



Barrantagh Small Cap Canadian Equity Fund

Annual Management Report of Fund Performance

Period ended December 31, 2022

This Annual Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements by visiting our website at www.barrantagh.com.

Barrantagh Small Cap Canadian Equity Fund

Annual Management Discussion of Fund Performance

December 31, 2022

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.

Looking back on 2022, it was a very choppy year for equity markets around the globe. A risk off tone prevailed during much of the year with large intra-period swings for many stocks. The prevailing narrative of 2022 was that inflation remains sticky and the Fed remains steadfast in taking near-term rates higher, resulting in a strong U.S. dollar, ramping volatility, and risk assets under pressure. We have written previously that in periods of heightened volatility and negative sentiment small-caps can bear an oversized share of the burden but as these worries get (more than) priced in, future return prospects improve, and small-caps often lead as sentiment improves.

An important dynamic of market dislocations that can work well in small caps favour is take-out optionality. In 2022, the Fund had three announced buyouts (discussed below). Anecdotally, it has felt like this phenomenon is more prevalent for smaller companies and our recent review of the data bears this out. Of the 78 buyouts of Canadian equities since the beginning of 2019, ~85% were for companies below \$3 bn in value. Importantly, the average takeout premium on the smaller-sized deals was +37% versus the larger buyouts at +18%. This supports the thesis that takeout optionality is both, (1) much more common among small cap stocks, and (2) completed at higher realized premiums than their larger cap peers.

Our principal responsibility is identifying high-quality businesses offered in the marketplace at less than their fair value. Buyouts are never the core part of the thesis on a holding. This optionality is meaningful to overall portfolio returns and represents another strategy why small cap investing can be rewarding.

Key Contributors/Detractors:

Energy lead markets in 2022, which insulated Canadian indices and the small cap benchmark. The Fund managed to protect capital on the downside and outperform, despite the commodity tailwinds benefiting the energy-heavy benchmark. Removing the energy sector contribution, the S&P/TSX Small Cap Index would have been down more than 15% for the year. The Fund benefited from our exposure to materials, consumer discretionary, and utilities, where strong stock selection generated positive absolute and relative returns. Absolute returns were also boosted by three take-private announcements of Fund holdings, discussed below. Also, helpful to Fund performance is our avoidance of more speculative areas of the market; a basket of two dozen Canadian-listed "concept" stocks exposed to sectors like cannabis, crypto, EV's, plant-based protein, etc. (many of which thrived in the post-pandemic euphoria of 2020-2021) were down on average 63% in 2022. This is a positive development for prudent asset allocators as capital now has a real cost, value matters, and cash flow is once again king.

Assets:

The Fund experienced an increase in assets over 2022 as positive net contributions more than offset negative market returns.

Recent Developments

As noted above the Fund experienced three announced buyouts during the period: Intertape Polymer (ITP) for an ~82% premium to private equity group Clearlake Capital, LifeWorks (LWRK) for an ~89% premium to strategic buyer TELUS Health and, in the fourth quarter, Summit Industrial REIT (SMU-U) for a ~33% premium to Singapore sovereign wealth fund, GIC and Dream Industrial REIT. The ITP and LWRK transactions completed during the year, while SMU-U has yet to close at the end of the period. In addition to these take-outs the Fund remained active during the year. The increased volatility allowed us to add exposure to some quality defensive growers, primarily in the consumer and industrial sectors at increasingly attractive prices, while paring back more cyclical exposure elsewhere in the portfolio.

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 Investory & 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

Summary of investment portfolio

As at December 31, 2022

The summary of investment portfolio may have changed since December 31, 2022 due to ongoing portfolio transactions of the Fund.

Top 25 Holdings	Percentage of Net Asset Value (%)
Trisura Group Ltd.	6.0
Boyd Group Services Inc.	5.8
ARC Resources Ltd.	5.0
Definity Financial Corp.	4.5
Andlauer Healthcare Group Inc.	4.5
Calian Group Ltd.	4.4
StorageVault Canada Inc.	4.4
Borex Inc.	4.2
Neighbourly Pharmacy Inc.	4.2
MTY Food Group Inc.	3.9
Jamieson Wellness Inc.	3.8
Summit Industrial Income Real Estate Investment Trust	3.5
Chemtrade Logistics Income Fund	3.5
Tamarack Valley Energy Ltd.	3.5
Premium Brands Holdings Corp.	3.3
Gibson Energy Inc.	3.2
Enerflex Ltd.	3.2
Softchoice Corp.	3.1
Superior Plus Corp.	2.9
Tidewater Midstream and Infrastructure Ltd.	2.8
Dye & Durham Ltd.	2.7
EQB Inc.	2.7
Savaria Corp.	2.6
Cargojet Inc.	2.3
Dentalcorp Holdings Ltd.	2.3
Total Net Asset Value	\$101,145,438

Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Equities	97.5
Cash	2.2
Other Net Assets (Liabilities)	0.3
	100.0

Sector	Percentage of Net Asset Value (%)
Energy	17.7
Industrials	17.2
Financials	14.3
Consumer Staples	11.3
Real Estate	9.9
Utilities	7.1
Health Care	6.8
Information Technology	5.8
Consumer Discretionary	3.9
Materials	3.5
Cash	2.2
Other Assets (Liabilities)	0.3
	100.0

BARRANTAGH SMALL CAP CANADIAN EQUITY FUND

 The Fund's net assets attributable to holders of redeemable units per unit¹
Series A

	2022 ⁽³⁾	2021 ⁽¹⁰⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 10.81	\$ 10.00
Increase (decrease) from operations:		
Total Revenue	0.21	0.17
Total Expenses	(0.26)	(0.21)
Realized gains (losses) for the period	0.36	0.11
Unrealized gains (losses) for the period	(0.71)	0.47
Total increase (decrease) from operations²	(0.40)	0.54
Distributions:		
From income (excluding dividends)	-	-
From dividends	-	(0.03)
From capital gains	(0.27)	(0.02)
Return of Capital	-	-
Total Annual Distributions	(0.27)	(0.05)
Net assets attributable to holders of redeemable units, end of period	\$ 9.71	\$ 10.81
Ratios and Supplemental Data:		
Total net asset value	\$ 1,324,679	\$ 636,482
Number of units outstanding	136,366	58,863
Management expense ratio ⁵	2.50%	2.69%
Management expense ratio before waivers or absorptions	2.50%	2.69%
Trading expense ratio ⁶	0.07%	0.13%
Portfolio turnover rate ⁷	20.56%	27.77%
Net asset value per unit	\$ 9.71	\$ 10.81

 The Fund's net assets attributable to holders of redeemable units per unit¹
Series F

	2022 ⁽³⁾	2021 ⁽⁴⁾	2020 ⁽⁵⁾	2019 ⁽⁹⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 14.42	\$ 12.36	\$ 10.35	\$ 10.00
Increase (decrease) from operations:				
Total Revenue	0.27	0.30	0.29	0.23
Total Expenses	(0.20)	(0.23)	(0.18)	(0.21)
Realized gains (losses) for the period	0.56	0.46	(0.16)	(0.16)
Unrealized gains (losses) for the period	(1.53)	1.46	3.47	1.32
Total increase (decrease) from operations²	(0.90)	1.99	3.42	1.18
Distributions:				
From income (excluding dividends)	-	-	-	-
From dividends	(0.05)	(0.02)	(0.06)	-
From capital gains	(0.36)	(0.02)	-	-
Return of Capital	-	-	-	-
Total Annual Distributions	(0.41)	(0.04)	(0.06)	-
Net assets attributable to holders of redeemable units, end of year	\$ 13.04	\$ 14.42	\$ 12.36	\$ 10.35
Ratios and Supplemental Data:				
Total net asset value	\$ 56,306,894	\$ 54,641,198	\$ 21,444,938	\$ 5,120,985
Number of units outstanding	4,316,471	3,788,129	1,734,420	494,676
Management expense ratio ⁵	1.46%	1.54%	1.61%	2.51%
Management expense ratio before waivers or absorptions	1.46%	1.54%	1.75%	2.51%
Trading expense ratio ⁶	0.07%	0.13%	0.08%	0.37%
Portfolio turnover rate ⁷	20.56%	27.77%	15.97%	16.54%
Net asset value per unit	\$ 13.04	\$ 14.42	\$ 12.36	\$ 10.35

 The Fund's net assets attributable to holders of redeemable units per unit¹
Series O

	2022 ⁽³⁾	2021 ⁽⁴⁾	2020 ⁽⁵⁾	2019 ⁽⁹⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 14.61	\$ 12.50	\$ 10.42	\$ 10.00
Increase (decrease) from operations:				
Total Revenue	0.28	0.29	0.26	0.29
Total Expenses	(0.06)	(0.09)	(0.07)	(0.16)
Realized gains (losses) for the period	0.56	0.51	(0.28)	(0.17)
Unrealized gains (losses) for the period	(1.62)	1.49	2.38	0.97
Total increase (decrease) from operations²	(0.84)	2.20	2.29	0.93
Distributions:				
From income (excluding dividends)	-	-	-	-
From dividends	(0.19)	(0.14)	(0.13)	-
From capital gains	(0.37)	(0.02)	-	-
Return of Capital	-	-	-	-
Total Annual Distributions	(0.56)	(0.16)	(0.13)	-
Net assets attributable to holders of redeemable units, end of year	\$ 13.21	\$ 14.61	\$ 12.50	\$ 10.42
Ratios and Supplemental Data:				
Total net asset value	\$ 43,513,865	\$ 43,542,442	\$ 28,553,048	\$ 19,711,322
Number of units outstanding	3,293,851	2,980,627	2,284,366	1,892,241
Management expense ratio ⁶	0.40%	0.49%	0.60%	1.90%
Management expense ratio before waivers or absorptions	0.40%	0.49%	0.69%	1.90%
Trading expense ratio ⁷	0.07%	0.13%	0.08%	0.37%
Portfolio turnover rate ⁸	20.56%	27.77%	15.97%	16.54%
Net asset value per unit	\$ 13.21	\$ 14.61	\$ 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 ended in December 31, 2022

(4) For the period ended in December 31, 2021

(5) For the period ended in December 31, 2020.

(6) 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.

(7) 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.

(8) 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

(9) For the period from April 15, 2019 (date of series launch date) to December 31, 2019.

(10) For the period from April 30, 2021 (date of commencement of operations) to December 31, 2021.