



# Barrantagh Small Cap Canadian Equity Fund

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## Interim Management Report of Fund Performance

Period ended June 30, 2021

# **Barrantagh Small Cap Canadian Equity Fund**

## **Annual Management Discussion of Fund Performance**

### **June 30, 2021**

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#### **Investment Objectives and Strategies**

The Fund's investment objective is to outperform the S&P/TSX Small Cap Canadian equity index over market cycles. The Fund primarily invests in common shares within the small cap area of the Canadian market. The Manager pursues a disciplined fundamental approach that seeks to identify companies that can combine a dominant business profile with proven management and a financial profile that can be independently analyzed.

#### **Risk**

The risks of investing in the Fund remain as outlined in the simplified prospectus.

#### **Results of Operations**

##### *Market Update:*

The Fund outperformed its benchmark, the S&P/TSX Small Cap Index.

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 Fund 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 Fund 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.

##### *Key Contributors/Detractors*

The Fund outperformed the benchmark significantly during the period given the quality of the portfolio holdings, meeting or beating the relative contribution in eight of eleven GICS sectors. The best performing sectors were utilities, health care and industrials. The biggest detractor was in materials where no exposure to junior gold miners hurt relative performance.

##### *Assets*

The Fund experienced an increase in assets due to positive returns and investor contribution activity.

#### **Recent Developments**

People Corp (PEO), which was added during Q2/20, agreed to be acquired by Goldman Sachs Merchant Banking in an all-cash offer. Their strong position in the group benefits consulting and administration space and attractive business attributes (high recurring revenue, strong retention, solid organic growth) made for an attractive acquisition target at a price ~80% above our cost base – a nice outcome for a 9-month holding

period. Though these exits are never planned, take-out optionality often accompanies strong business fundamentals and can provide excellent returns on individual small cap equities

Dye & Durham (DND) a cloud-based legal software provider with an entrenched market position and demonstrated pricing power was added to the Fund during the third quarter. DND is new to the public markets completing its initial public offering in July. Common to the technology sector, DND has displayed strong organic growth and a promising M&A pipeline. Not as common in the technology sector, the Company is highly profitable, generates strong free cash flow and pays out a dividend. Most importantly, the IPO pricing was very reasonable and the stock has performed very well as the company has been able to successfully execute on meaningful accretive M&A.

### **Related Party Transactions**

#### *Manager, Trustee and Portfolio Adviser:*

Barrantagh Investment Management Inc. (“BIM”) is the manager, trustee and portfolio adviser of the Fund. The Fund pays BIM an annual management fee of 1% for F-Series calculated, accrued and paid monthly as a percentage of the net asset value of the Fund. Unitholders in the O-Series pay a negotiated fee directly to BIM.

#### *Registrar and Transfer Agent:*

RBC Investry & Treasury Services is the registrar and transfer agent of the Fund, and as such maintains all unitholder records, processes purchase and redemption orders, issues investor statements and prepares annual tax reporting information on behalf of the Fund.

#### *Buying and Selling Securities:*

BIM has established an independent review committee (“IRC”) which acts as an impartial and independent committee to review and provide recommendations or, if appropriate, approval respecting any conflict of interest matters referred to it by BIM. The IRC prepares, at least annually, a report of its activities for securityholders of the Fund. The report is available on the BIM website.

There are no other related party transactions; as such, there are no relevant standing instructions requirements that securities transactions with related parties conducted by BIM (i) are free from any influence by an entity related to BIM and without taking into account any consideration relevant to an entity related to BIM; (ii) represent the business judgment of BIM uninfluenced by considerations other than the best interests of the Fund; (iii) comply with the applicable policies and procedures of BIM; and (iv) achieve a fair and reasonable result for the Fund.

### **Management Fees**

As manager and trustee of the Fund, BIM is responsible for the overall business and affairs of the Fund, including activities related to making units of the Fund available to investors, and providing, or arranging for the provision of, investment advisory services and marketing services to the fund. In consideration for the provision of such series, each series of the Fund pays BIM a management fee.

Management fees are calculated and accrued as a percentage of the net asset value of each series of units of the Fund, as of the close of business on each business day for each series and are paid monthly to BIM.

The simplified prospectus discloses a specified annual management fee rate that BIM can charge for each series of the Fund. Of the annual management fees for F-Series, 100% of investment advisory, trustee, marketing services and others are rendered.

**BARRANTAGH SMALL CAP CANADIAN EQUITY FUND**

Management Report of Fund Performance

**Summary of investment portfolio**

As at June 30, 2021

The summary of investment portfolio may have changed since June 30, 2021 due to ongoing portfolio transactions of the Fund.

<b>Top 25 Holdings</b>	<b>Percentage of Net Asset Value (%)</b>
Trisura Group Ltd.	6.6
LifeWorks Inc.	4.3
Andlauer Healthcare Group Inc.	4.0
Boyd Group Services Inc.	3.8
Superior Plus Corp.	3.7
Tidewater Midstream and Infrastructure Ltd.	3.7
Intertape Polymer Group Inc.	3.7
Cargojet Inc.	3.6
Jamieson Wellness Inc.	3.5
ARC Resources Ltd.	3.4
StorageVault Canada Inc.	3.3
Savaria Corp.	3.3
Minto Apartment Real Estate Investment Trust	3.2
Summit Industrial Income Real Estate Investment Trust	3.1
Altius Minerals Corp.	3.1
TransAlta Renewables Inc.	3.0
Gibson Energy Inc.	3.0
Equitable Group Inc.	3.0
Calian Group Ltd.	2.9
Enerflex Ltd.	2.9
Premium Brands Holdings Corp.	2.9
Boralex Inc.	2.8
Aecon Group Inc.	2.8
Badger Infrastructure Solution	2.8
Dye & Durham Ltd.	2.5
<b>Total Net Asset Value</b>	<b>\$83,897,849</b>

**Portfolio by Category**

<b>Asset Type</b>	<b>Percentage of Net Asset Value (%)</b>
Equities	95.5
Cash	2.7
Other Net Assets (Liabilities)	1.8
	<b>100.0</b>

<b>Sector</b>	<b>Percentage of Net Asset Value (%)</b>
Industrials	29.4
Energy	13.0
Utilities	9.6
Real Estate	9.6
Financials	9.6
Materials	8.5
Consumer Staples	6.3
Consumer Discretionary	4.7
Information Technology	2.5
Health Care	2.3
Cash	2.7
Other Net Assets (Liabilities)	1.8
	<b>100.0</b>

## BARRANTAGH SMALL CAP CANADIAN EQUITY FUND

### The Fund's net assets attributable to holders of redeemable units per unit<sup>1</sup>

#### Series A

	2021 <sup>(9)</sup>
Net assets attributable to holders of redeemable units, beginning of period	\$ 10.00
<b>Increase (decrease) from operations:</b>	
Total Revenue	0.06
Total Expenses	(0.06)
Realized gains (losses) for the period	0.06
Unrealized gains (losses) for the period	0.48
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>0.54</b>
<b>Distributions:</b>	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of Capital	-
<b>Total Annual Distributions</b>	<b>-</b>
Net assets attributable to holders of redeemable units, end of period	\$ 10.47

#### Ratios and Supplemental Data:

Total net asset value	\$ 285,473
Number of units outstanding	27,267
Management expense ratio <sup>5</sup>	2.98%
Management expense ratio before waivers or absorptions	2.98%
Trading expense ratio <sup>6</sup>	0.17%
Portfolio turnover rate <sup>7</sup>	17.25
Net asset value per unit	\$ 10.47

### The Fund's net assets attributable to holders of redeemable units per unit<sup>1</sup>

#### Series F

	2021 <sup>(3)</sup>	2020 <sup>(4)</sup>	2019 <sup>(8)</sup>
Net assets attributable to holders of redeemable units, beginning of period	\$ 12.36	\$ 10.35	\$ 10.00
<b>Increase (decrease) from operations:</b>			
Total Revenue	0.14	0.29	0.23
Total Expenses	(0.11)	(0.18)	(0.21)
Realized gains (losses) for the period	0.39	(0.16)	(0.16)
Unrealized gains (losses) for the period	1.19	3.47	1.32
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.61</b>	<b>3.42</b>	<b>1.18</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.06)	-
From dividends	-	-	-
From capital gains	-	-	-
Return of Capital	-	-	-
<b>Total Annual Distributions</b>	<b>-</b>	<b>(0.06)</b>	<b>-</b>
Net assets attributable to holders of redeemable units, end of period	\$ 13.87	\$ 12.36	\$ 10.35

#### Ratios and Supplemental Data:

Total net asset value	\$ 44,265,578	\$ 21,444,938	\$ 5,120,985
Number of units outstanding	3,191,187	1,734,420	494,676
Management expense ratio <sup>5</sup>	1.49%	1.61%	2.51%
Management expense ratio before waivers or absorptions	1.49%	1.75%	2.51%
Trading expense ratio <sup>6</sup>	0.17%	0.08%	0.37%
Portfolio turnover rate <sup>7</sup>	17.25%	15.97%	16.54%
Net asset value per unit	\$ 13.87	\$ 12.36	\$ 10.35

**The Fund's net assets attributable to holders of redeemable units per unit<sup>1</sup>**  
**Series O**

	2021 <sup>(3)</sup>	2020 <sup>(4)</sup>	2019 <sup>(8)</sup>
<b>Net assets attributable to holders of redeemable units, beginning of period</b>	\$ 12.50	\$ 10.42	\$ 10.00
<b>Increase (decrease) from operations:</b>			
Total Revenue	0.14	0.26	0.29
Total Expenses	(0.04)	(0.07)	(0.16)
Realized gains (losses) for the period	0.42	(0.28)	(0.17)
Unrealized gains (losses) for the period	1.07	2.38	0.97
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>1.59</b>	<b>2.29</b>	<b>0.93</b>
<b>Distributions:</b>			
From income (excluding dividends)	-	(0.13)	-
From dividends	-	-	-
From capital gains	-	-	-
Return of Capital	-	-	-
<b>Total Annual Distributions</b>	<b>-</b>	<b>(0.13)</b>	<b>-</b>
Net assets attributable to holders of redeemable units, end of period	\$ 14.10	\$ 12.50	\$ 10.42

**Ratios and Supplemental Data:**

Total net asset value	\$ 39,346,798	\$ 28,553,048	\$ 19,711,322
Number of units outstanding	2,791,579	2,284,366	1,892,241
Management expense ratio <sup>5</sup>	0.44%	0.60%	1.90%
Management expense ratio before waivers or absorptions	0.44%	0.69%	1.90%
Trading expense ratio <sup>6</sup>	0.17%	0.08%	0.37%
Portfolio turnover rate <sup>7</sup>	17.25%	15.97%	16.54%
Net asset value per unit	\$ 14.10	\$ 12.50	\$ 10.42

**Notes to Financial Highlights**

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets attributable to holders of redeemable units and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of the net asset value per unit.

**Ratios and Supplemental Data**

(3) For the period ending in June 30, 2021.

(4) For the period ending in December 31, 2020.

(5) The management expense ratio is based on total expenses (excluding commissions and other portfolio costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. It is calculated by dividing the total of operating expenses (excluding commissions and portfolio transaction costs) and management fees, including applicable taxes, by the average net asset value of the Fund for the financial period, then multiplying the result by 100.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(7) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(8) For the period from April 15, 2019 (date of commencement of operations) to December 31, 2019.

(9) For the period from April 30, 2021 (date of commencement of operations) to June 30, 2021.