

BARRANTAGH

Investment Management

Update – June 30, 2021

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



ICS Program



FIRM UPDATE

Firm Update

FIRM PROFILE

- 100% employee-owned investment managers since 1995
- 17 employees, firm ownership expanded to 7 employee-shareholders
- AUM: \$1.3 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 launched in Q2/2021
- Mid Cap – reached 4-year track record end of Q2/21

ESG Integration Update:

- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy
- 2021 – subscribed to ISS ESG Global database (ESG company data, Controversies, Portfolio Analysis)

Sub-Advisory News:

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

Website Upgrade 2020:

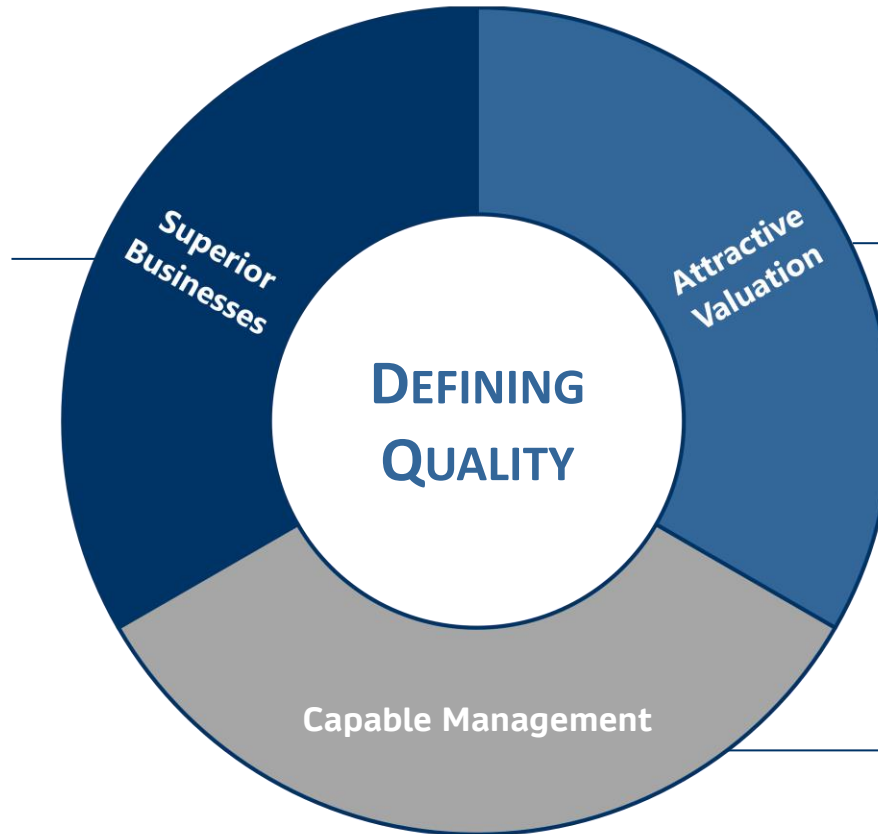
- Launched July, 2020
- Advisor Portal

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 June 30, 2021

For Periods Ending Jun 30, 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	13.0%	42.2%	20.2%	14.7%	12.1%	11.5%	9.9%	8.5%	11.7%	12.8%	13.4%
S&P/TSX Small Cap Index	19.8%	57.7%	19.1%	9.2%	8.2%	7.3%	7.7%	3.9%	7.4%	6.5%	3.5%
S&P/TSX Composite Index	17.3%	33.8%	14.4%	10.8%	10.7%	10.8%	8.9%	7.4%	9.8%	9.6%	7.4%

	1 Yr Jun 30	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
BIM Canadian Small Cap	42.2%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	57.7%	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%

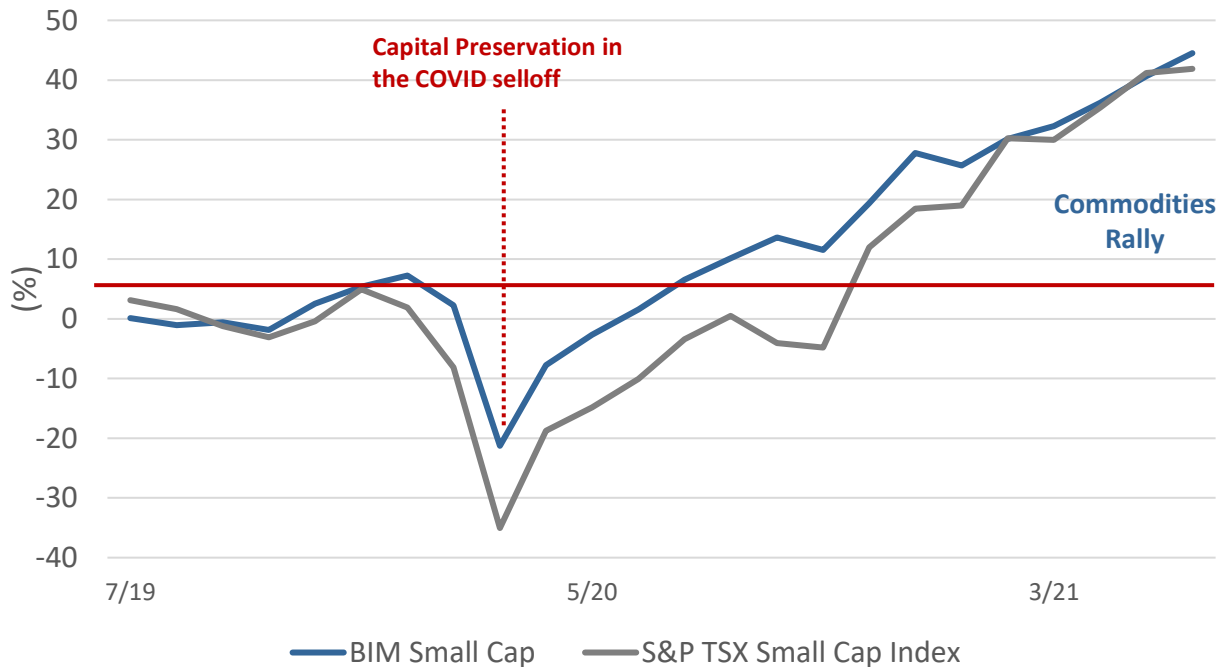
¹ Periods where index performance was driven by commodity rallies (Mining & Oil Exploration & Production)
Green indicates periods that Barrantagh Small Cap outperformed

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

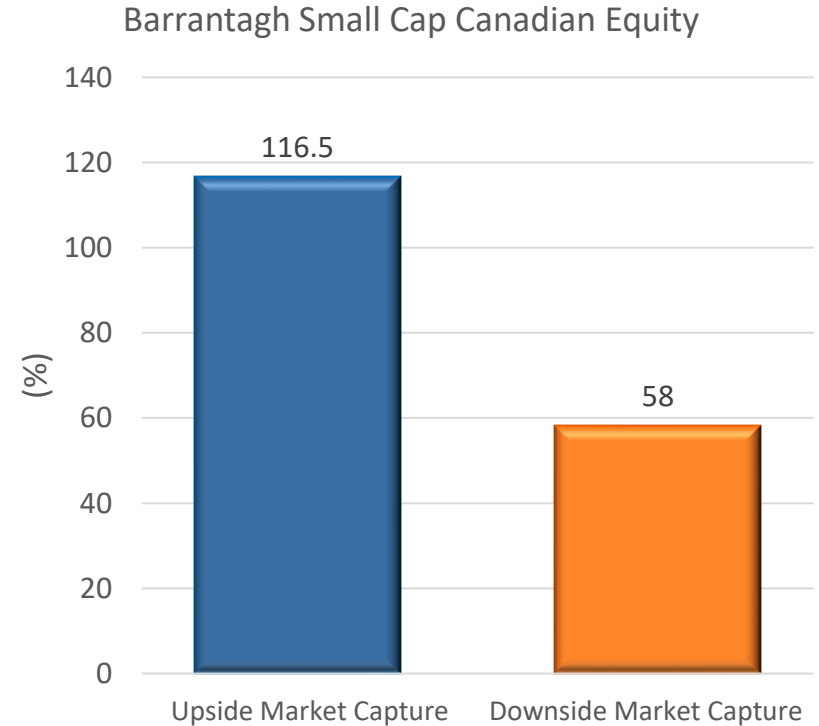


- Outperformance in the COVID selloff has outweighed the recent shortfall on the commodity rally
- Including the market sell off & recovery the strategy has returned +20.2% over the last 2 yrs vs. the TSX small cap index at +19.1% annualized

Small Cap Canadian Equities

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

	Barrantagh Small Cap Cdn. Equites ¹	TSX Small Cap	Median
Annualized Return	13.6	3.7%	9.2%
Standard Deviation	13.7	21.4%	18.1%
<i>Sharpe Ratio</i>	<i>0.92</i>	<i>0.12</i>	<i>0.46</i>

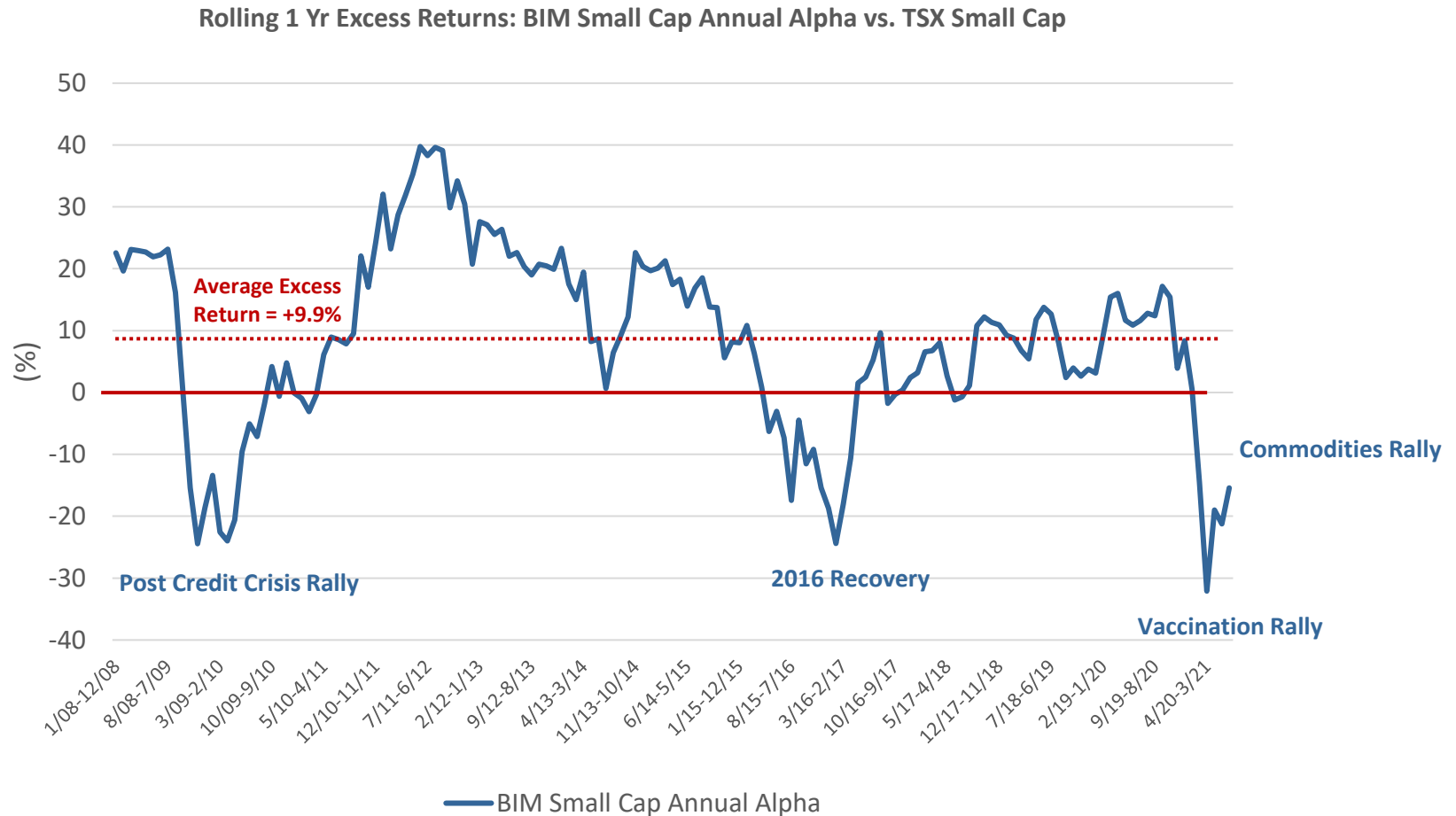


¹ Since Inception Jan. 1, 2008

² vs. Evestment Small Cap Universe

Small Cap Canadian Equity

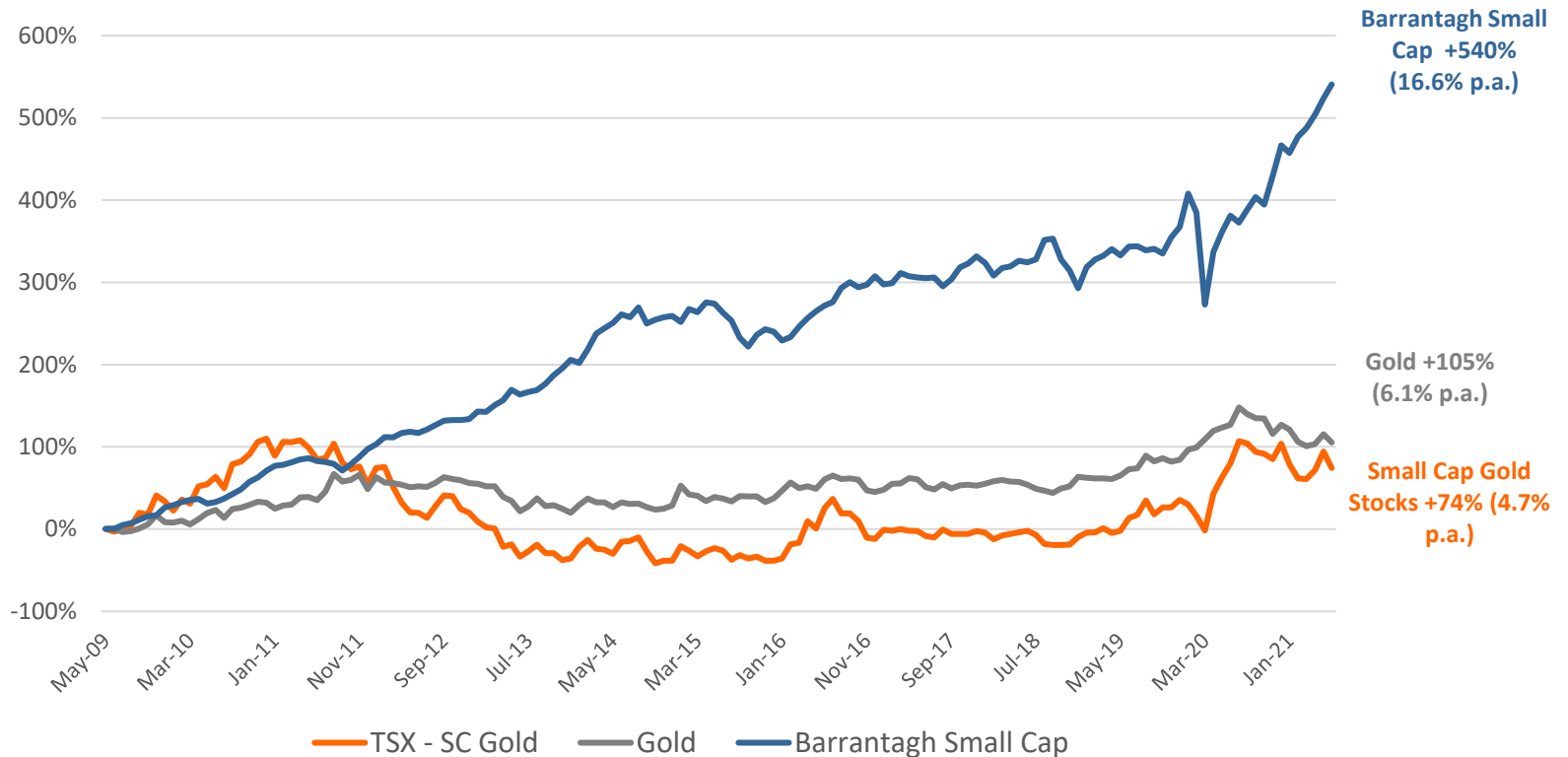
Excess Returns: Substantial Commodity Rallies are Infrequent & Short-Lived



Small Cap Canadian Equity Mandate

Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

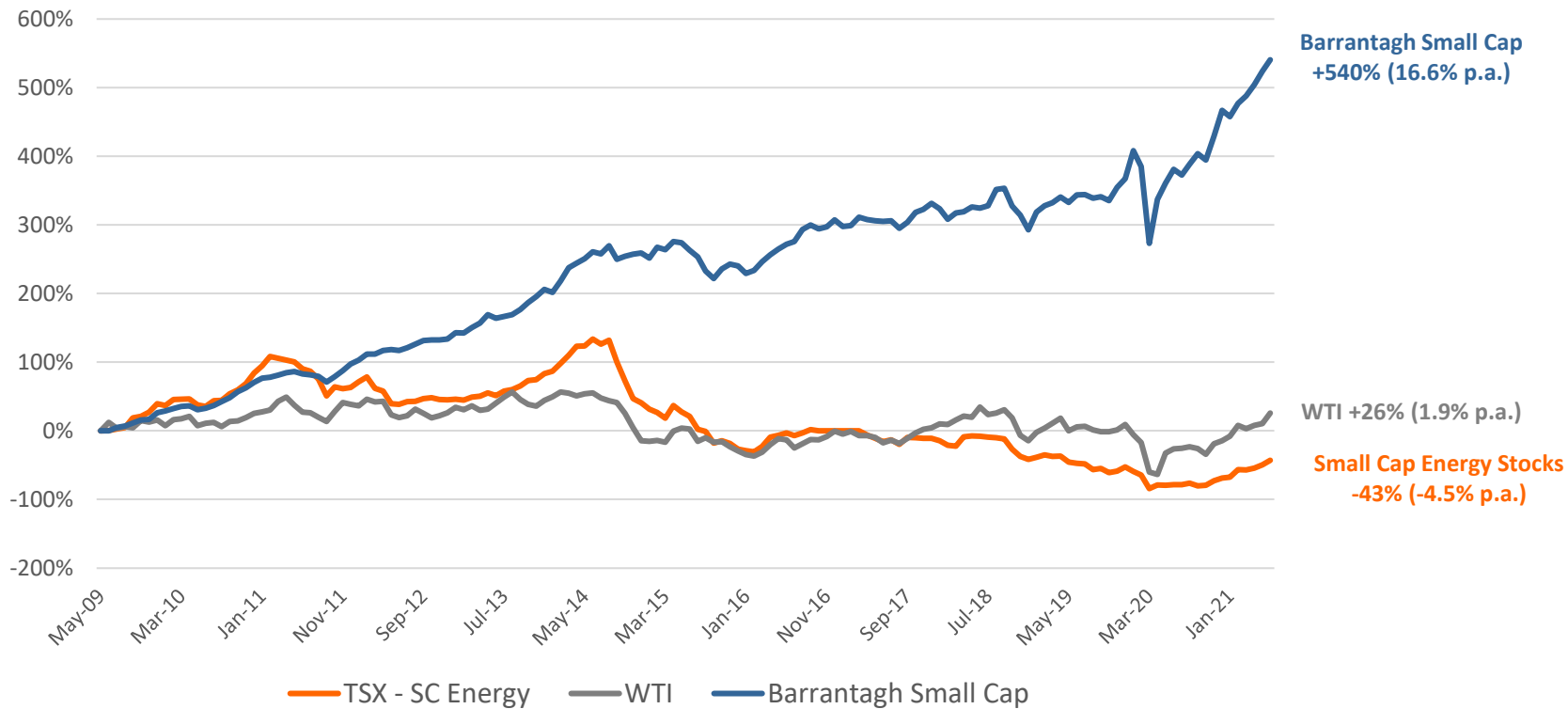
Cumulative Returns ~ 12 Years to June 30 2021



Small Cap Canadian Equity Mandate

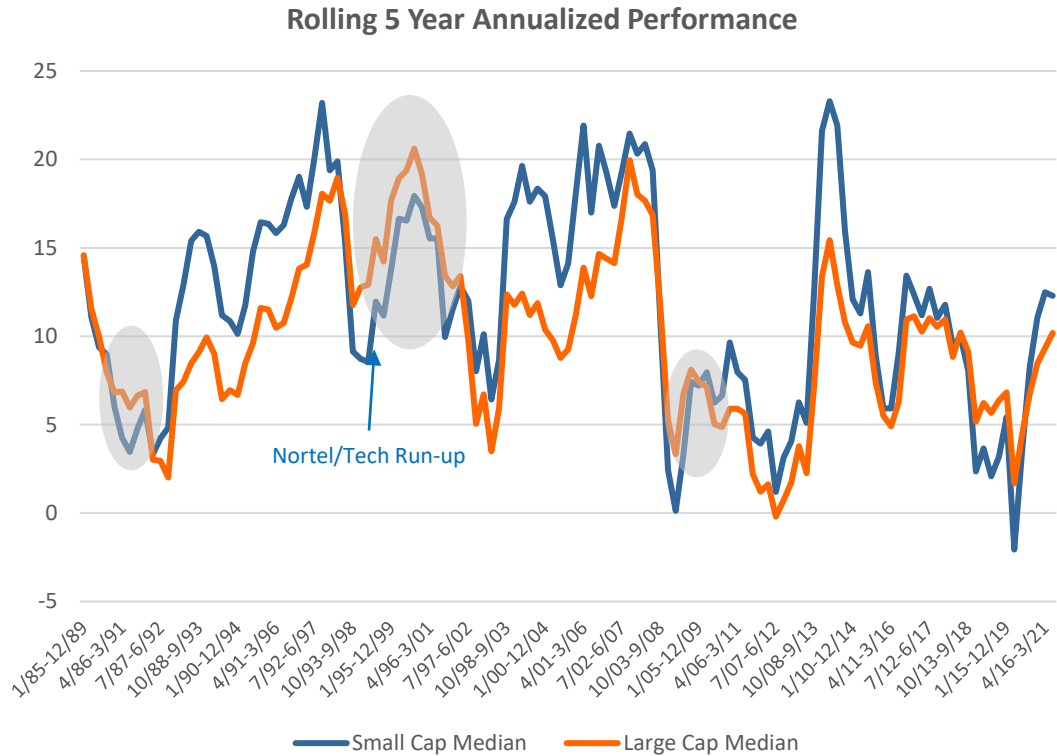
Small Cap Energy: Underperforming/Volatile & Poor Commodity Tracking

Cumulative Returns ~ 12 Years to June 30 2021



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%

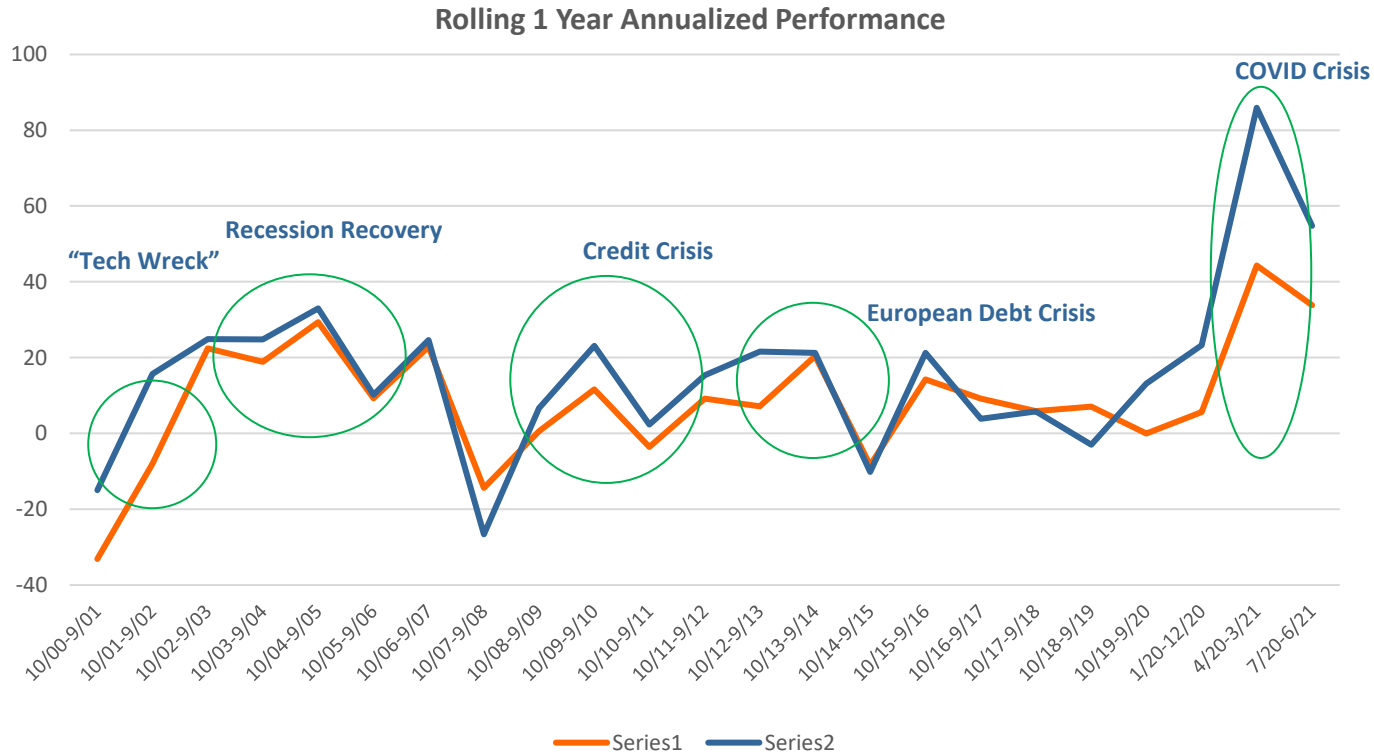
- ← **5 year medians at June 30/2021:**
- Small cap median ~210bps higher than large cap

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 June 2021

- Small cap median ~21% ahead of large cap TSX Composite

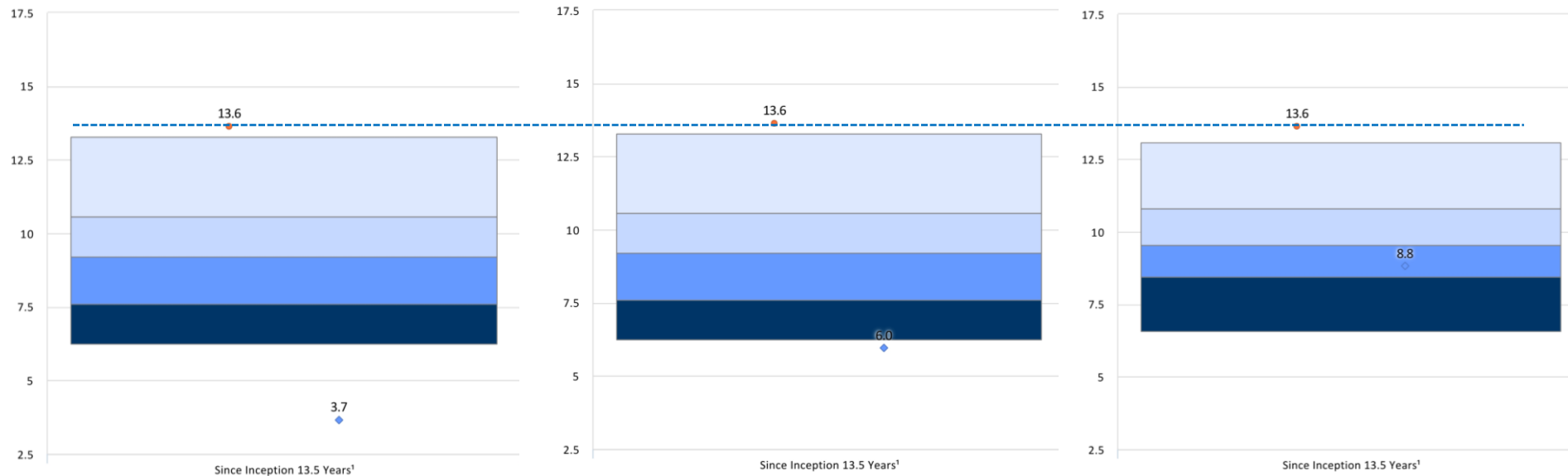
RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Jun. 30, 2021)

Canadian Small Cap Universe

Canadian Large Cap Universe

Global Equity Universe (\$C)



● Barrantagh Small Cap
◆ TSX Small Cap Index

● Barrantagh Small Cap
◆ TSX Composite Index

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

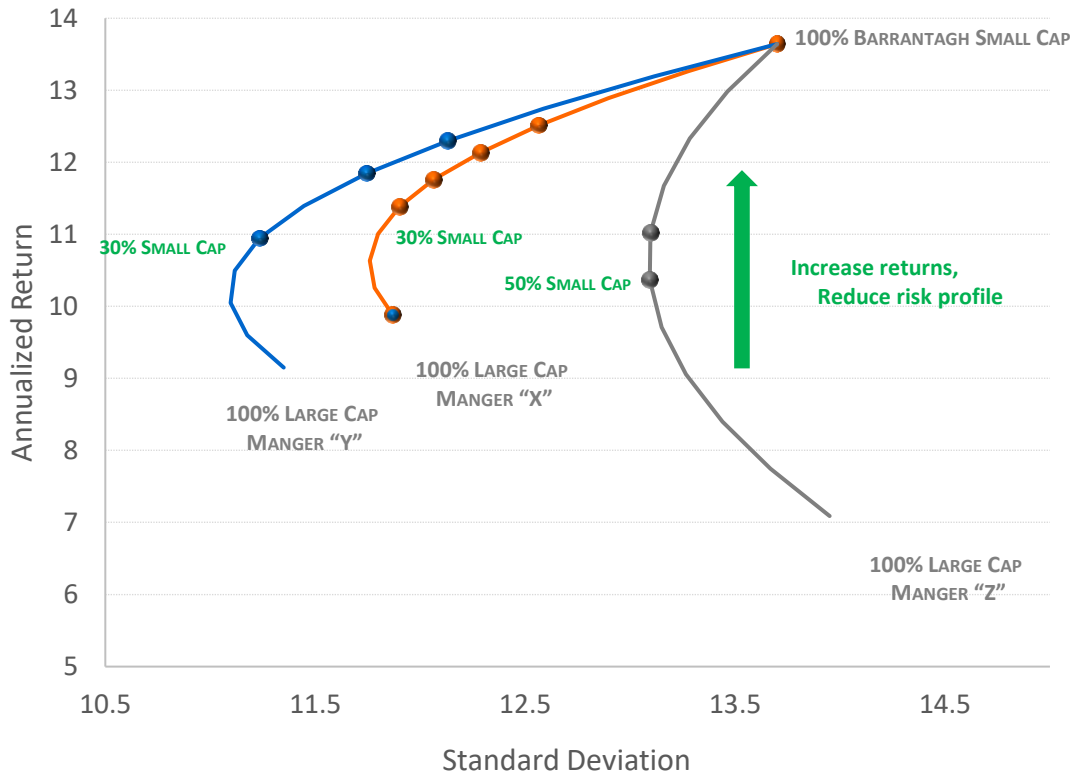
Strategy Inception Date: Jan. 1, 2008

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 June 30, 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:

- Weights (ω) of underlying components
- Risk (σ) of underlying components
- 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

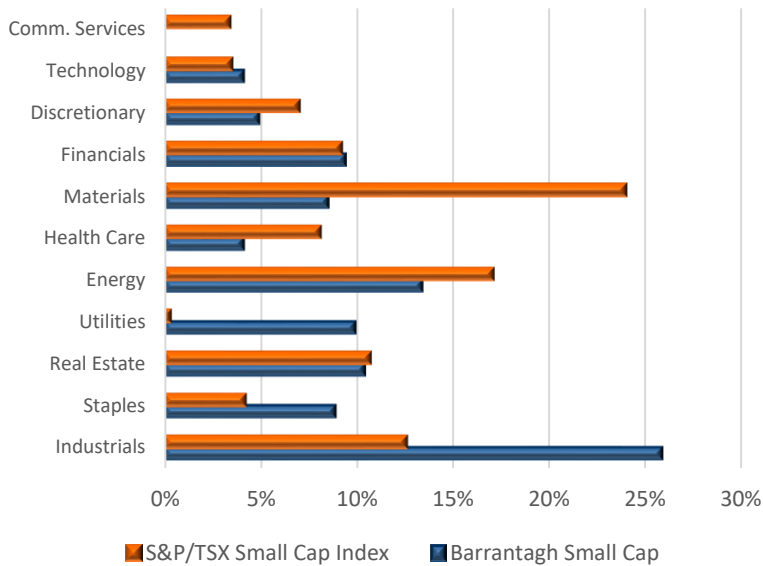
Profile: Small Cap Canadian Equities

Portfolio at June 30, 2021

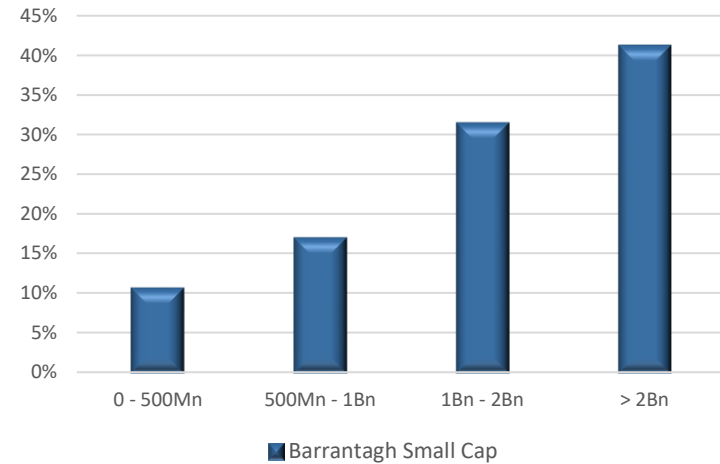
CHARACTERISTICS

Number of Holdings	30
Avg. Market Cap	\$2.3 Bn
# Industry Sectors	10
Dividend Yield	2.1%

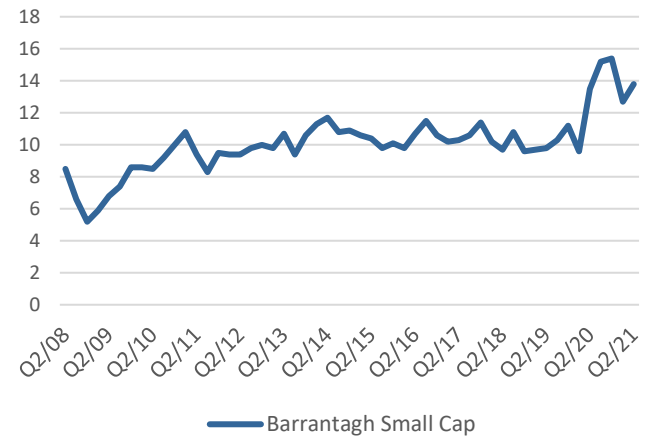
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



Canadian Small Cap Equity Portfolio

Portfolio at June 30, 2021 | YTD Transactions

	Portfolio Weight		Portfolio Weight	
Consumer Discretionary		Industrials		SOLD
MTY Food Group (NEW)	2.5%	Aecon Group	2.8%	North West Co.
Diversified Royal	2.7%	Badger Infrastructure	2.7%	Parkland Fuel
	4.9%	Boyd Group (-)	4.0%	People Corp.
Consumer Staples		Cargojet (-)	3.7%	Primo Water
Jamieson Wellness	3.5%	Calian Group	2.6%	
Neighbourly Pharmacy (NEW)	2.2%	Savaria (+)	3.3%	
Premium Brands (-)	3.0%	Mullen Group (NEW)	2.0%	TRIM = (-)
	8.7%	Lifeworks	4.3%	ADD = (+)
			25.4%	
Energy		Real Estate		
Arc Resources (NEW)	3.6%	Minto Apartment REIT (-)	3.4%	
Gibson Energy	3.1%	Storagevault Canada (-)	3.4%	
Enerflex (NEW)	2.6%	Summit Industrial REIT	3.4%	
Tidewater Midstream	3.8%		10.2%	
	13.1%	Utilities		
Financials		Boralex (-)	2.8%	
Equitable Group (NEW)	2.6%	Superior Plus	3.8%	
Trisura Group (-)	6.7%	Transalta Renewables	3.1%	
	9.3%		9.7%	
Health Care		Materials		
Andlauer Healthcare	4.1%	Altius Minerals	2.9%	
	4.1%	Chemtrade Logistics (NEW)	1.8%	
		Intertape Polymer (-)	3.6%	
Information Technology			8.3%	
Dye & Durham	4.1%	Cash & Equivalent	2.2%	
	4.1%	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)



Mullen Group (MTL)



BADGER DAYLIGHTING (BAD)





ECONOMIC REVIEW

Outlook

World:

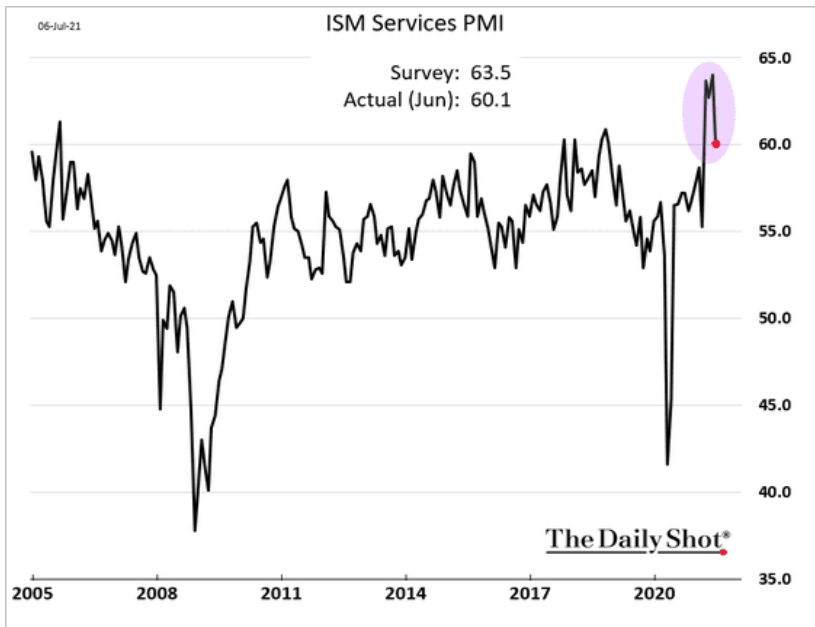
- Response has been quick
- Rate cuts, fiscal stimulus, monetary support, credit supports, regulatory burden relief
- Fiscal policy response expected to add 1.3% to global GDP
- U.S. Example – fiscal policy ~\$5.2tn
 - The U.S. response is about 25% of current GDP
 - In 2008 the response was \$830bn or 6% of GDP

Canada:

- Fiscal support ~11% of GDP

U.S. & Canada Manufacturing PMI

U.S. Mfg. PMI

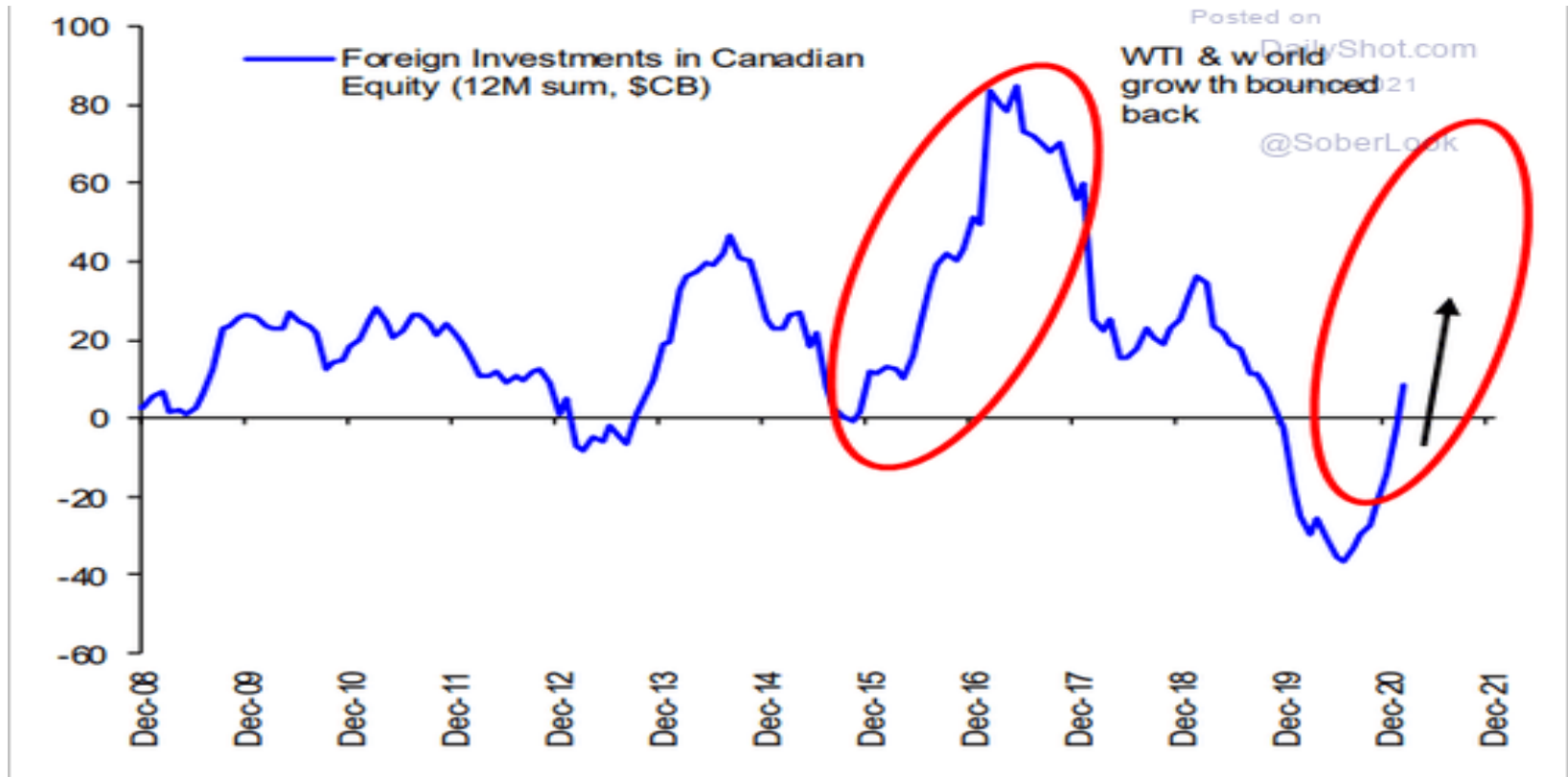


Canada Mfg. PMI



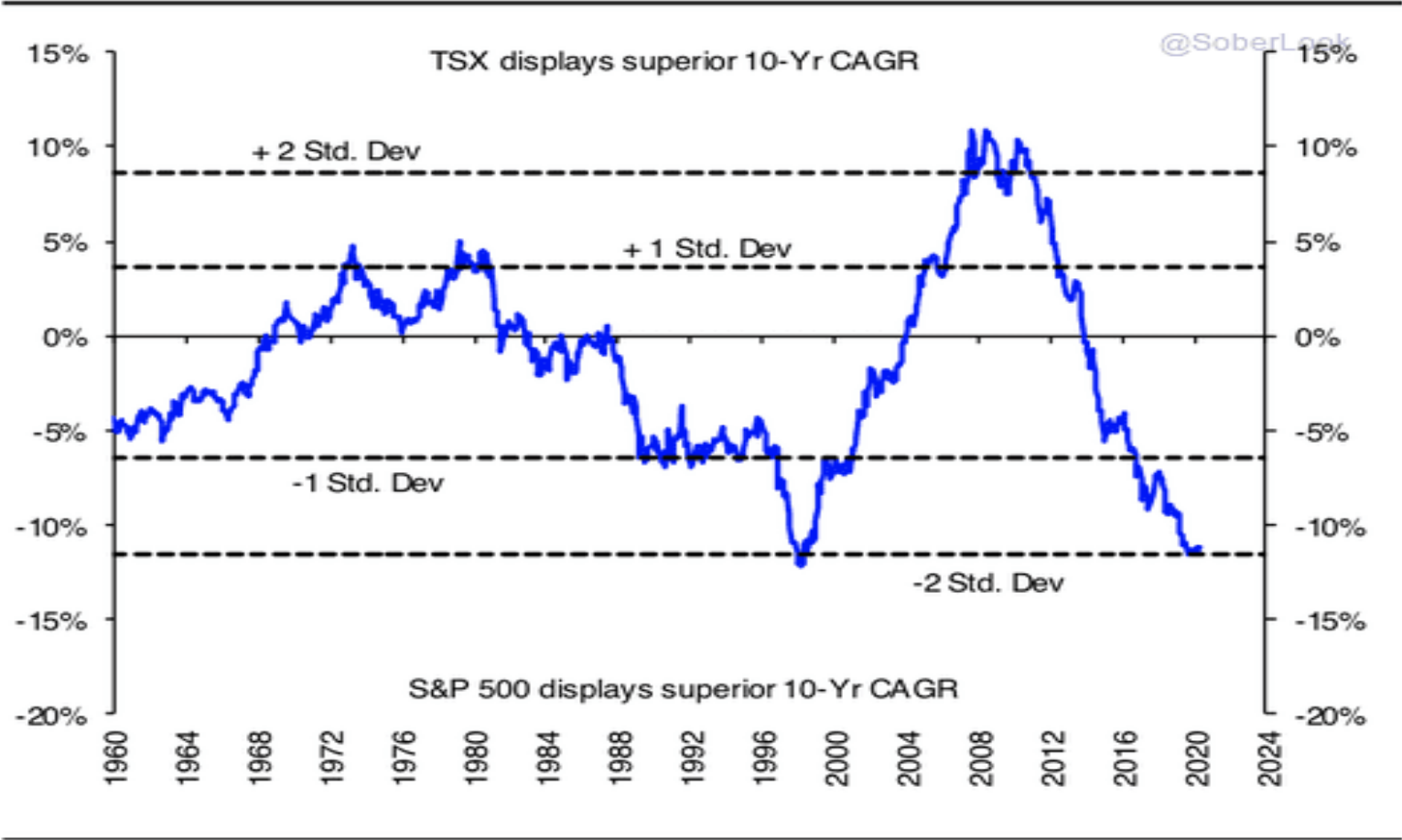
Source: The Daily Shot

Foreign Investors Buying Canada



Source: Hugo Ste-Marie, Scotia

TSX vs S&P500 10-YR CAGR Spread



Source: The Daily Shot, Scotiabank, Bloomberg

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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