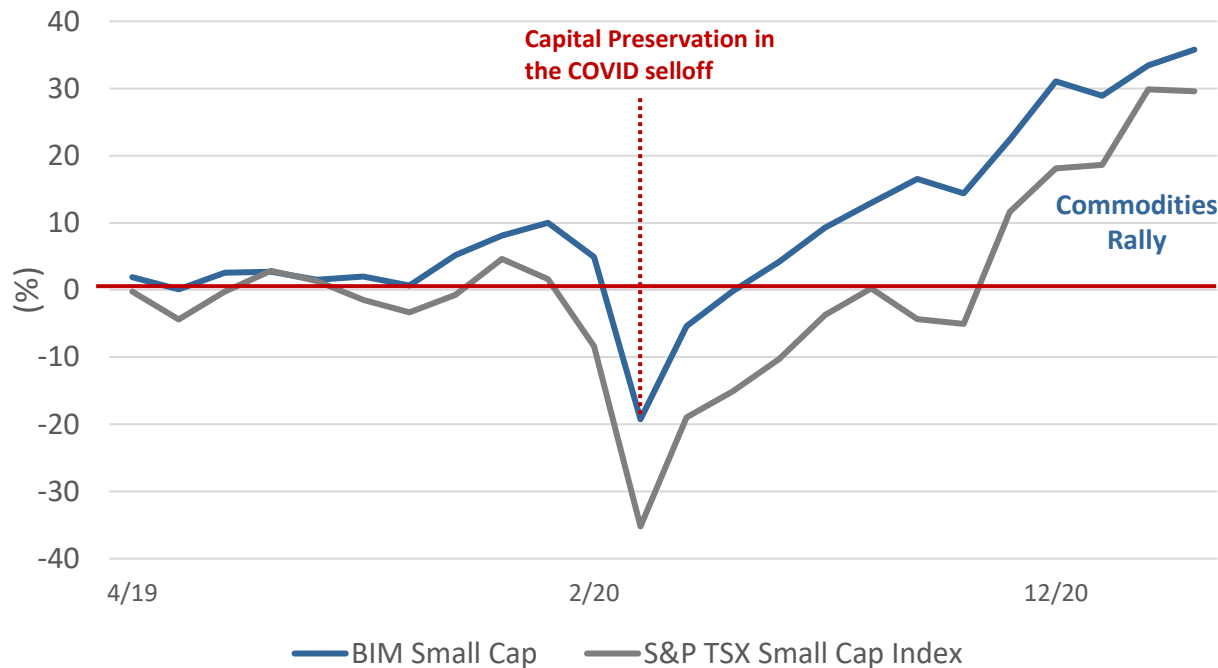
Green indicates periods that Barrantagh Small Cap outperformed

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

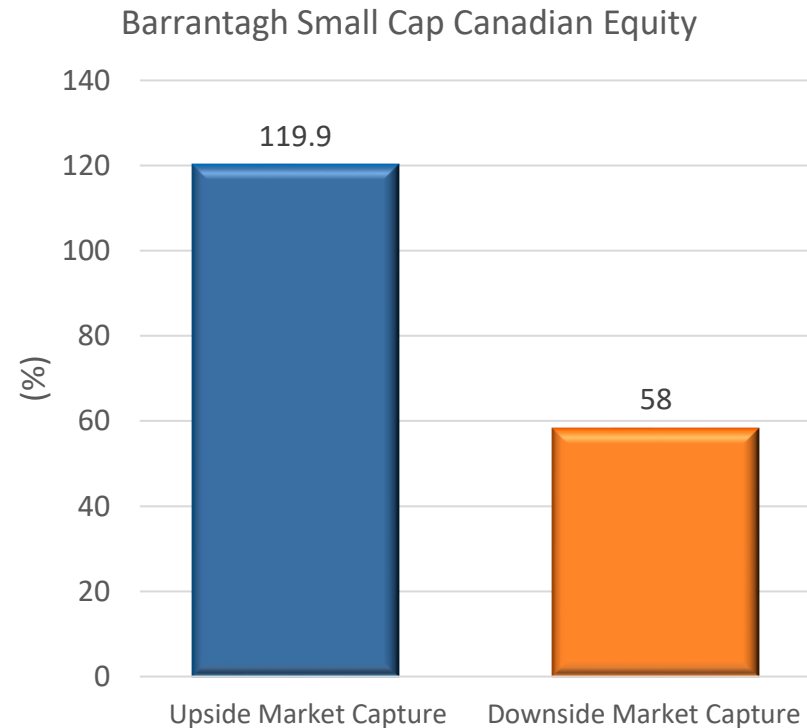


- Outperformance in the COVID selloff has outweighed the recent shortfall on the commodity rally
- Including the market sell off & recovery the strategy has returned +16.5% over the last 2 yrs vs. the TSX small cap index at +13.9% annualized

# Small Cap Canadian Equities

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

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



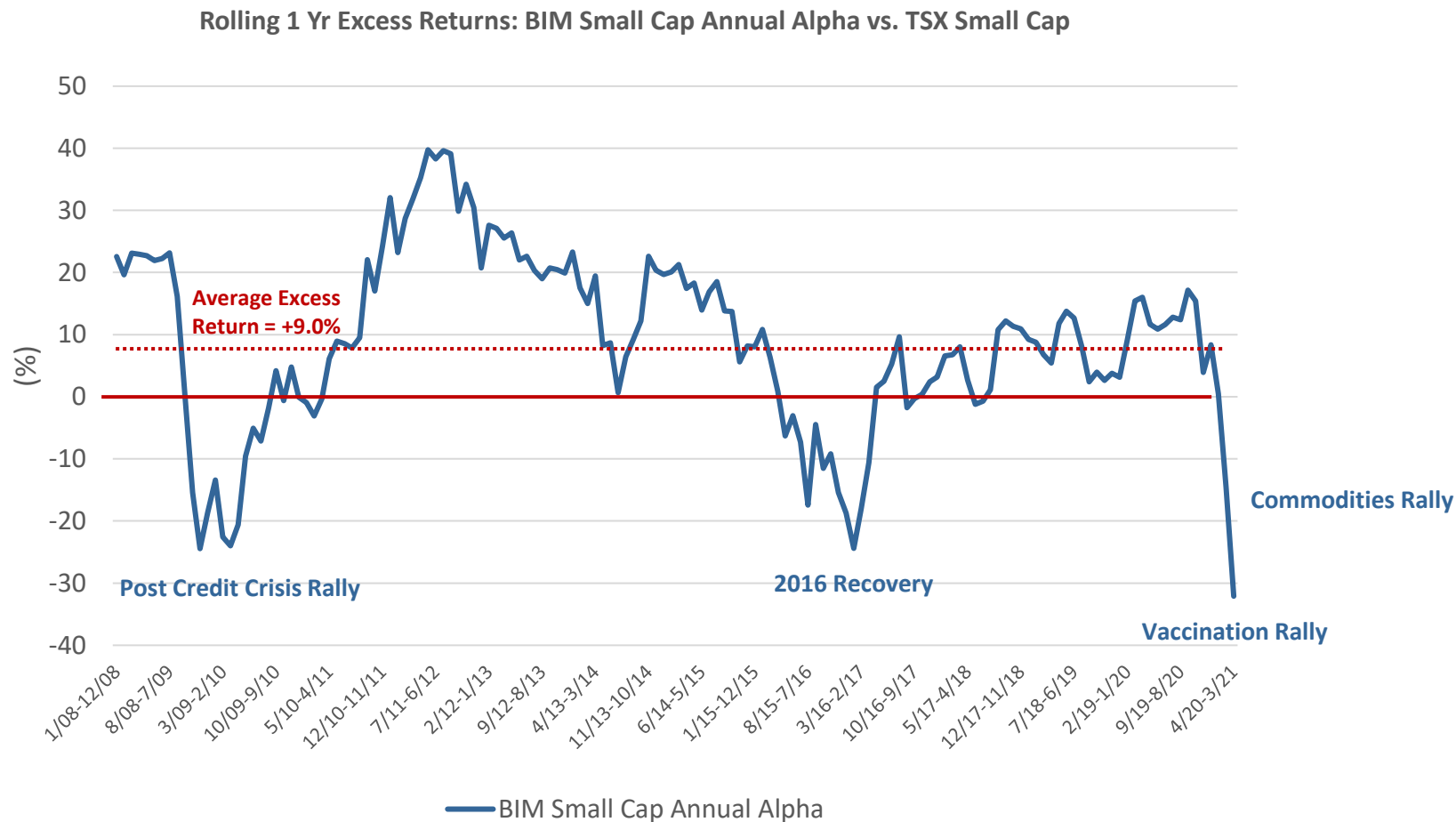
<sup>1</sup> Since Inception Jan. 1, 2008

<sup>2</sup> vs. Evestment Small Cap Universe



# Small Cap Canadian Equity

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



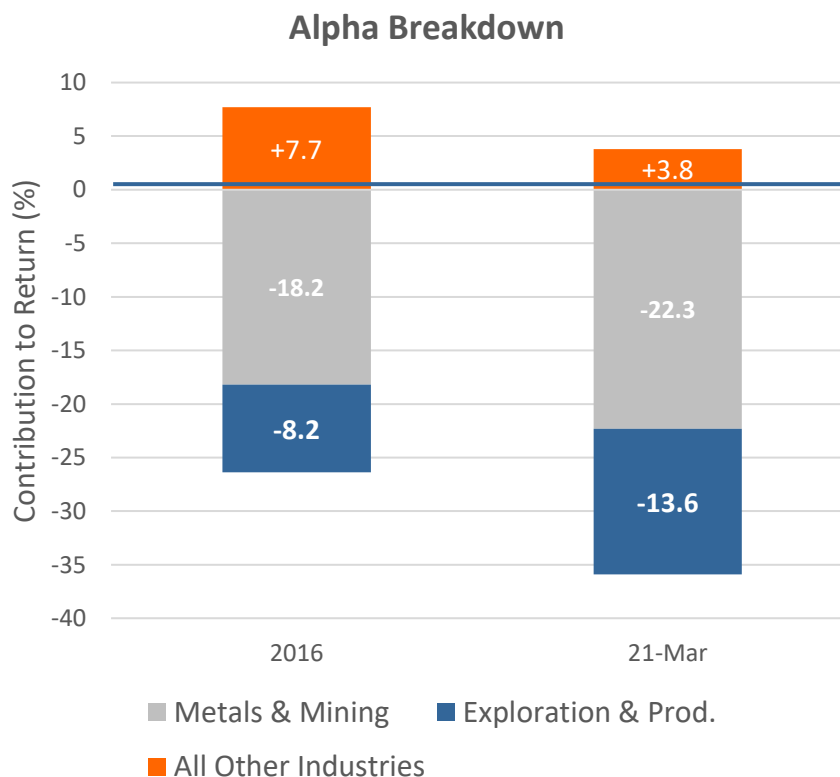
# Small Cap Canadian Equity

## Quality Lags the Index During Commodity Rallies

### HIGH RISK/LOW QUALITY:

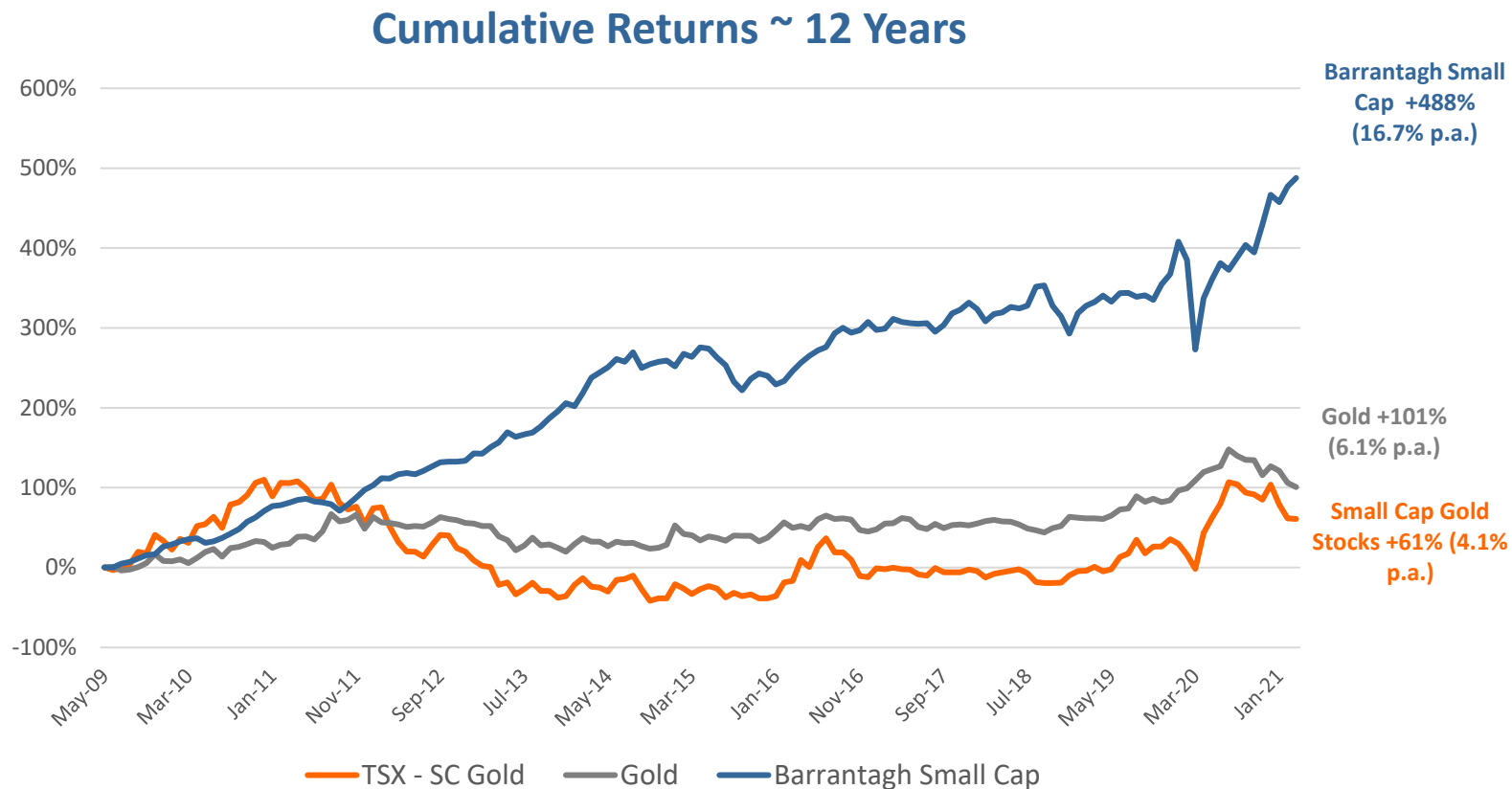
- Levered balanced sheets
- Negative free cashflow, no dividends
- Weak mgmt. teams
- Unpredictable & volatile

		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>
	<b>Total Index Weight</b>	<b>40.6%</b>	<b>29.3%</b>
1 Yr Return	BIM SC Return	19.8%	68.1%
	TSX Small Cap	<u>38.5%</u>	<u>100.2%</u>
	<b>Alpha</b>	<b>-18.7%</b>	<b>-32.1%</b>
Major Contributors to Alpha	Mining & E&P	-26.4%	-35.9%
	All Other Industries	<u>+7.7%</u>	<u>+3.8%</u>
		<b>-18.7%</b>	<b>-32.1%</b>



# Small Cap Canadian Equity Mandate

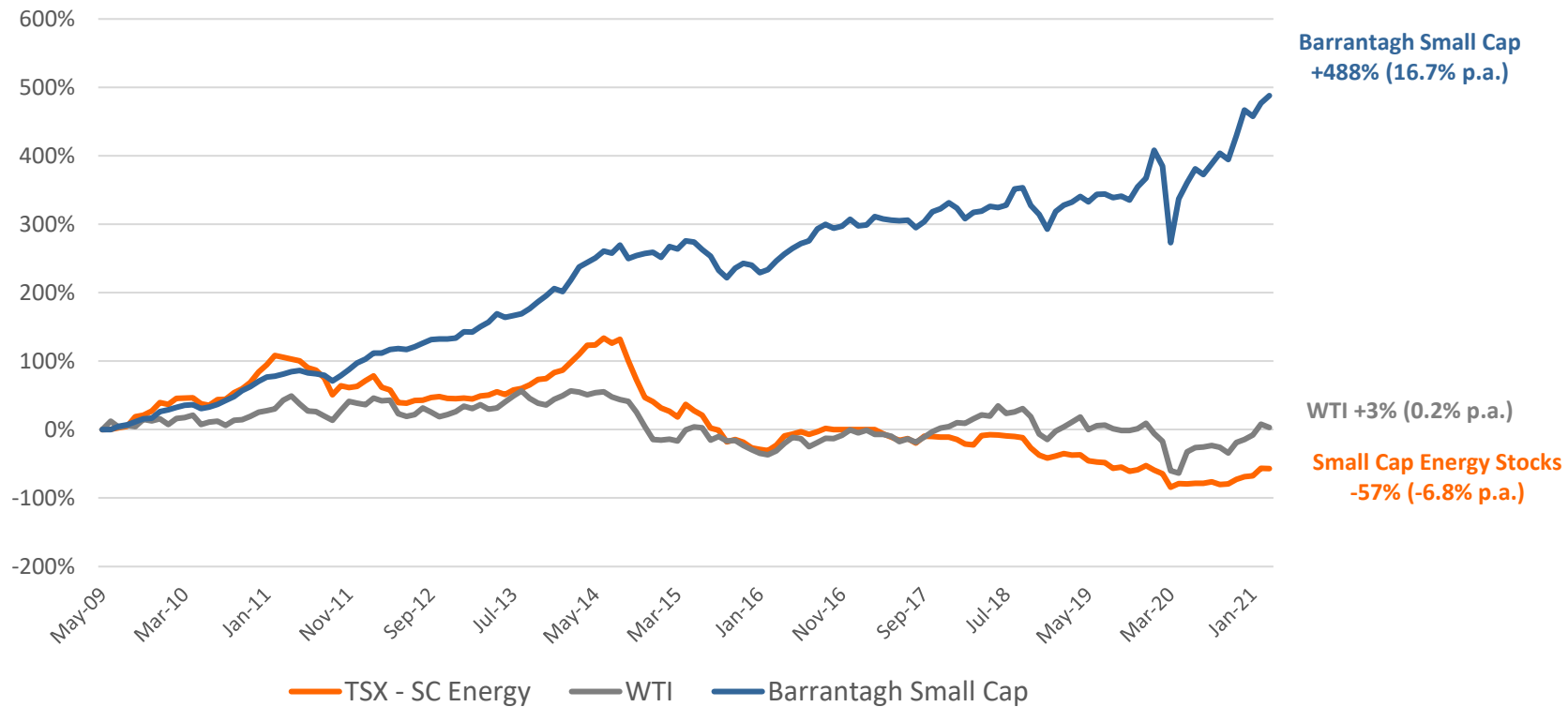
Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking



# Small Cap Canadian Equity Mandate

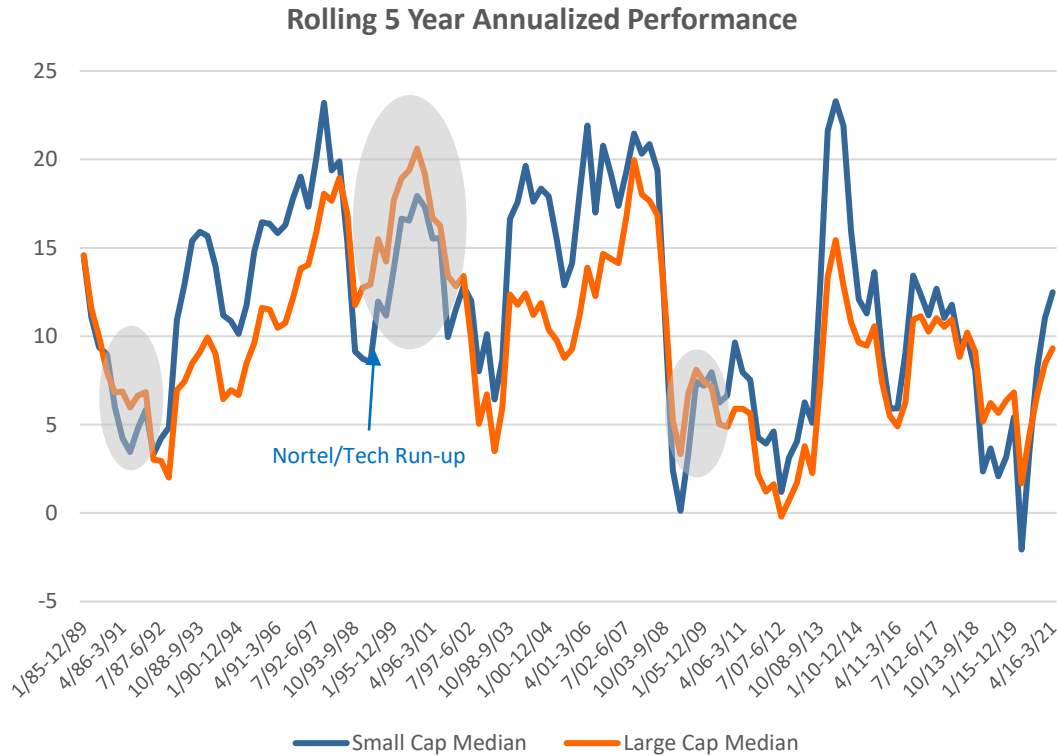
## Small Cap Energy: Underperforming/Volatile & Poor Commodity Tracking

### 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:

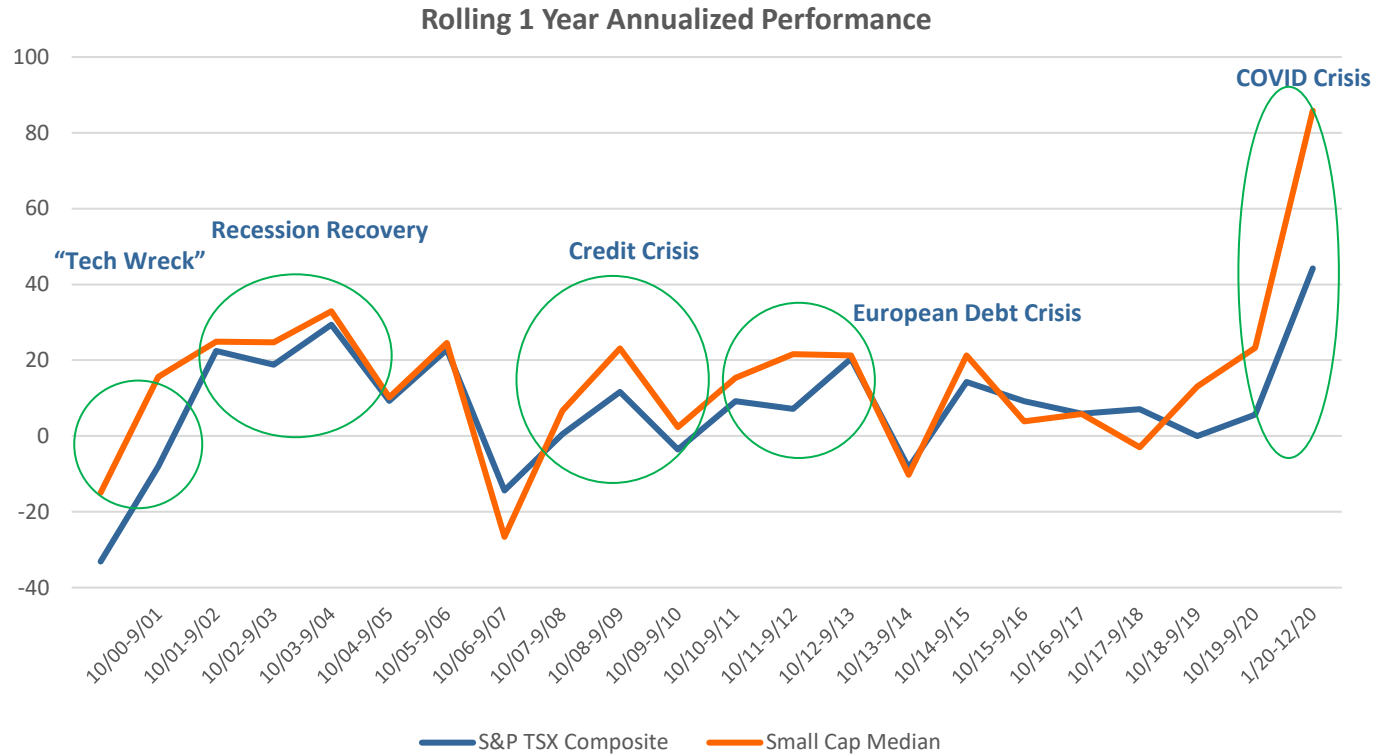
- Small cap median ~320bps higher than large cap

<sup>1</sup>Evestment Large Cap Canadian Equity

<sup>2</sup>Evestment Small Cap Canadian Equity

# Small Cap Median Manager Outperforms on Rebounds

## Beats the Large Cap TSX Composite on Market Recoveries

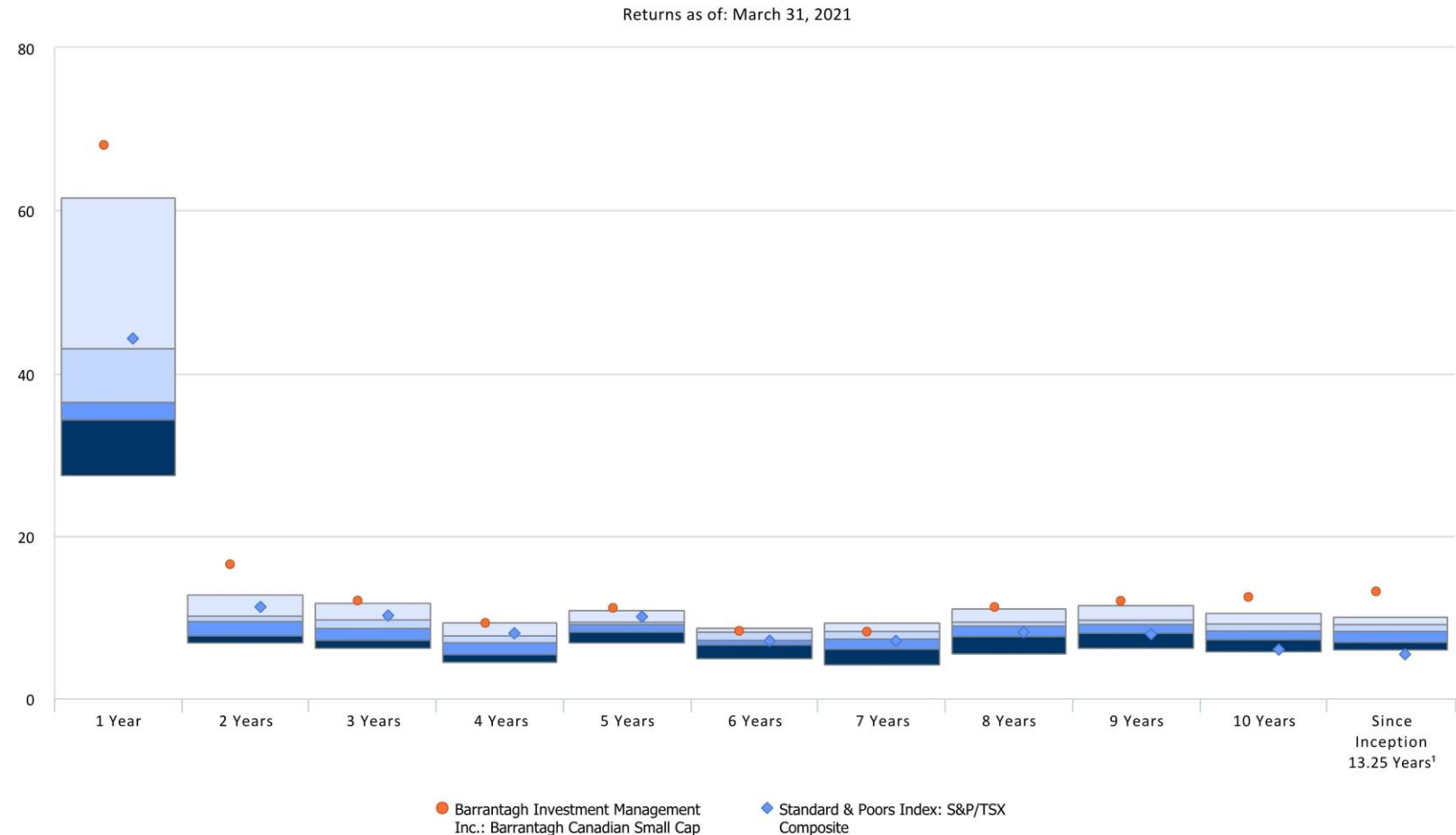


### 1 Yr Ended Mar. 2021

- 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)

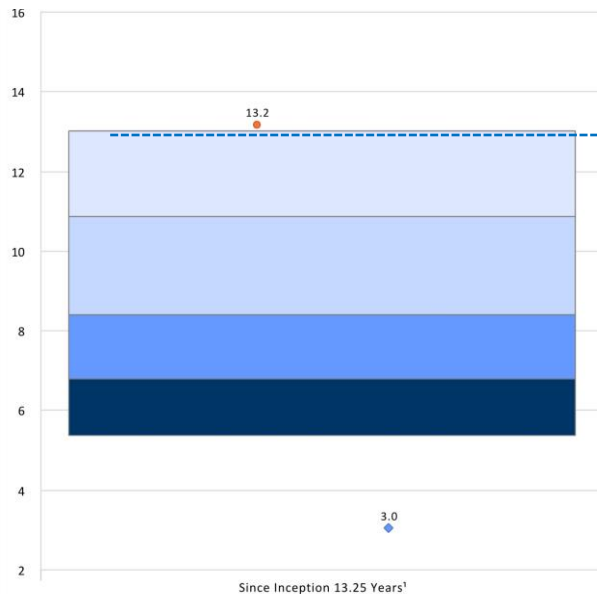


Universe: eVestment Canadian Dividend Focus Equity

# RETURNS: Small Cap Canadian Equities

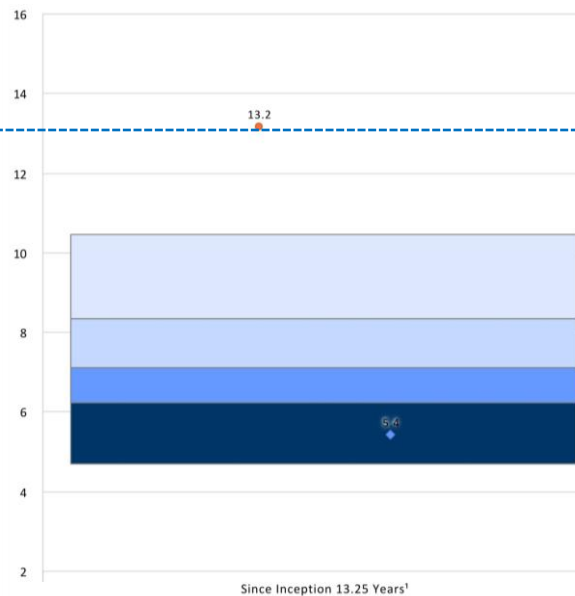
Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Mar. 31, 2021)

Canadian Small Cap Universe



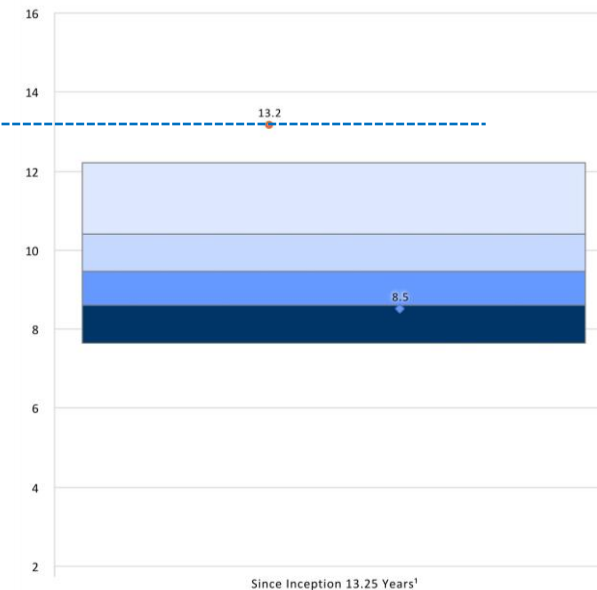
● Barrantagh Small Cap  
◆ TSX Small Cap Index

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

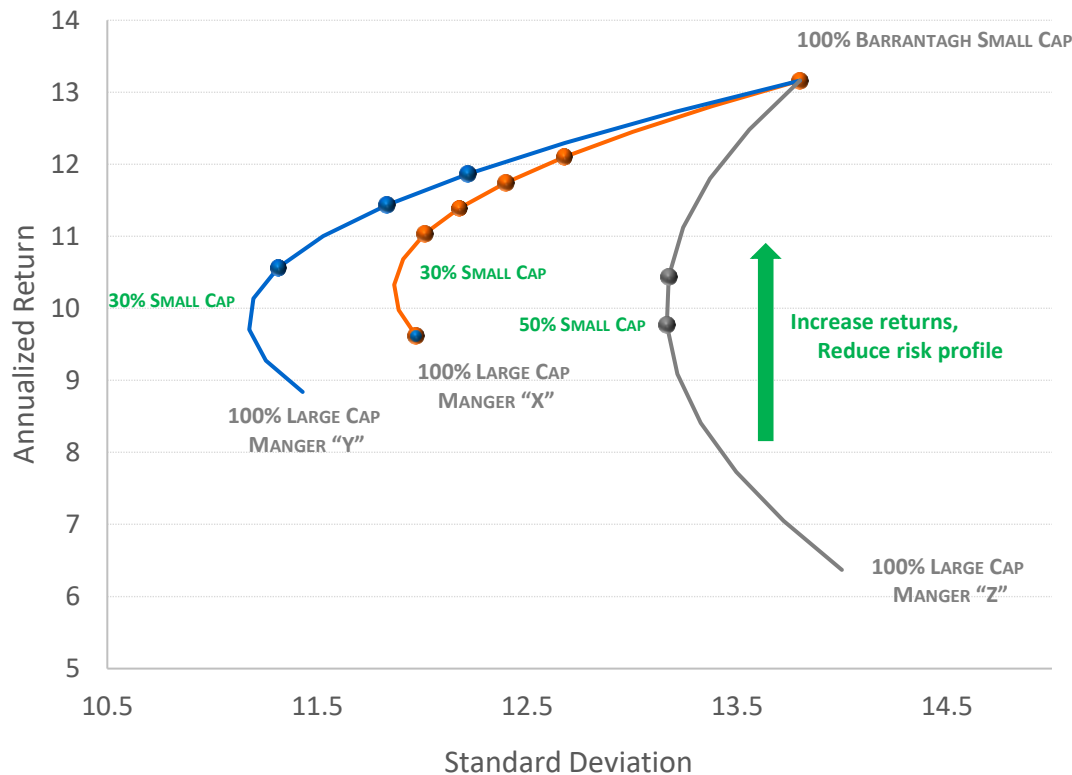


# DIVERSIFICATION: Small Cap Canadian Equities

## 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 ( $\omega$ ) of underlying components
2. Risk ( $\sigma$ ) of underlying components
3. Correlation ( $\rho$ ) of components

Portfolio Standard Deviation( $\sigma_p$ )

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



## MANDATE REVIEW

Small Cap Canadian Equities

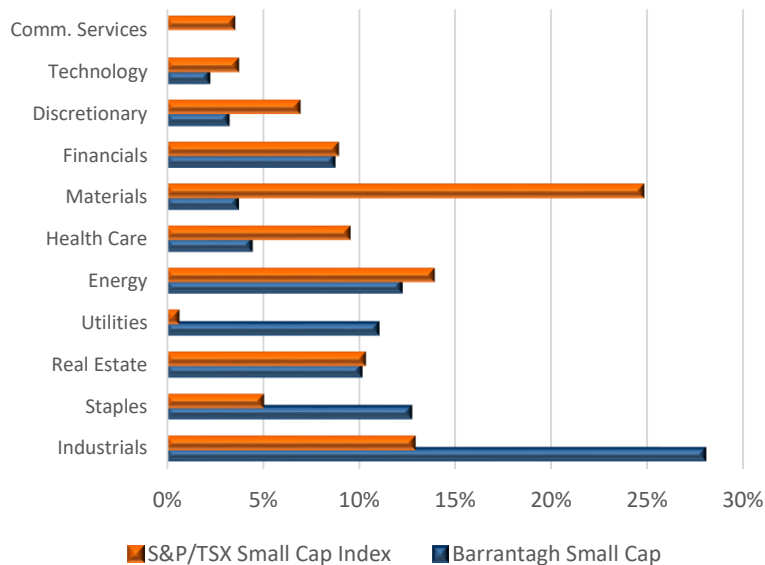
# Profile: Small Cap Canadian Equities

Portfolio at March 31, 2021

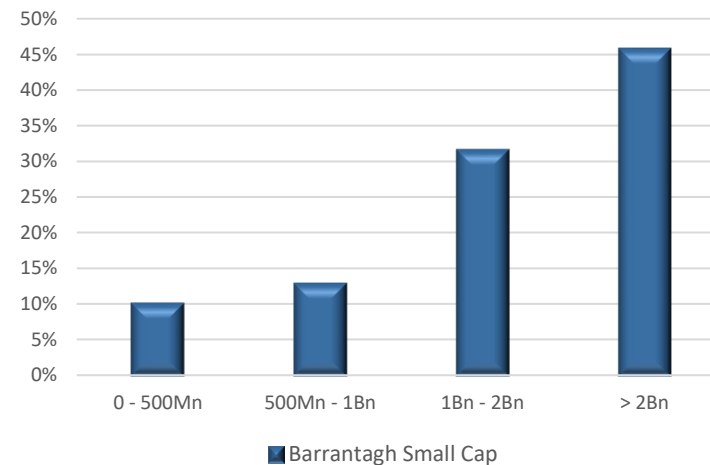
## CHARACTERISTICS

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

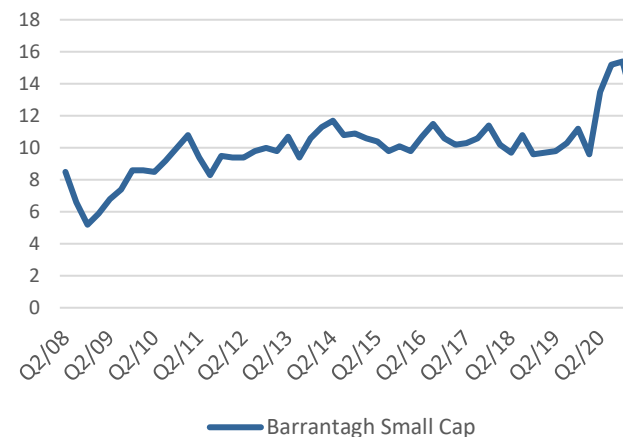
## Barrantagh Small Cap Industry Weight vs. Index



## Market Cap Exposure



## Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at March 31, 2021 | Q1 Transactions

	Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>	
MTY Food Group (NEW)	0.5%	Aecon Group	3.5%
Diversified Royal	2.7%	Badger Daylighting	3.3%
	3.2%	Boyd Group (-)	4.1%
		Cargojet (-)	4.1%
<b>Consumer Staples</b>		Calian Group	2.6%
Primo Water	3.8%	Savaria (+)	3.2%
Jamieson Wellness	4.7%	Mullen Group (NEW)	2.1%
Premium Brands	4.0%	Morneau Shepell	4.6%
	12.5%		27.5%
<b>Energy</b>		<b>Real Estate</b>	
Arc Resources (NEW)	2.9%	Minto Apartment REIT (-)	3.3%
Gibson Energy	3.2%	Storagevault Canada (-)	3.4%
Enerflex (NEW)	2.8%	Summit Industrial REIT	3.0%
Tidewater Midstream	3.0%		9.7%
	11.9%		
		<b>Utilities</b>	
<b>Financials</b>		Boralex (-)	3.3%
Equitable Group (NEW)	2.6%	Superior Plus	4.0%
Trisura Group	6.0%	Transalta Renewables	3.4%
	8.6%		10.7%
<b>Health Care</b>		<b>Materials</b>	
Andlauer Healthcare	4.4%	Altius Minerals	2.9%
	4.4%	Intertape Polymer (-)	3.8%
			6.7%
<b>Information Technology</b>			
Dye & Durham	2.2%		
	2.2%	Cash & Equivalent	2.6%
		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)





## NEW MANDATE – Available Soon

### GLOBAL EQUITIES

# Global Equity Mandate

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
<b>BIM Global Equities</b>	<b>3.5%</b>	<b>22.6%</b>	<b>15.9%</b>	<b>14.1%</b>	<b>12.7%</b>	<b>13.4%</b>	<b>11.9%</b>	<b>12.4%</b>	<b>14.6%</b>	<b>14.7%</b>	
MSIC World (Net)	3.5%	36.0%	13.9%	11.9%	11.3%	12.7%	10.2%	11.8%	13.8%	13.8%	

	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>BIM Global Equities</b>	<b>8.6%</b>	<b>37.4%</b>	<b>0.1%</b>	<b>13.7%</b>	<b>7.0%</b>	<b>14.0%</b>	<b>14.0%</b>	<b>39.6%</b>	<b>16.0%</b>
MSIC World (Net)	13.9%	21.2%	-0.5%	14.4%	3.8%	18.9%	14.4%	35.2%	13.3%

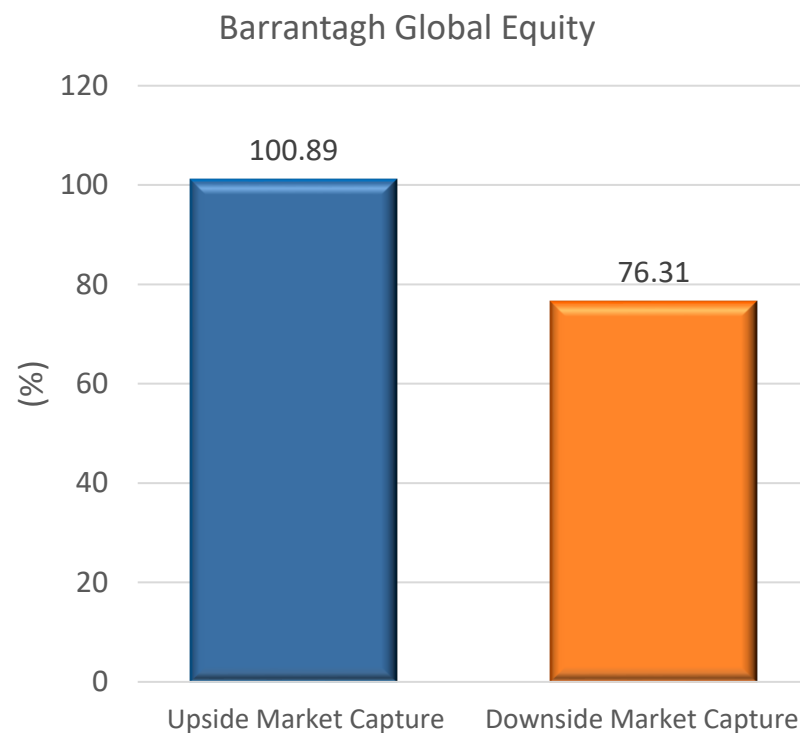
Green indicates periods that Barrantagh Small Cap outperformed

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

# Global Equities

## Risk Statistics vs. *Global* Canadian Equity (for Periods Ending March 31, 2021)

	Barrantagh Global Equities <sup>1</sup>	Percentile Rank <sup>2</sup>	
<b>Annualized Return</b>	<b>15.9</b>	<b>8</b>	<b>1<sup>st</sup> Percentile</b>
Standard Deviation	10.55	17	Lower Volatility than Median
<i>Sharpe Ratio</i>	<i>1.42</i>	<i>5</i>	<i>High risk-adjusted return</i>
Beta	0.9	17	Very Low risk vs. market
<i>Treynor Ratio</i>	<i>16.73</i>	<i>10</i>	<i>High risk-adjusted return</i>



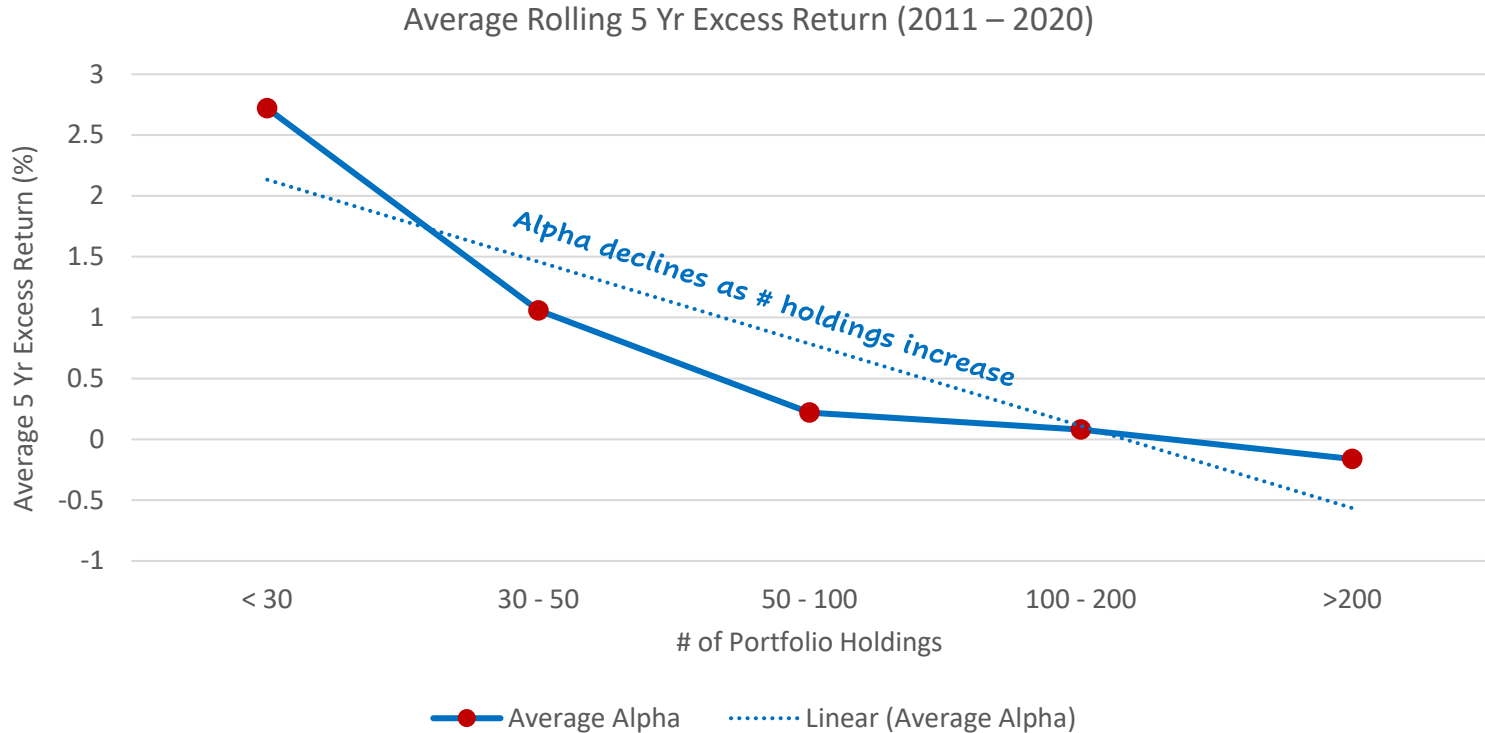
<sup>1</sup> Since Inception Jan. 1, 2012

<sup>2</sup> vs. Evestment All Cap Value Universe



# Concentrated Global Equity Advantages

## # Holdings & Alpha Generation

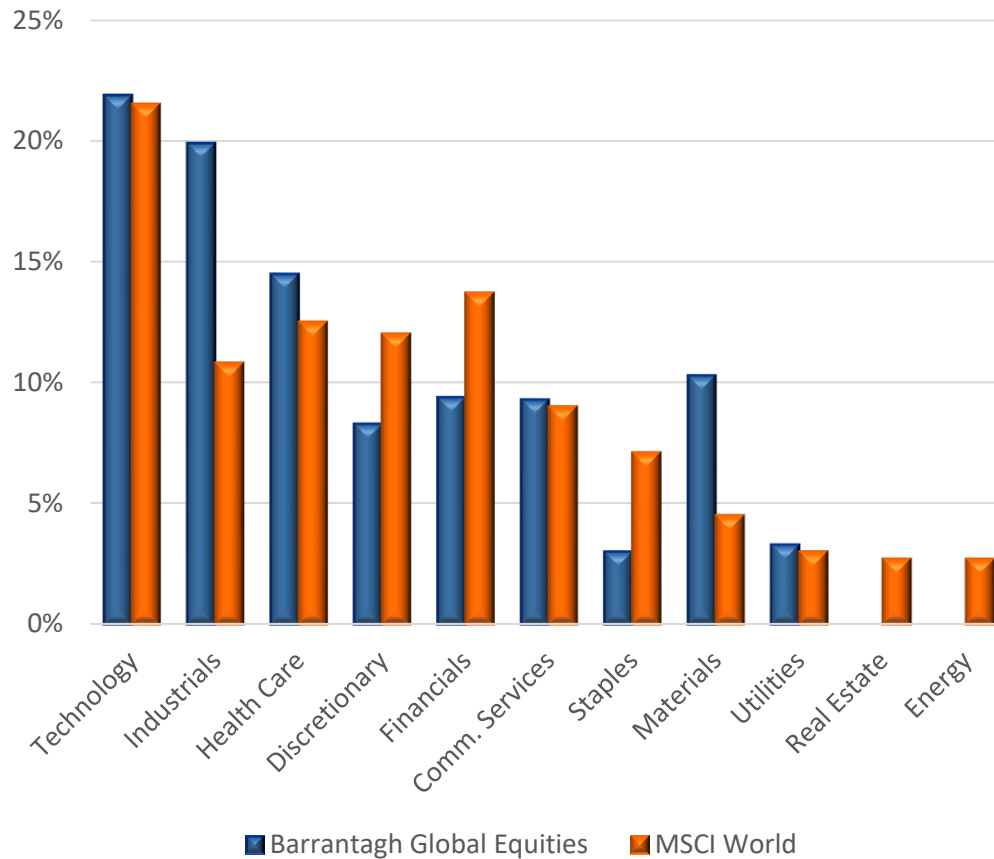


Excess Returns (CAD) vs. MSCI World Index (Net)

# Global Equities

at March 31, 2021

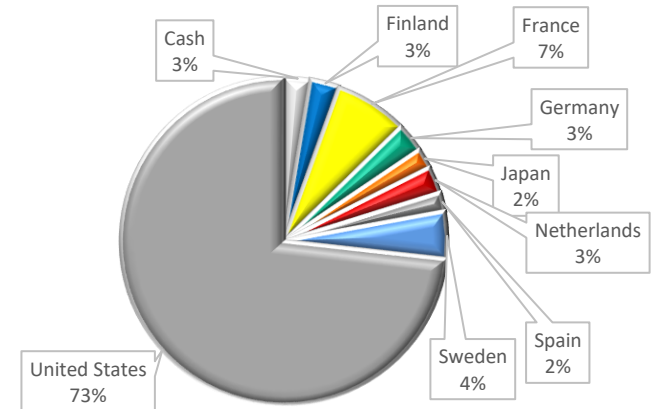
Barrantagh Global Equities Industry Weight vs Index



## CHARACTERISTICS

Number of Holdings	28
# Industry Sectors	9
Average Market Cap	\$278.2Bn
P/CF	16.2X
Dividend Yield	1.0%

Geographic Mix



# Global Equities

## Portfolio at March 31, 2021 | Q1 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Financials</b>	
Dollar General (+)	4.3%	Metso Outotec (+)	2.9%	Bank of America (NEW)	3.9%
Advance Auto Parts (NEW)	2.1%	Kubota	2.0%	JP Morgan Chase	5.3%
Terminix	1.8%	Ferrovial (-)	1.9%		9.2%
	8.2%	Quanta Services	3.8%	<b>Information Technology</b>	
<b>Consumer Staples</b>		Schneider Electric	4.4%	Ericsson (-)	4.8%
Constellation Brands (NEW)	3.0%	Union Pacific	4.3%	Dynatrace (NEW)	2.2%
	3.0%		19.3%	Microchip Technology (NEW)	2.8%
<b>Materials</b>		<b>Health Care</b>		Mastercard	3.7%
Air Liquide	3.1%	Boston Scientific	3.9%	Microsoft (-)	4.3%
International Flavours & Frag. (+)	4.1%	Thermo Fisher Scientific	3.4%	Global Payments (+)	3.5%
Lyondellbasell (NEW)	2.8%	United Health Group	3.3%		21.3%
	10.0%	Cooper Companies	3.5%	<b>Communication Services</b>	
<b>Utilities</b>			14.1%	T-Mobile (-)	4.0%
RWE Aktiengesellschaft	3.0%			Alphabet	5.1%
	3.0%				9.1%
<b>SOLD</b>				Cash & Equivalents	2.8%
<b>SOLD</b>				Total	100.0%
<b>Hasbro</b>					
<b>Mondelez</b>					
<b>Becton Dickinson</b>					
<b>Illinois Tool Works</b>					
<b>McDonalds</b>					
<b>American Tower</b>					



## ECONOMIC REVIEW

# Outlook

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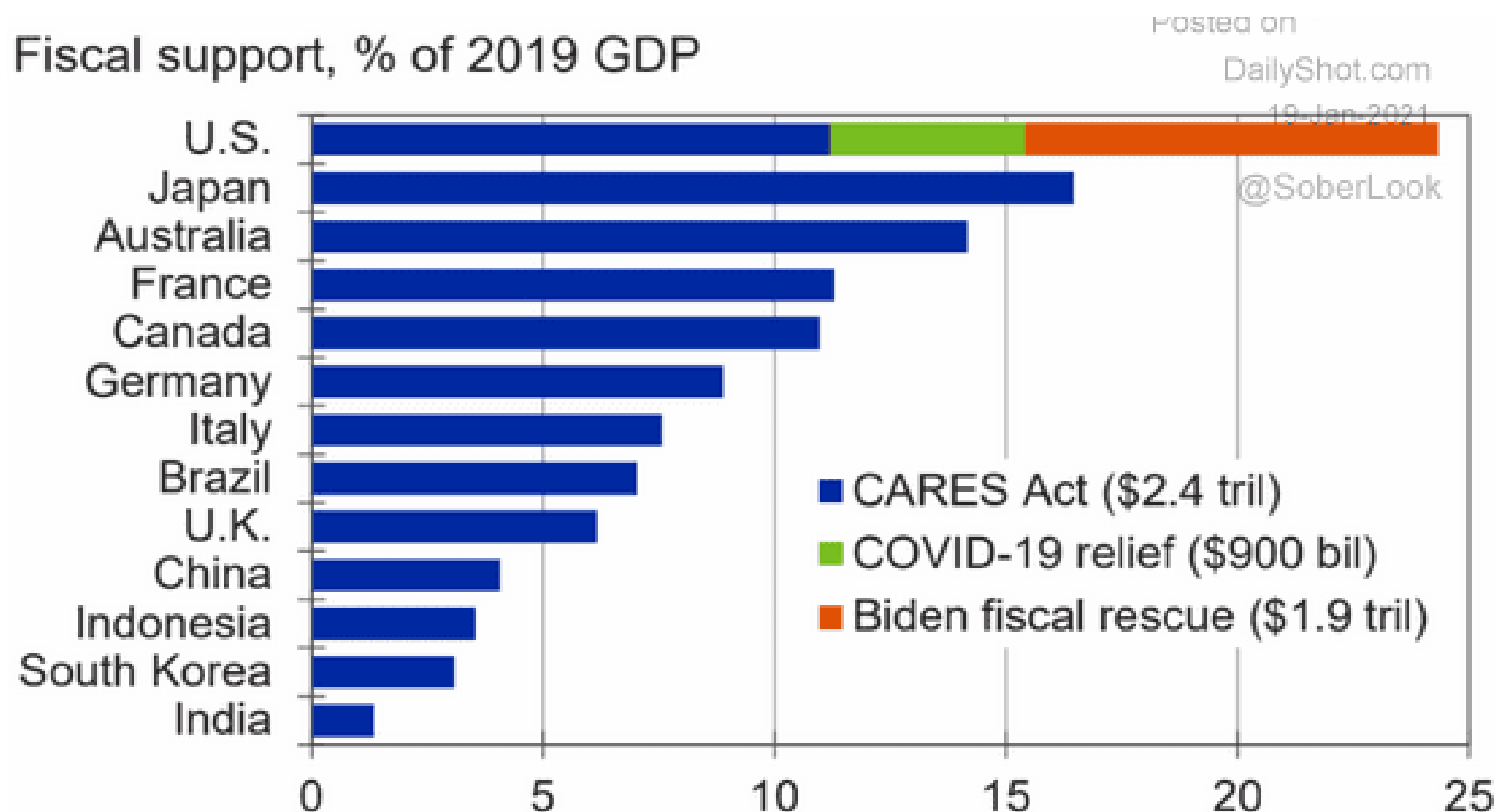
## World:

- 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

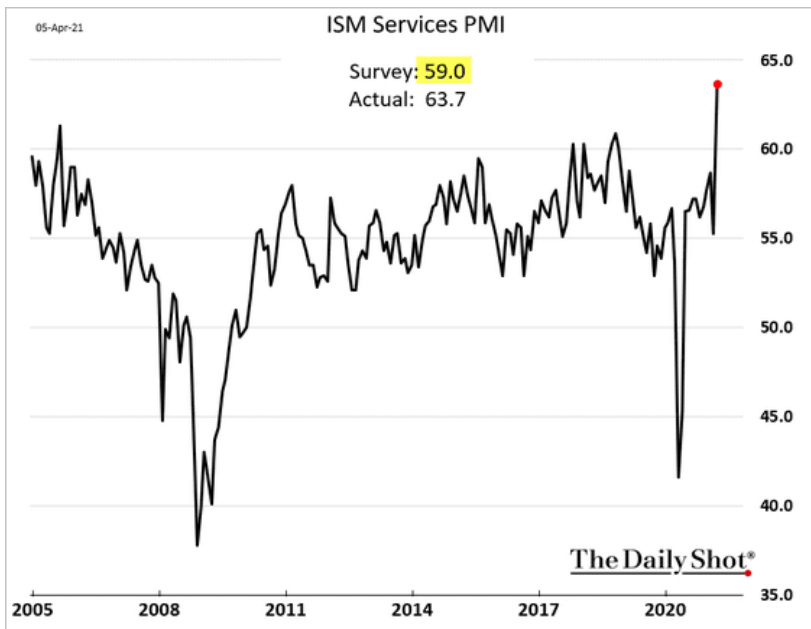
# Biden Pumps Up Fiscal Policy



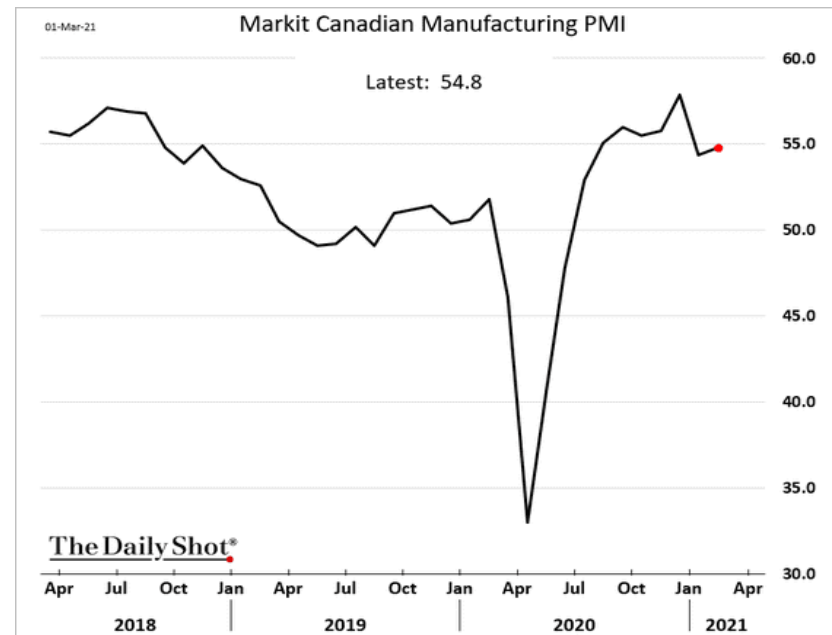
Source: The Daily Shot, Moody's

# U.S. & Canada Manufacturing PMI

## U.S. Mfg. PMI



## Canada Mfg. PMI



Source: The Daily Shot

# Working with You

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- Why Small Cap Canadian Equities
  1. Adds **low-risk alpha** & yield to client portfolios
  2. Diversification - **reduce** overall client portfolio **risk** (low correlation)
- Barrantagh Small Cap Canadian Equity Fund (F Class)
  - **Fund Code: BMI105**, 1.0% MER
- **COMING SOON:** Barrantagh Small Cap Canadian Equity Fund (A Class)
- SMA Minimum Account: \$100K(Small Cap), \$150K (Global Equities)
- Advisor Portal (barrantagh.com) password: RGMP4

## Contact (Toronto):

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