

**BARRANTAGH**  
Investment Management

**Update – Sept. 30, 2022**

- 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, 7 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, 14-year composite track-record
  - ‘A’ Class – 2.0% MER launched in Q2/2021
- Mid Cap – reached 5-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:

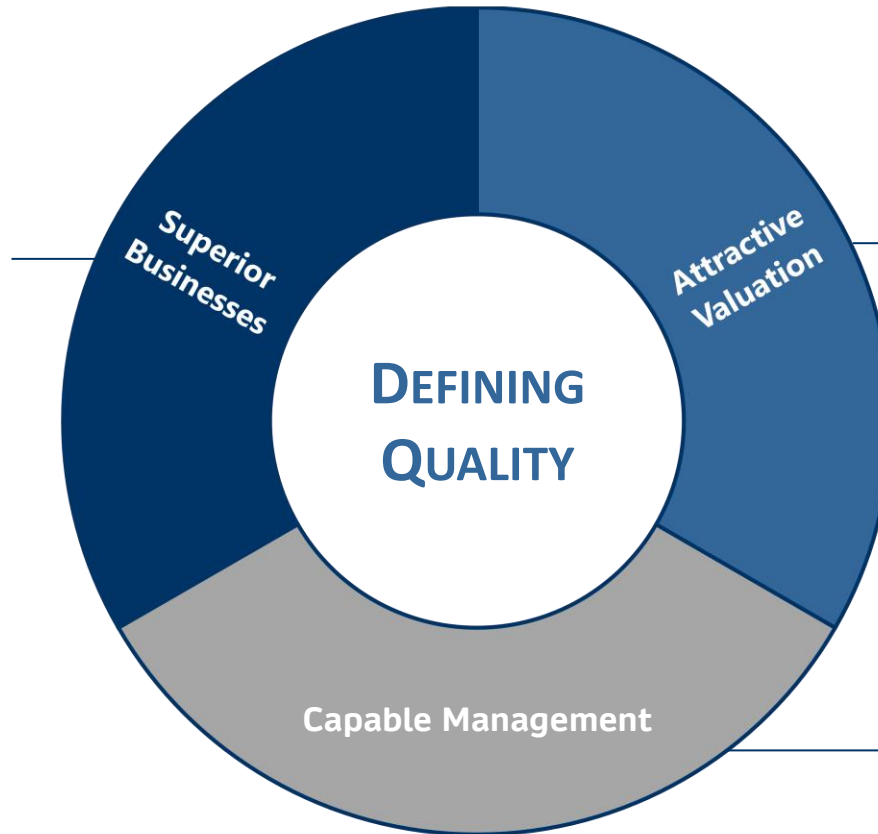
- Launched July, 2020
- Advisor Portal

# 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 September 30, 2022

For Periods Ending Sept. 30, 2022	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>-13.6%</b>	<b>-12.9%</b>	<b>7.5%</b>	<b>9.7%</b>	<b>6.4%</b>	<b>7.6%</b>	<b>6.4%</b>	<b>8.8%</b>	<b>6.6%</b>	<b>8.6%</b>	<b>9.7%</b>
S&P/TSX Small Cap Index	-16.3%	-13.8%	11.5%	6.5%	3.0%	2.4%	2.2%	6.5%	2.4%	3.7%	3.2%
S&P/TSX Composite Index	-11.1	-5.4%	10.1%	6.6%	6.7%	6.5%	7.0%	8.0%	5.8%	7.3%	7.3%

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>BIM Canadian Small Cap</b>	<b>18.8%<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>
S&P/TSX Small Cap Index	20.3%	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%

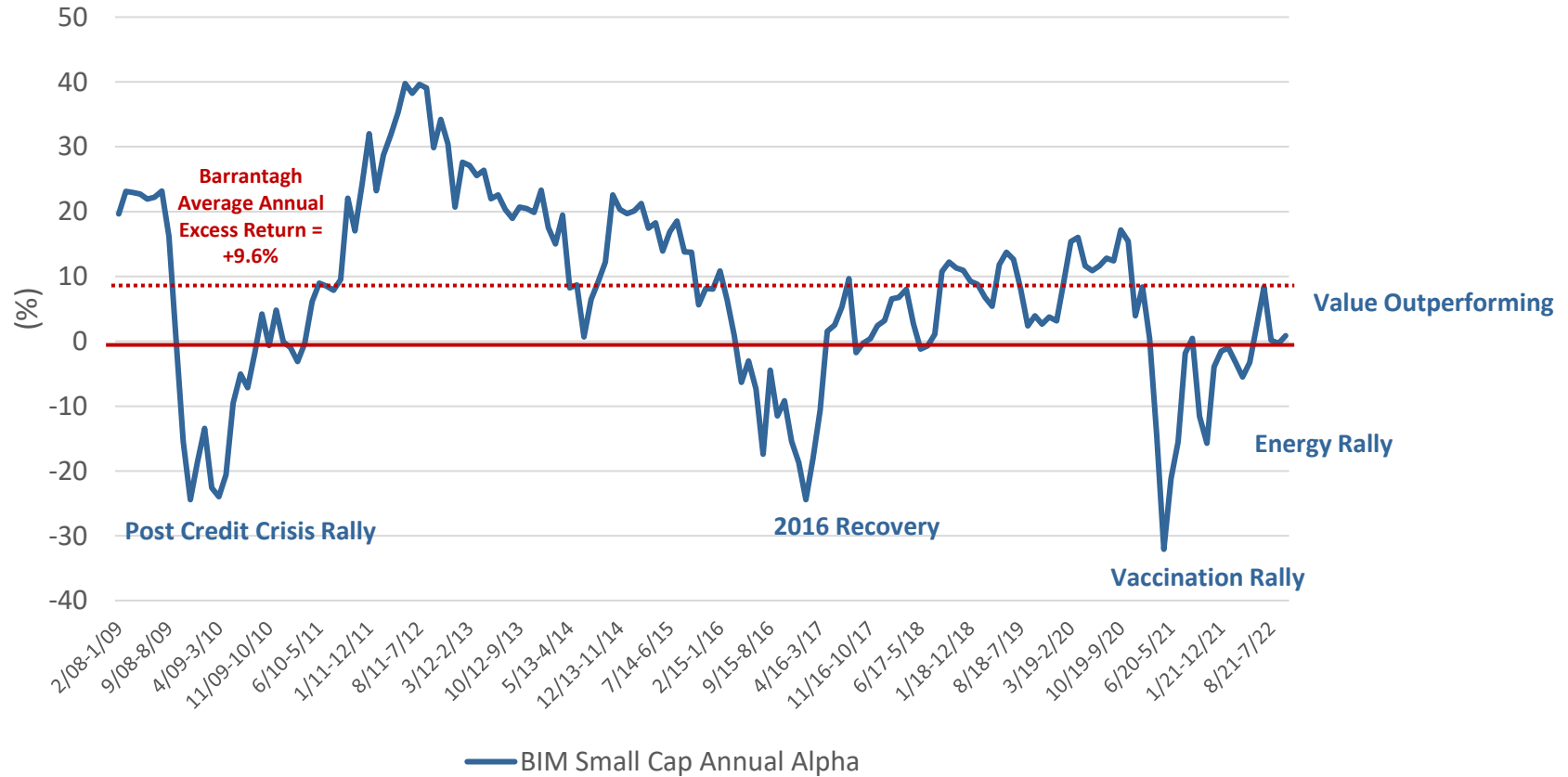
<sup>1</sup> Periods where index performance was driven by commodity rallies (Mining & Oil Exploration & Production)  
Green indicates periods that Barrantagh Small Cap outperformed

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

# Small Cap Canadian Equity

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

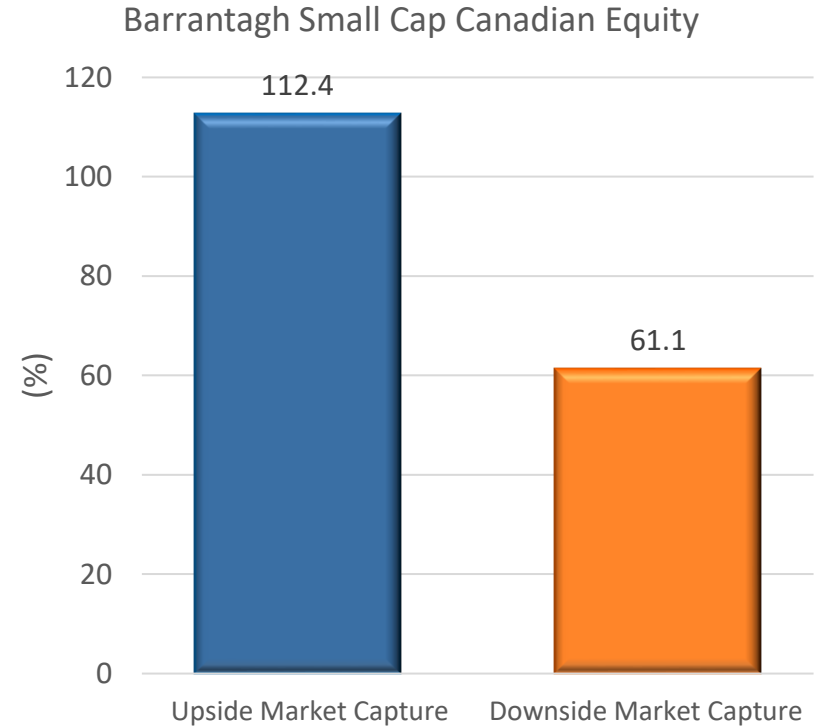
Rolling 1 Yr Excess Returns: Barrantagh Small Cap Annual Alpha vs. TSX Small Cap



# Small Cap Canadian Equity

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

Sept. 30, 2022	Barrantagh Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
<b>Annualized Return</b>	<b>11.7%</b>	<b>2.1%</b>	<b>6.4%</b>
Standard Deviation	13.8%	21.2%	16.7%
<i>Sharpe Ratio</i>	<i>0.78</i>	<i>0.1</i>	<i>0.3</i>



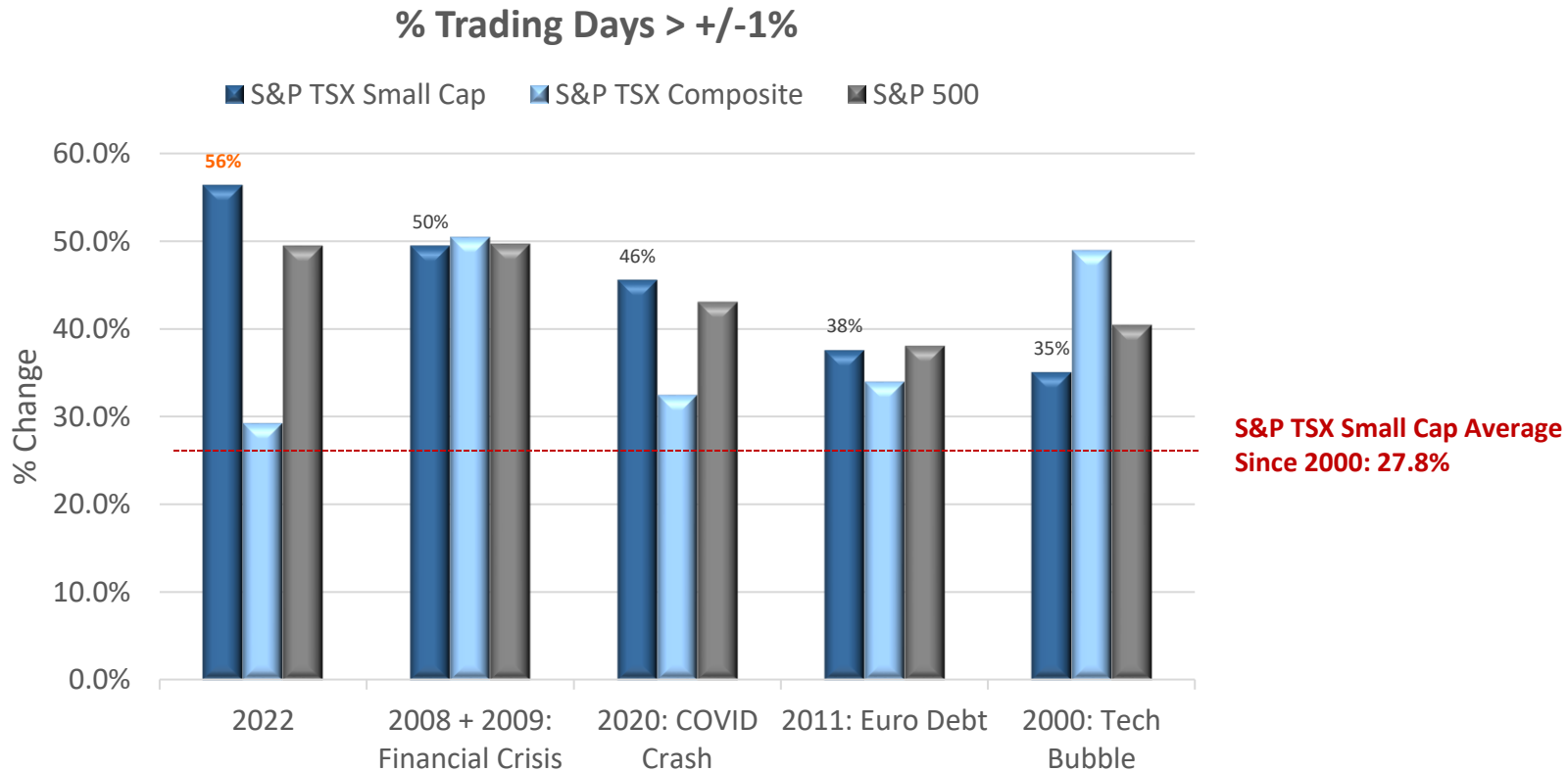
<sup>1</sup> Since Inception Jan. 1, 2008

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



# Small Cap Canadian Equity

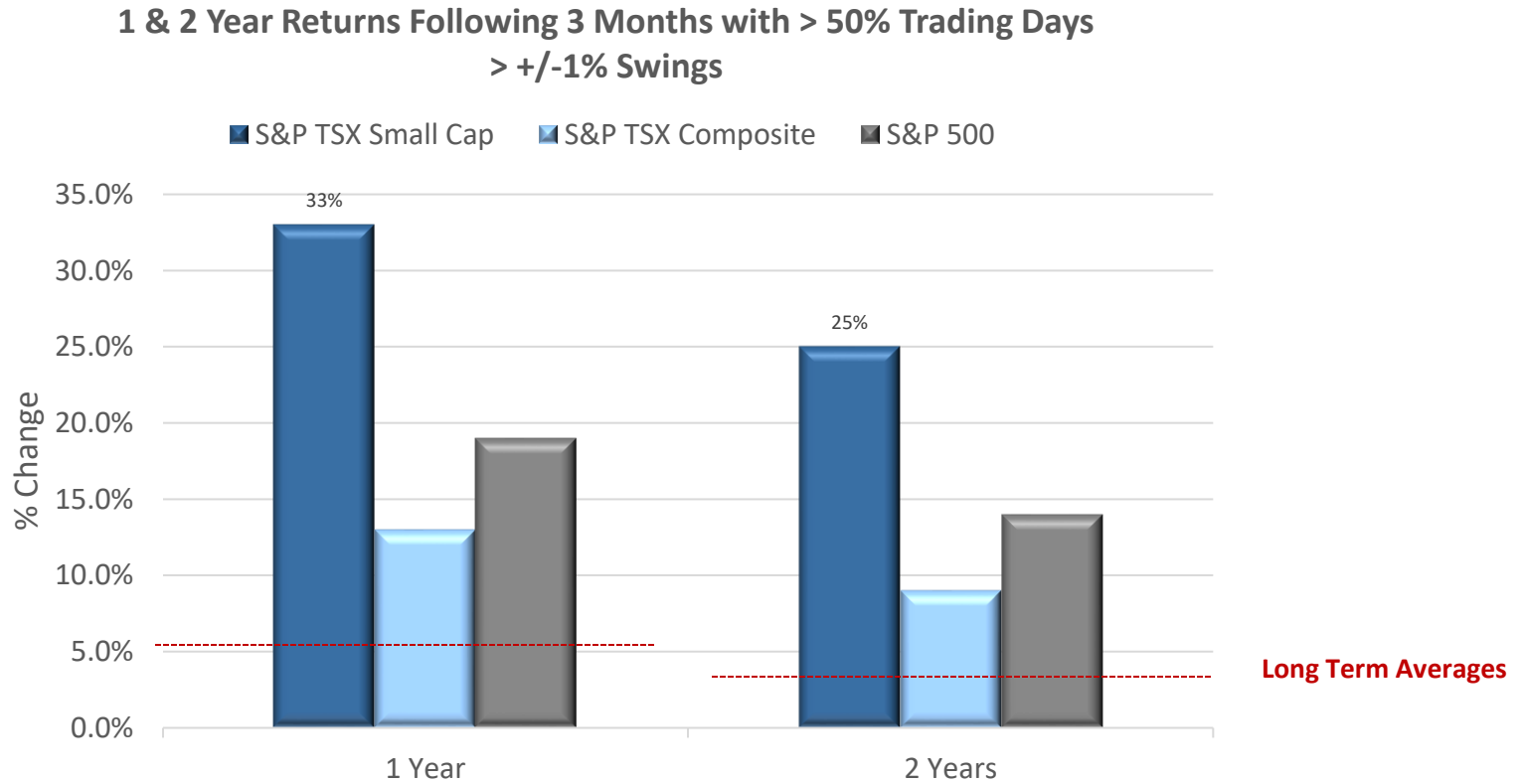
## 2022 Daily Volatility: Measuring Investor Fear



- 2022: **56%** of the trading days YTD were large swings of greater than +/- 1%
- 2022 Daily volatility has been greater in Canadian small caps than U.S. stocks and Cdn. Large caps
- High daily volatility peaks in “risk-off” markets as emotion overtakes fundamentals & **creates valuation opportunities (SEE NEXT SLIDE)**

# Small Cap Canadian Equity

## Index Returns Rebound Post Heightened Daily Volatility

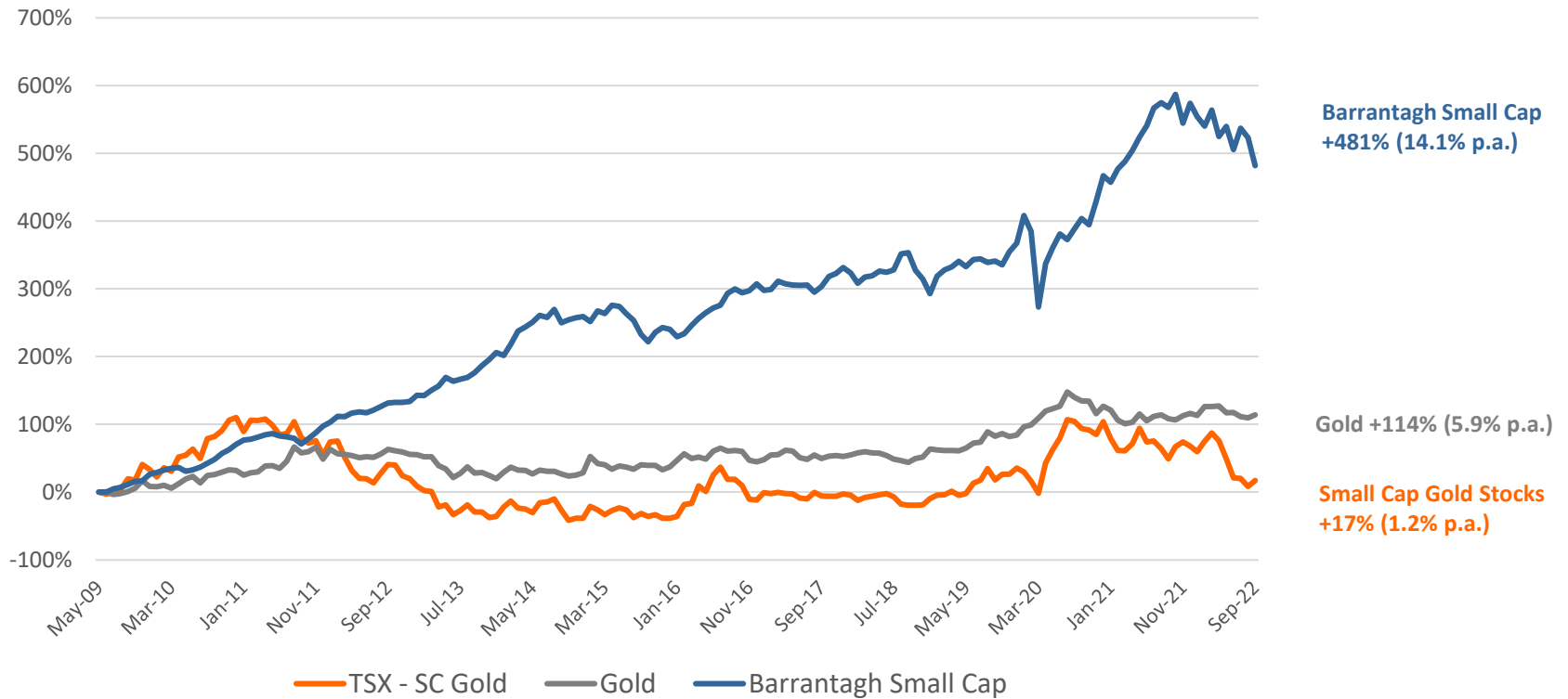


- S&P TSX Small Cap leads Canadian large cap and U.S. stocks on recovery

# Small Cap Canadian Equity Mandate

## Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

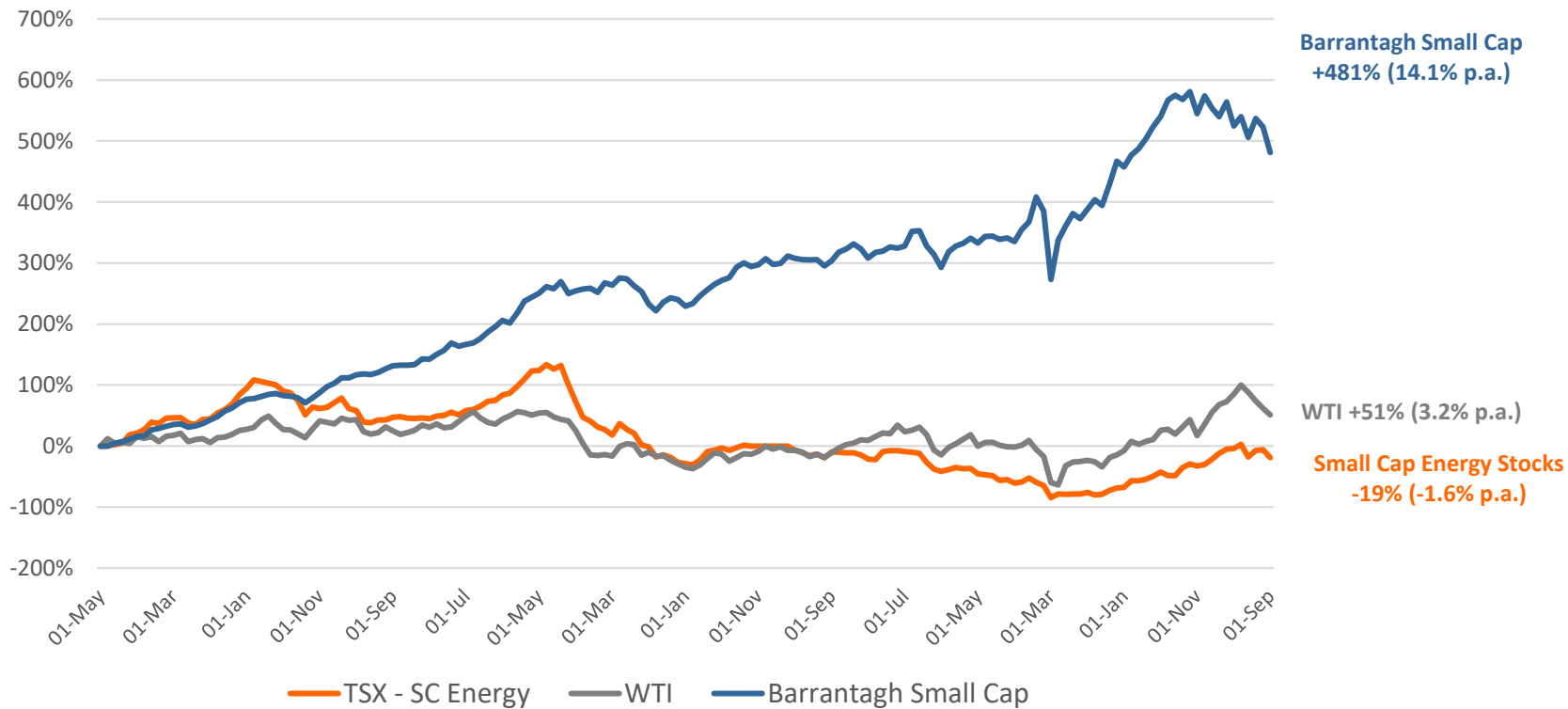
### Cumulative Returns ~ 13 Years to Sept. 30 2022



# Small Cap Canadian Equity Mandate

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

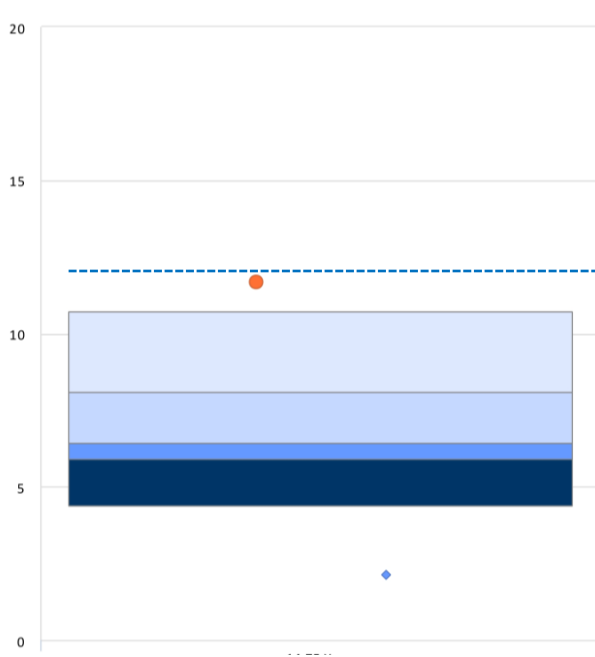
### Cumulative Returns ~ 13 Years to Sept. 30 2022



# RETURNS: Small Cap Canadian Equities

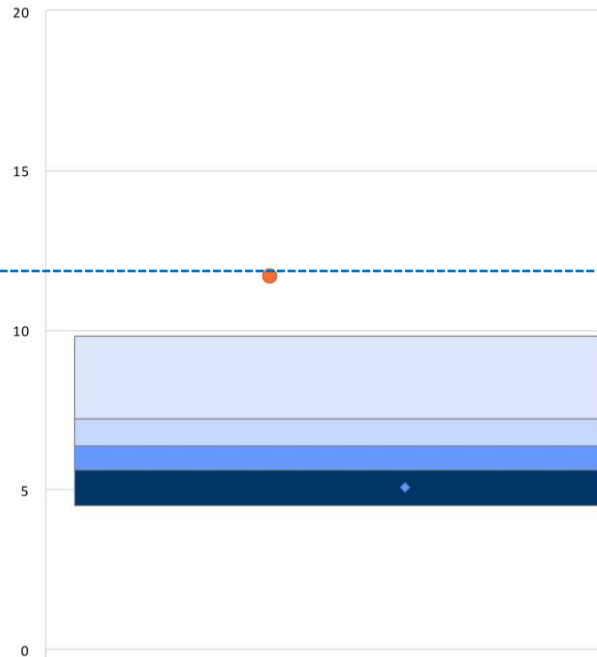
Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Sept. 30, 2022)

Canadian Small Cap Universe



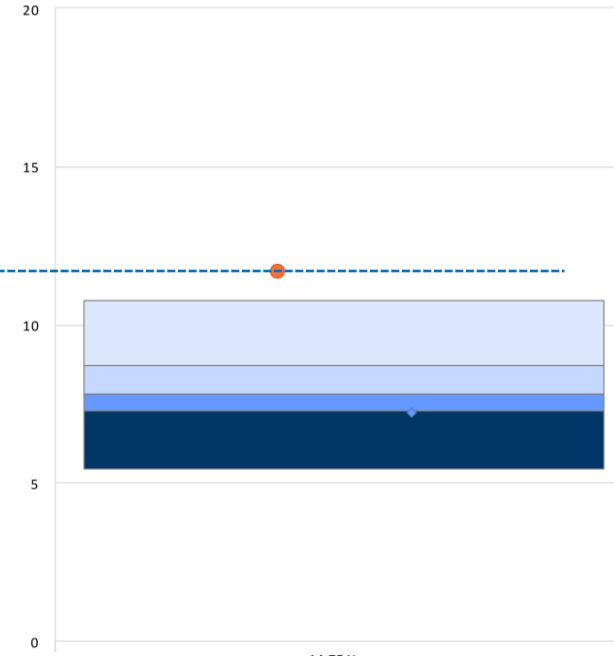
● Barrantagh Small Cap  
◆ TSX Small Cap Index

Canadian Large Cap Universe



● Barrantagh Small Cap  
◆ TSX Composite Index

Global Equity Universe (\$C)



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

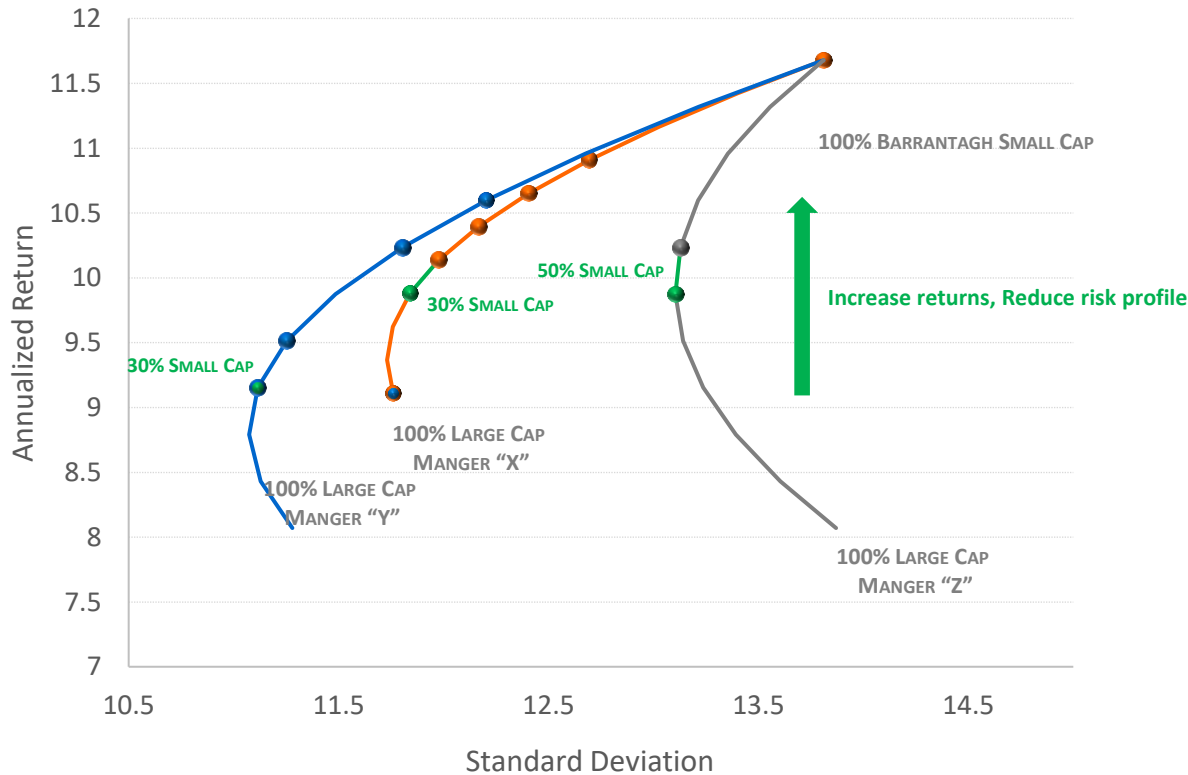
Strategy Inception Date: Jan. 1, 2008

# 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 Sept. 30, 2022



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 ( $\omega$ ) of underlying components
- Risk ( $\sigma$ ) of underlying components
- Correlation ( $\rho$ ) of components

Portfolio Standard Deviation( $\sigma_p$ )

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



# MANDATE REVIEW

Small Cap Canadian Equities

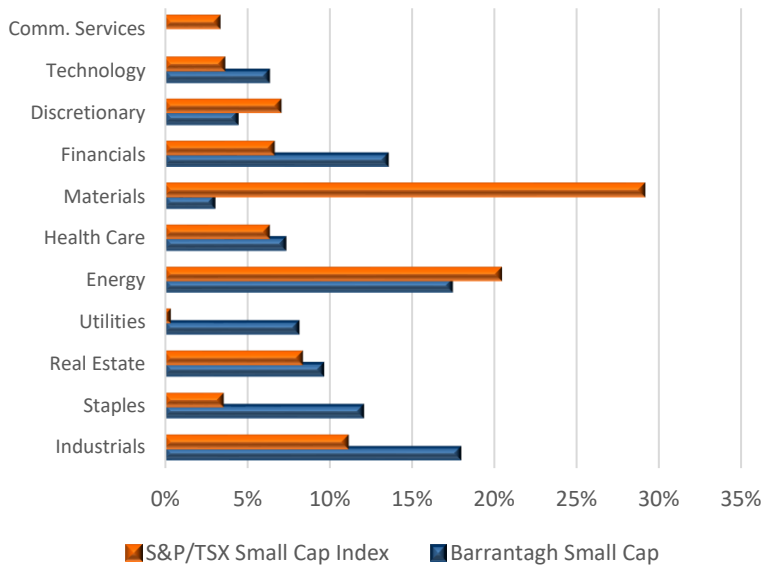
# Profile: Small Cap Canadian Equities

Portfolio at September 30, 2022

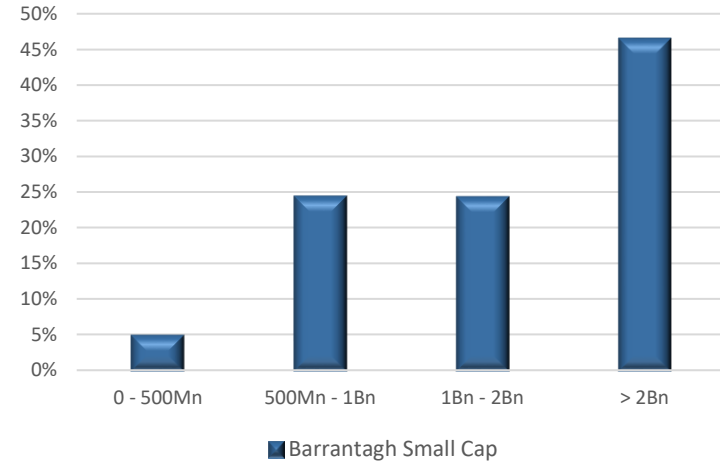
## CHARACTERISTICS

Number of Holdings	28
Avg. Market Cap	\$2.4 Bn
# Industry Sectors	10
Dividend Yield	2.1%

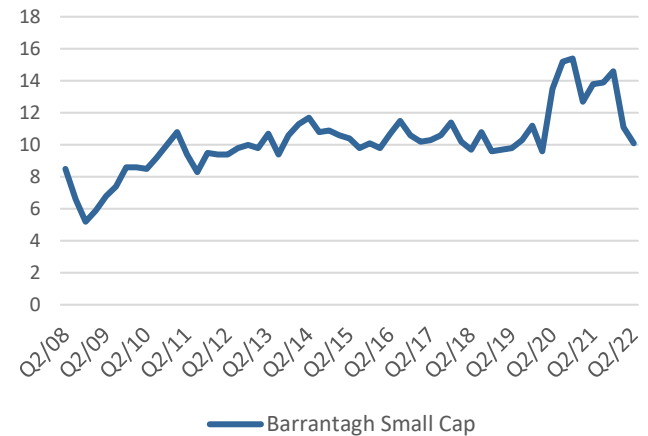
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF





# Canadian Small Cap Equity Portfolio

Portfolio at September 30, 2022 | Q3 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>					
MTY Food Group (+)	4.2%				
	<u>4.2%</u>				
<b>Consumer Staples</b>					
Jamieson Wellness	3.8%				
Neighbourly Pharmacy (+)	3.9%				
Premium Brands	<u>3.6%</u>				
	11.3%				
<b>Energy</b>					
Arc Resources	4.8%				
Gibson Energy	3.2%				
Enerflex	2.3%				
Tamarack Valley	3.2%				
Tidewater Midstream	<u>3.0%</u>				
	16.5%				
<b>Financials</b>					
Definity Financial	4.8%				
EQB Group	2.4%				
Propel Holdings	1.1%				
Trisura Group	<u>4.5%</u>				
	12.8%				
<b>Industrials</b>					
Boyd Group	5.1%				
Brookfield Business	2.7%				
Cargojet	2.4%				
Calian Group	3.9%				
Savaria	<u>2.7%</u>				
	16.8%				
<b>Real Estate</b>					
Minto Apartment REIT	2.0%				
Storagevault Canada	4.3%				
Summit Industrial REIT	<u>2.8%</u>				
	9.1%				
<b>Health Care</b>					
Andlauer Healthcare	4.8%				
Dentalcorp (+)	<u>2.2%</u>				
	7.0%				
<b>Information Technology</b>					
Dye & Durham	3.0%				
Softchoice (+)	<u>3.0%</u>				
	6.0%				
<b>Utilities</b>					
Boralex	4.9%				
Superior Plus	<u>2.8%</u>				
	7.7%				
<b>Materials</b>					
Chemtrade Logistics	<u>2.9%</u>				
	2.9%				
<b>Cash &amp; Equivalent</b>					
	5.7%				
<b>Total</b>					
	100.0%				
<b>SOLD</b>					
<b>Aecon</b>					
<b>TRIM = (-)</b>					
<b>ADD = (+)</b>					

# Canadian Small Cap Equity Portfolio

## Select Holdings – Brand Recognition

### JAMIESON WELLNESS (JWEL)



### CARGOJET (CJT)



Amazon optional ownership stake ~15%



### BORALEX (BLX)



### PREMIUM BRANDS (PBH)



### BOYD GROUP (BYD)



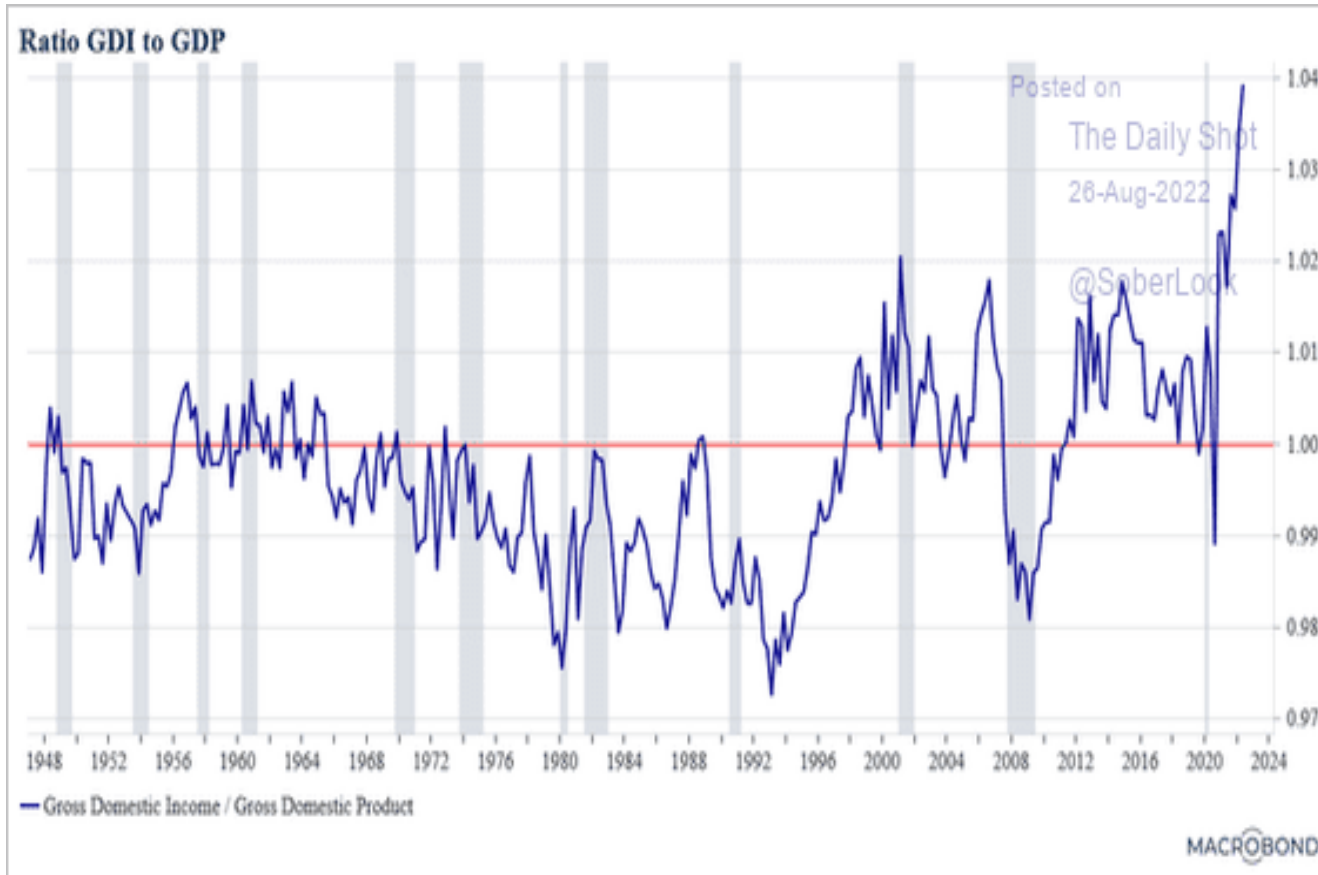
### STORAGEVAULT (SVI)





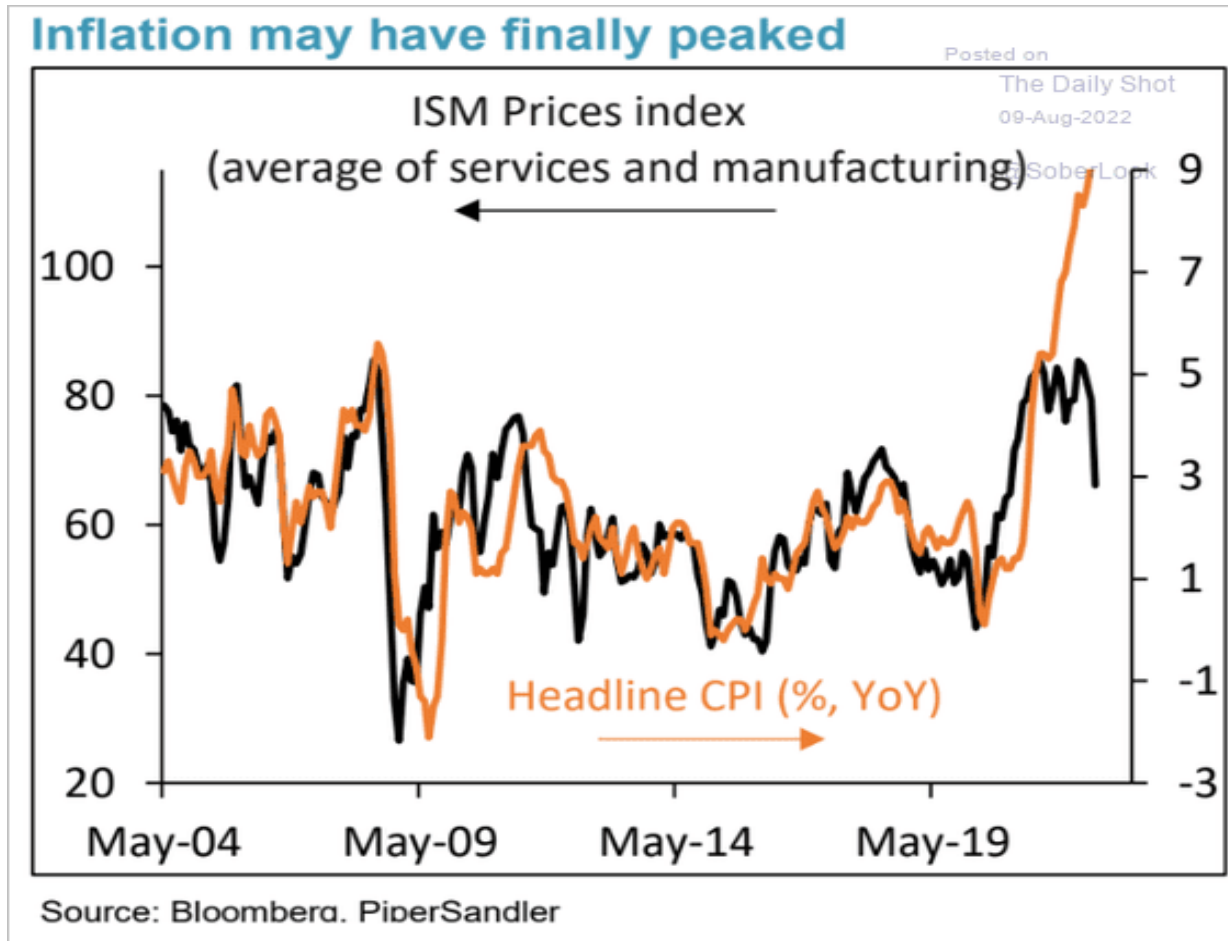
## ECONOMIC REVIEW

# Gross Domestic Income Rising while GDP Falling



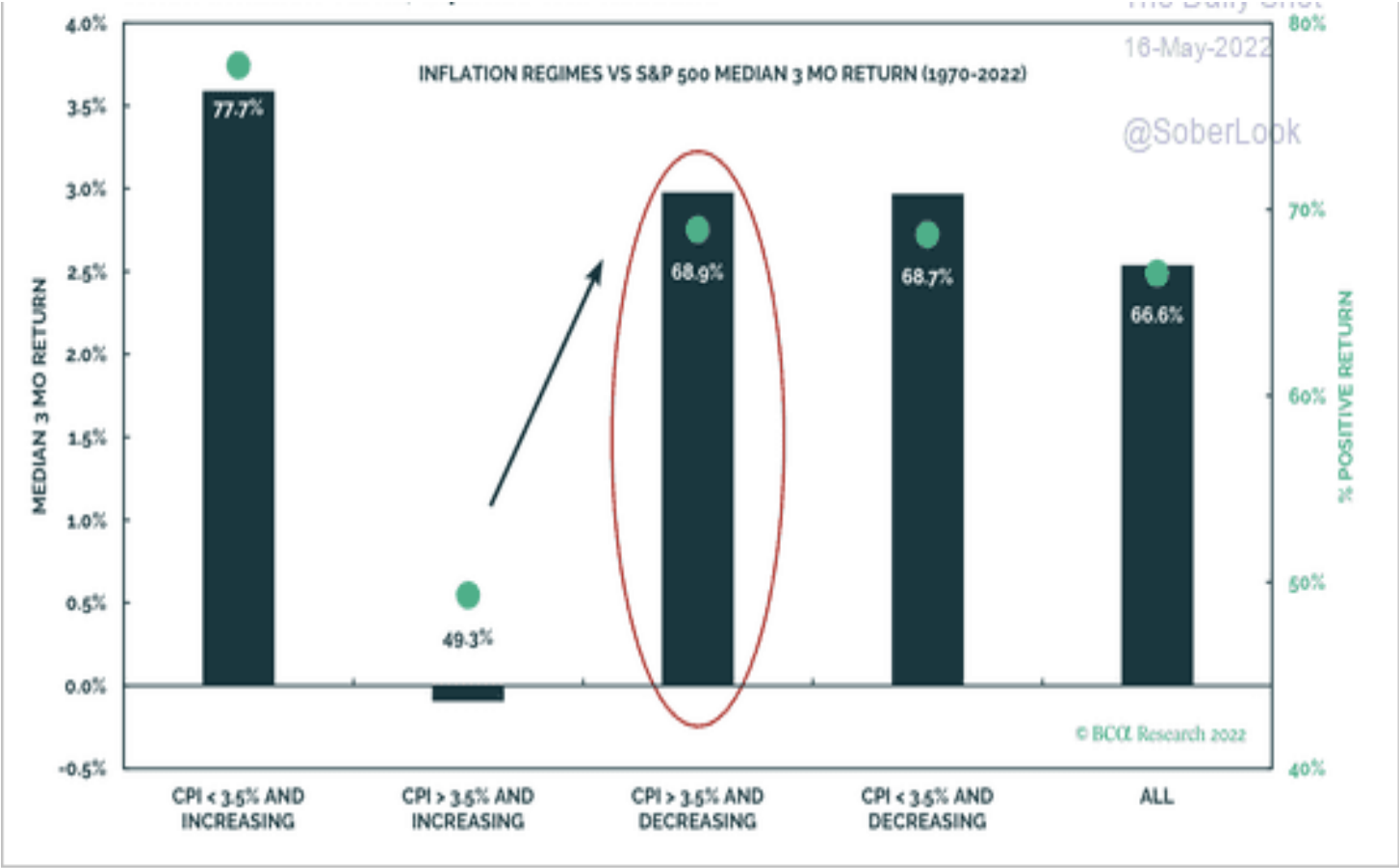
Source: The Daily Shot

# ISM Leads Inflation



Source: The Daily Shot

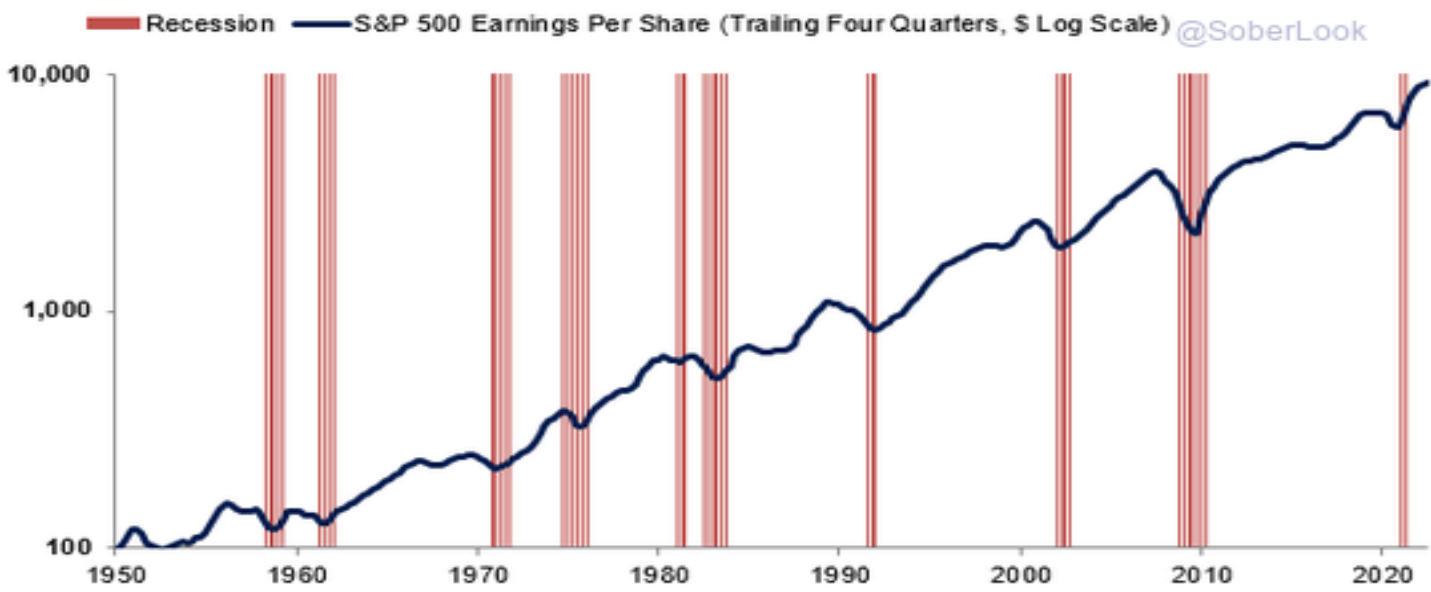
# When Inflation Turns, Equities Rebound



Source: The Daily Shot

# Take a Long-term View – Earnings are Resilient

It Takes A Pretty Bad Recession To Knock Earnings Off Track  
Earnings have a solid track record of bouncing back after recessions over the long term



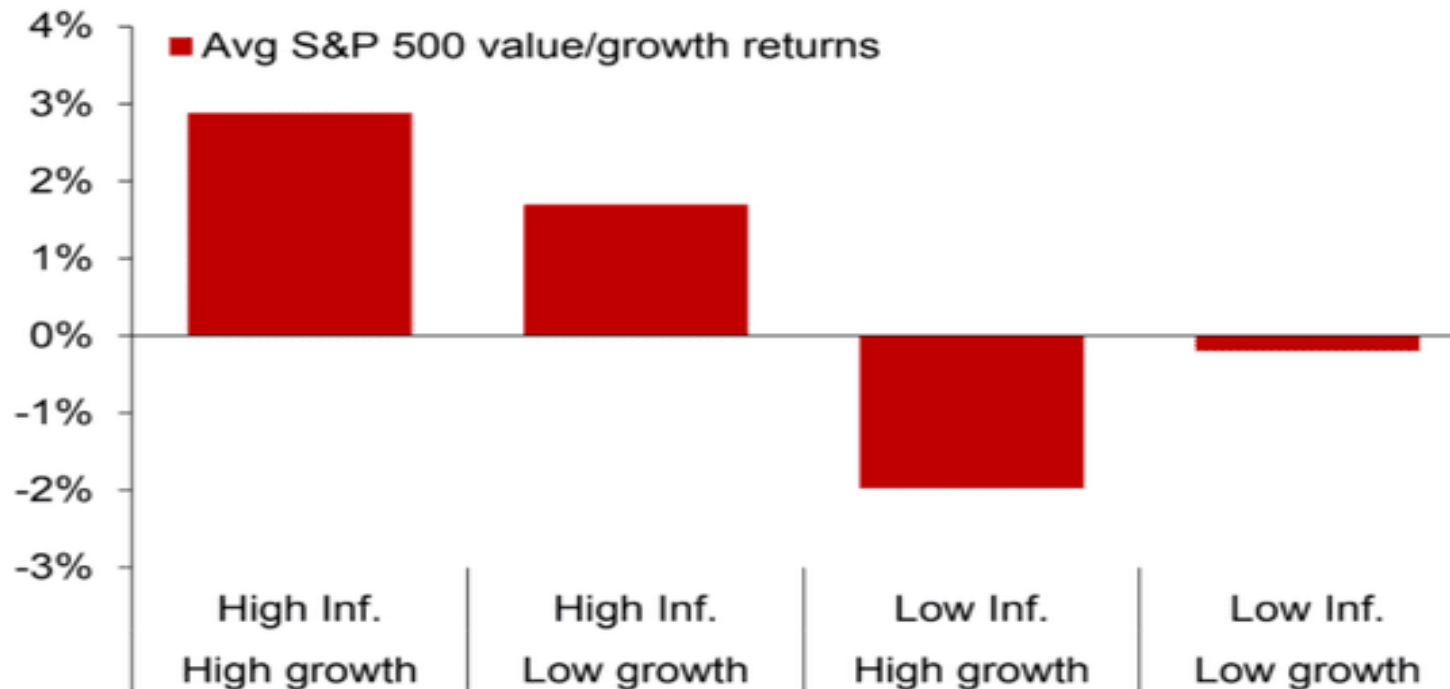
Source: LPL Research, Refinitiv, FactSet 7/20/22  
Indexes are unmanaged and cannot be invested in directly.  
The inception of the S&P 500 Index is 1957. Index data before then incorporates the predecessor index, the S&P 90.

Source: The Daily Shot

# Value vs Growth

## Higher Inflation Favours Value

Average value/growth returns in growth/inf. environments



Source : Oxford Economics/Refinitiv Datastream

Note: High/low environments determined by comparing US real GDP growth and inflation to rolling 10Y averages. Analysis from 1975 to date.

Source: The Daily Shot, Oxford, Refinitiv, Lehman, Bloomberg



# 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)
- SMA Minimum: \$80,000
- Advisor Portal available [www.barrantagh.com](http://www.barrantagh.com) Password: CIBC3

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