

## TRADING ACTIVITY

### BARRANTAGH INVESTMENT MANAGEMENT Canadian Small Cap Equities

The market volatility leading into 2022 intensified during the first quarter. Russia's invasion of Ukraine spiked geopolitical risk, added stress to already burdened global supply chains and intensified rising inflation. In March, the United States Federal Reserve commenced its rate hiking cycle with expectations for both the pace and magnitude of raises moving markedly higher through the period. Despite these headwinds, equity markets staged a strong recovery to finish the quarter, limiting the overall damage.

Canada has been amongst the strongest global markets, given our relatively high exposure to natural resources and their corresponding strong performance in the wake of rising inflation concerns. This was increasingly true for the small cap benchmark which posted very strong returns given the nearly 50% weight to energy and mining stocks (performance was negative outside these two sectors). Overall, sentiment has weakened to start the year outside of the barbell of defensives and commodities, which has led to underperformance of certain quality-value cash flow growers.

The increased volatility over the last number of months has driven opportunities within the portfolio. Two names which had underperformed (in our minds unjustifiably) last year and were added to in the fourth quarter, recovered nicely in Q1. Boralex (BLX) an

independent power producer with assets in France, Canada, and the United States sold off in 2021 as traditional energy soared. We believed these long-term contracted infrastructure assets were being mispriced in the market and added to our position. This proved prescient as BLX was able to sell a minority interest in its French assets at multiples higher than the public market valuation, leading to a strong valuation re-rate in the stock. Similarly, Calian Group (CGY), a diversified services provider across communications, defence, health care and technology verticals, had lagged considerably despite strong execution and growth throughout the pandemic. We believed the market had unfairly characterized the company simply as a "COVID winner" selling the stock down last year in favour of more cyclical exposure. We added to the position seeing a fundamental undervaluation and the stock recovered strongly during the current period, aided by improving sentiment around defence spending.

Though BLX and CGY were nice positive offsets to a generally challenging market, the largest positive contributor during the period came from long-time holding Intertape Polymer Group (ITP). Our investment thesis centered around an improving business, well positioned with growing exposure to e-commerce, and a valuation opportunity created by a legacy view of ITP disconnecting it from other public peers (the oft used "penalty box" idiom). Others

apparently shared our view, with private equity firm Clearlake Capital Group offering to acquire the company for an ~80% premium to the market price.

Macro risks have undoubtedly increased over the last three months with the European conflict/energy crisis, Fed tightening, and China lockdowns all serving as meaningful growth headwinds. However, we can still find attractive value and the potential for de-escalation and economic soft landing remain our base case. As always, our first line of defense in risk management is security selection: identifying outstanding businesses trading at a discount to their intrinsic value. This certainly does not immunize against short-term volatility (as risk tolerance fades emotion trumps analysis) but provides a strong buffer against the biggest risk: permanent loss of capital. And if we do things right, this volatility presents opportunity to hold on or add and let consensus correct, driving strong future returns.

## BUYS

### Brookfield Business Partners Corp (BBUC)

Brookfield Business Partners is the private equity focused Brookfield Asset Management entity. In Q1/22 it spun out BBUC, a corporate structure (with smaller market cap to make eligible for Small Cap mandate) from the BBU-U units. It focuses on healthcare, construction, and wastewater services around the world. The fundamentals look attractive with businesses performing strongly (cyclical recovery upside) and monetization events on the horizon. It has an attractive valuation at a sizable discount to our net asset value estimates.

## SELLS

Diversified Royalty (DIV).

The information contained in this report is intended for investment advisors as a supplement to describe activity in defined investment mandates. It is not a recommendation on the suitability of any investment to an individual's specific situation. While every effort is made to fairly and accurately describe the information provided herein, Barrantagh Investment Management accepts no responsibility for loss or liability related to the receipt of this information.

### FOR MORE INFORMATION PLEASE CONTACT:

Barrantagh Investment Management  
100 Yonge Street, Suite 1700  
Toronto, ON, Canada M5C 2W1

Alan Daxner, CFA  
Senior Vice President  
416.864.7958  
[adaxner@barrantagh.com](mailto:adaxner@barrantagh.com)

Robin Ferguson  
Vice President  
778.990.3445  
[rferguson@barrantagh.com](mailto:rferguson@barrantagh.com)