

# **BARRANTAGH**

Investment Management

## **Update – Dec 31, 2022**

- **Firm Update**
- **Mandate Review**
  - Small Cap Canadian Equities
  - Global Equities
- **Economic Update**



**ALIGNED**  
capital partners inc.

# 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

### PROMOTIONS:

- **Robert Vidinovski** from Associate Portfolio Manager to Portfolio Manager– Fixed Income
- **Kevin Chu** from Associate Portfolio Manager to Portfolio Manager– Global Equities

### 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 Q2/22

### 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:

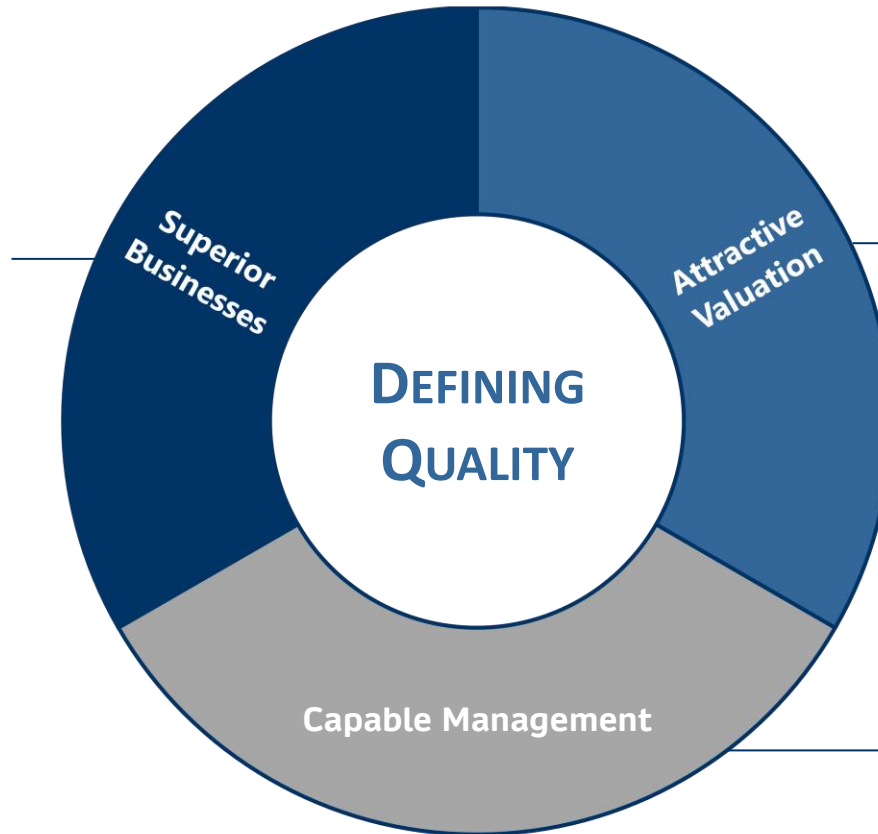
- Awarded new SMA mandate (Global Equities) continuing to broaden our offerings with 5 leading IIROC firms

# Investment Philosophy

## Defining Quality Value

### 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 Investing

## Adapting a Recent Global Study<sup>1</sup> to the Canadian Market

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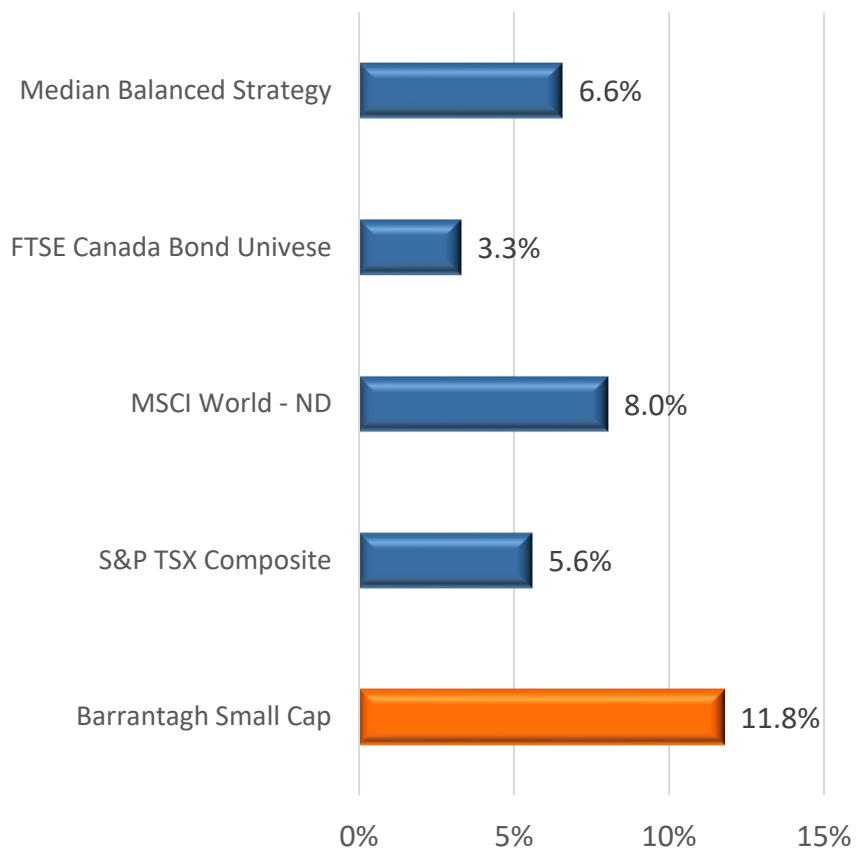
- Empirical evidence of superior returns
- Structural tailwinds
  - Small companies generate higher shareholder returns
  - Beneficiaries of M&A
  - Higher management ownership (“Skin in the Game”)
  - Alpha opportunities – less coverage & less efficiently priced
- New forces at work
  - Domestic focus as globalization faces challenges
  - Outperformance in low growth environments

<sup>1</sup>JP Morgan: The Case for SMID – October 31, 2022

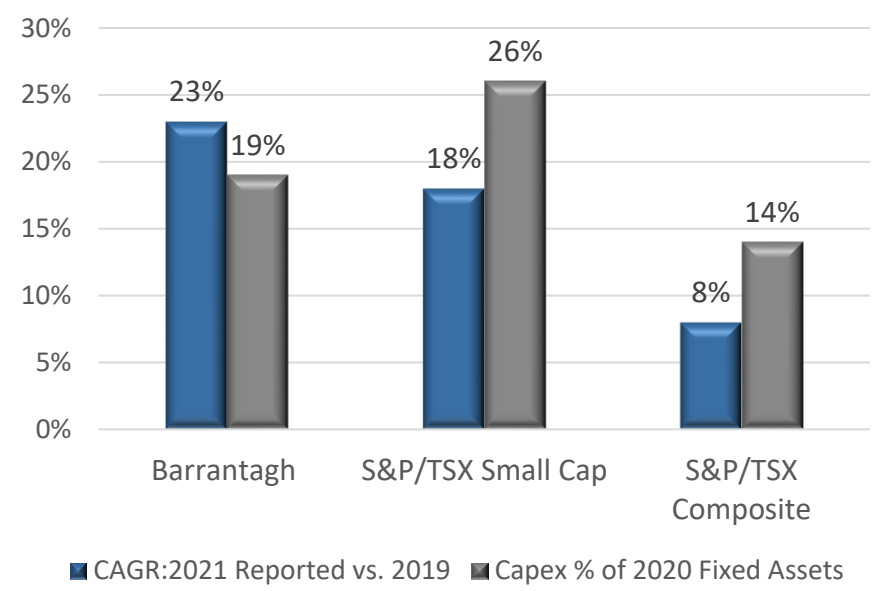
# Small Cap Investing

## Empirical Evidence of Faster Growth

Annualized Return 2008 – Q1 2023<sup>1</sup>



Revenue Growth & Capital Investment

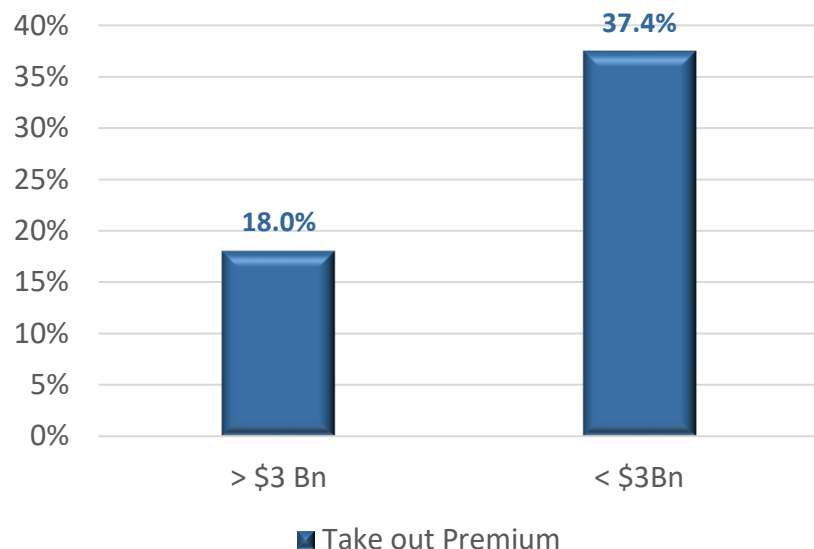


<sup>1</sup>Annualized Returns Since Barrantagh Small Cap Canadian Inception Jan/2008 through Mar./2023

# Small Cap Investing

## Increases M&A Activity Potential and Premium

M&A in Canada Since 2019



- 11 Deals completed > \$3Bn Total Value
- 67 Deals completed < \$3 Bn Total Value

Source: Bloomberg, Barrantagh Research

Barrantagh Positions Targeted

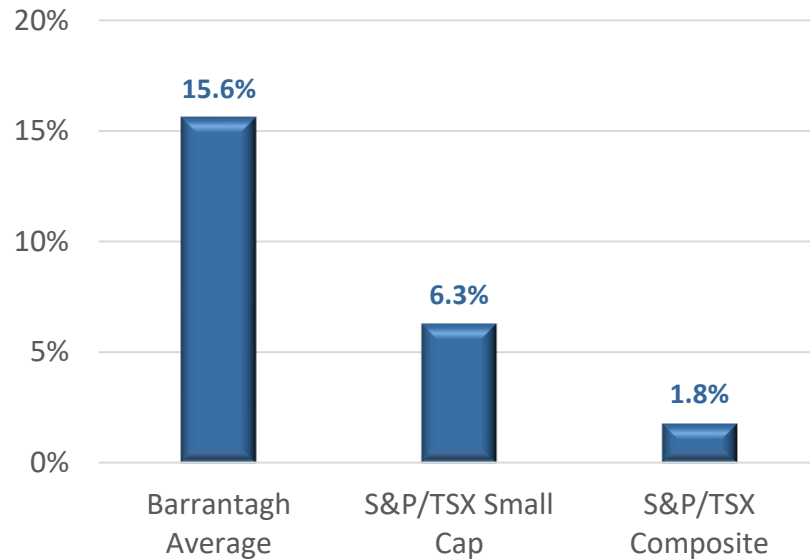
	Announce Date	Premium <sup>1</sup>
Summit Industrial	04/2022	31%
Lifeworks	Q2/2022	88%
Intertape Polymer	Q1/2022	67%
People Corp.	Q4/2020	75%
Enercare	Q3/2018	64%
Spartan Energy	Q2/2018	5%
Pure Industrial	Q1/2018	21%

<sup>1</sup>Premium to 1 Month Average Price

# Small Cap Investing

Barrantagh positions have larger Insider Ownership “Skin in the Game”

% Insider Ownership



Source: Bloomberg, Barrantagh Research

Barrantagh Top 10

	% Ownership
Andlauer Healthcare	57%
Neighbourly Pharmacy	52%
Softchoice	50%
Dentalcorp	44%
Minto Apartment REIT	41%
Storagevault	38%
Brookfield Business	35%
Tidewater Midstream	35%
Propel Holdings	30%
Savaria	25%



# Small Cap Investing

## Deglobalization/Reshoring/Friendshoring – Tend to Reduce Economic Growth

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- U.S. - China tariffs
- Covid pandemic
- Geopolitics
- Supply chain bottlenecks
- Shipping costs
- Carbon Taxes = trade tariff
- Strategic supply chains (rare earth metals)

### However:

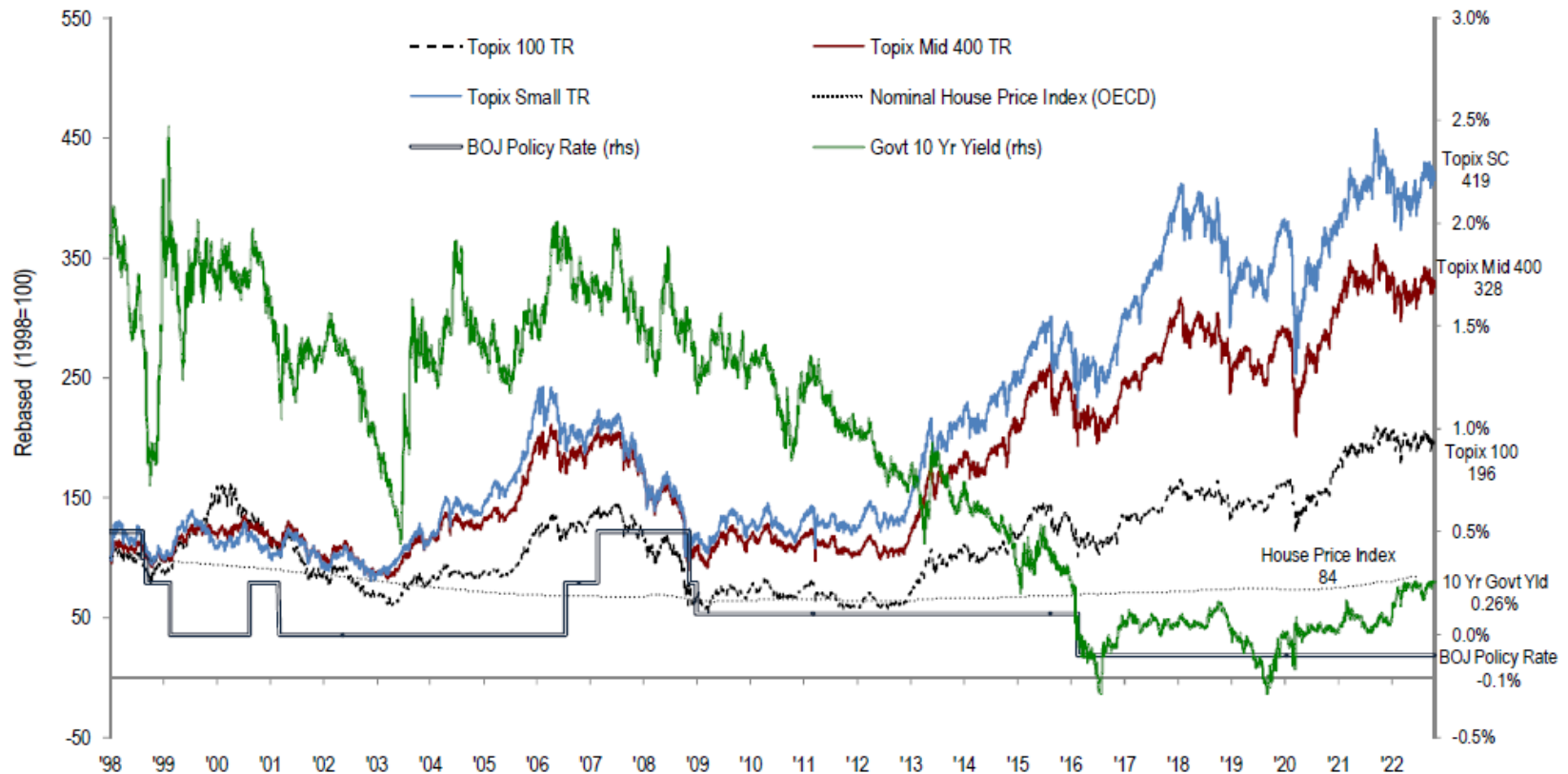
- Barrantagh Small Cap ~70% revenues Canadian & ~89% Canadian + U.S.
- S&P/TSX Composite ~53% Canadian revenues

Source: Bloomberg, Barrantagh Research

# Small Cap Investing

## In a Low Growth Environment Small Caps Outperform – Japan Example

### Cumulative Performance – Japan (1998 – Current)

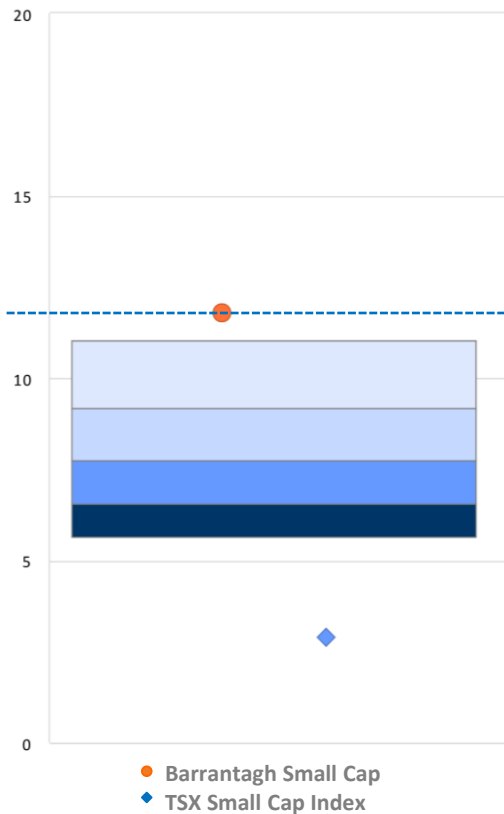


Source: Factset, Bloomberg, JP Morgan

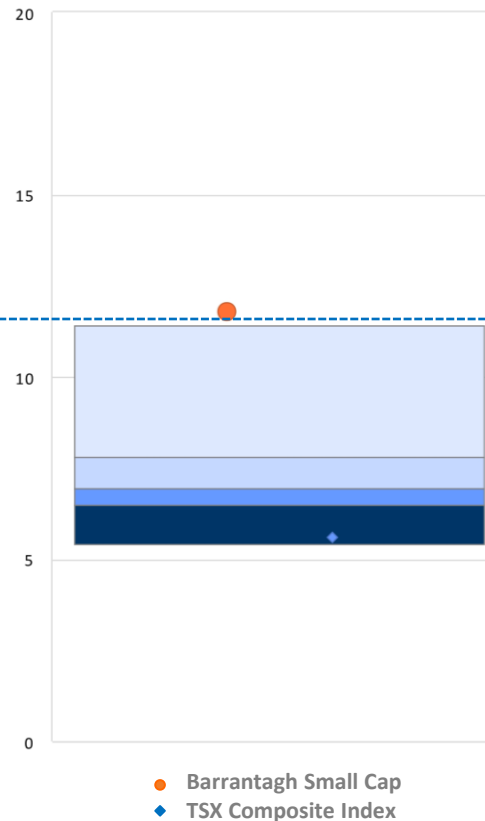
# RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Mar. 31, 2023)

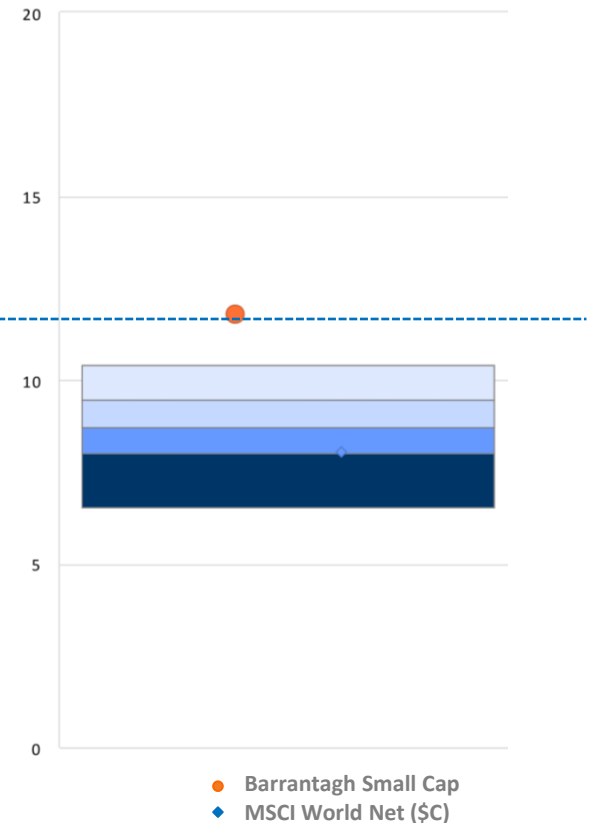
Canadian Small Cap Universe



Canadian Large Cap Universe



Global Equity Universe (\$C)



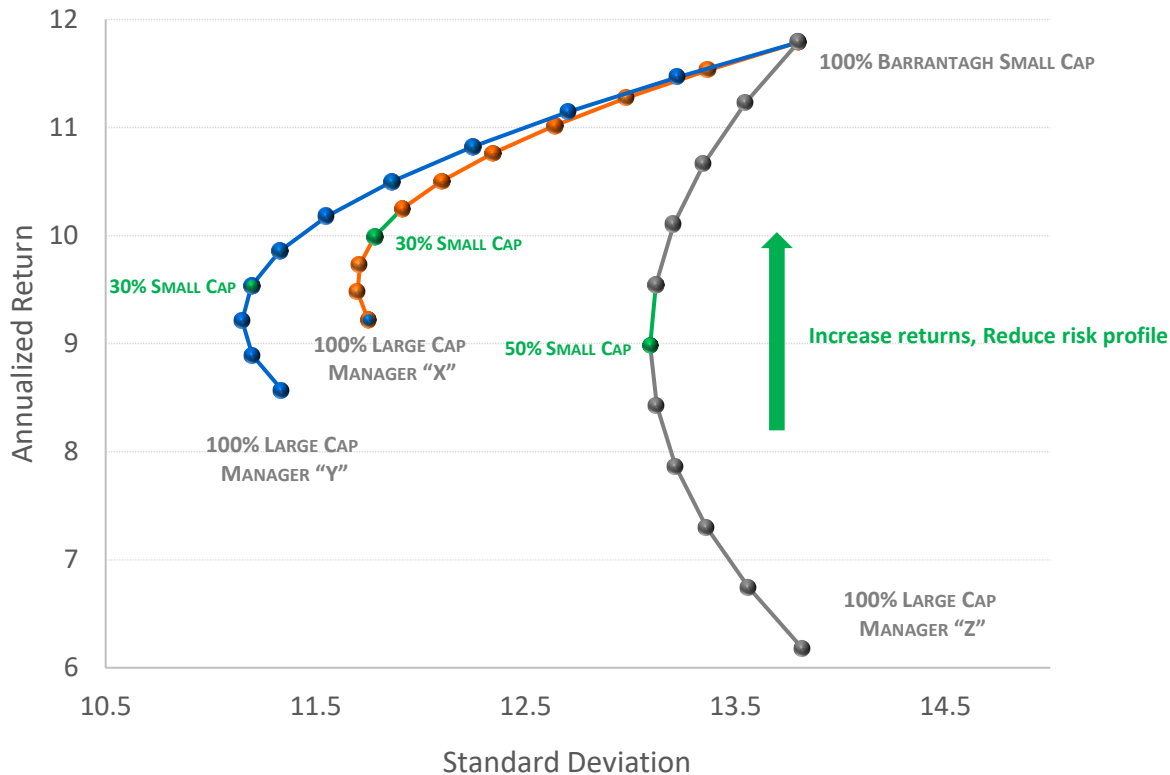
Strategy Inception Date: Jan. 1, 2008

# 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 Mar. 31, 2023



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( $\sigma_p$ )

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



## MANDATE REVIEW

Small Cap Canadian Equities

# Small Cap Canadian Equity

Performance at March 31, 2023

For Periods Ending Mar. 31, 2023	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>-1.7%</b>	<b>-6.2%</b>	<b>3.1%</b>	<b>21.3%</b>	<b>9.6%</b>	<b>8.4%</b>	<b>7.2%</b>	<b>8.8%</b>	<b>7.0%</b>	<b>7.1%</b>	<b>9.6%</b>
<b>S&amp;P/TSX Small Cap Index</b>	<b>4.5%</b>	<b>-12.6%</b>	<b>1.9%</b>	<b>27.6%</b>	<b>7.7%</b>	<b>5.7%</b>	<b>3.6%</b>	<b>6.9%</b>	<b>5.3%</b>	<b>3.5%</b>	<b>4.6%</b>
<b>S&amp;P/TSX Composite Index</b>	<b>4.6%</b>	<b>-5.2%</b>	<b>6.8%</b>	<b>18.0%</b>	<b>9.0%</b>	<b>8.8%</b>	<b>7.6%</b>	<b>9.1%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.9%</b>

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>BIM Canadian Small Cap</b>	<b>-5.7%</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>
<b>S&amp;P/TSX Small Cap Index</b>	<b>-9.3%</b>	<b>20.3%</b>	<b>12.9%</b>	<b>15.8%</b>	<b>-18.2%</b>	<b>2.7%</b>	<b>38.5%</b>	<b>-13.4%</b>	<b>-2.4%</b>	<b>7.6%</b>	<b>-2.2%</b>	<b>-16.4%</b>	<b>35.1%</b>	<b>62.3%</b>	<b>-45.5%</b>

<sup>1</sup> Periods where index performance was driven by commodity rallies (Mining & Oil Exploration & Production)

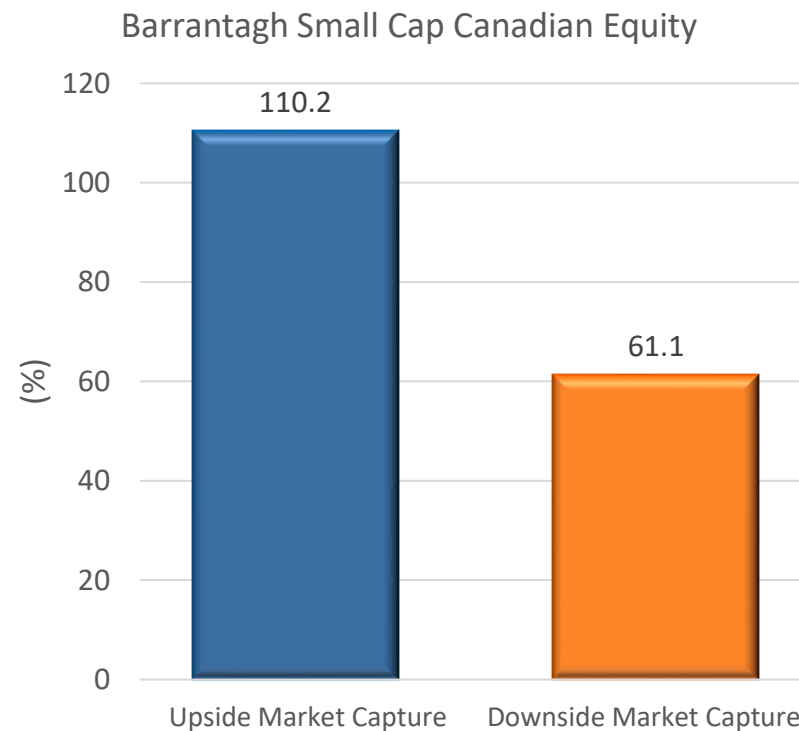
Green indicates periods that Barrantagh Small Cap outperformed

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

# Small Cap Canadian Equity

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

Mar. 31, 2023	Barrantagh Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
<b>Annualized Return</b>	<b>11.8%</b>	<b>2.9%</b>	<b>7.9%</b>
Standard Deviation	13.8%	21.1%	17.9%
<i>Sharpe Ratio</i>	<i>0.78</i>	<i>0.1</i>	<i>0.39</i>



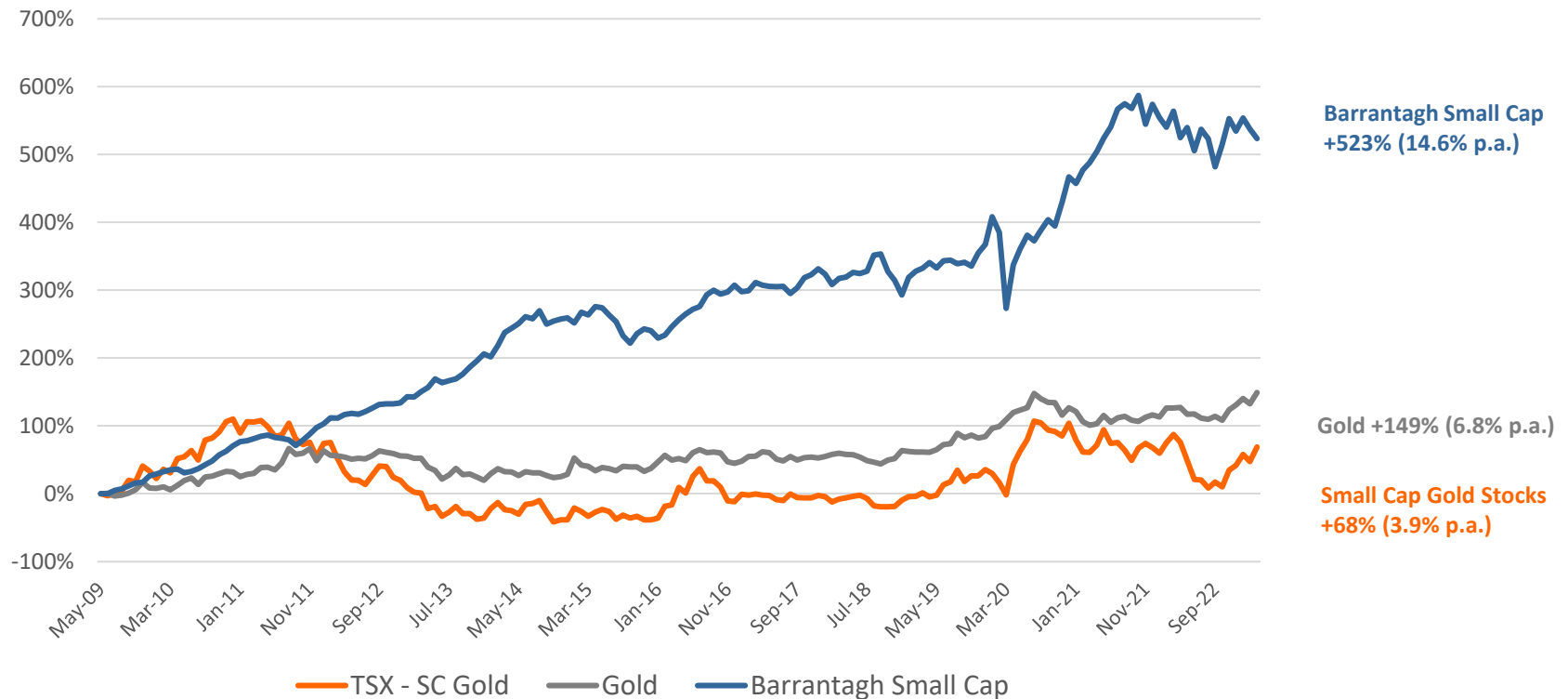
<sup>1</sup> Since Inception Jan. 1, 2008

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

# Small Cap Canadian Equity Mandate

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

### Cumulative Returns ~ 14 Years to Mar. 31 2023





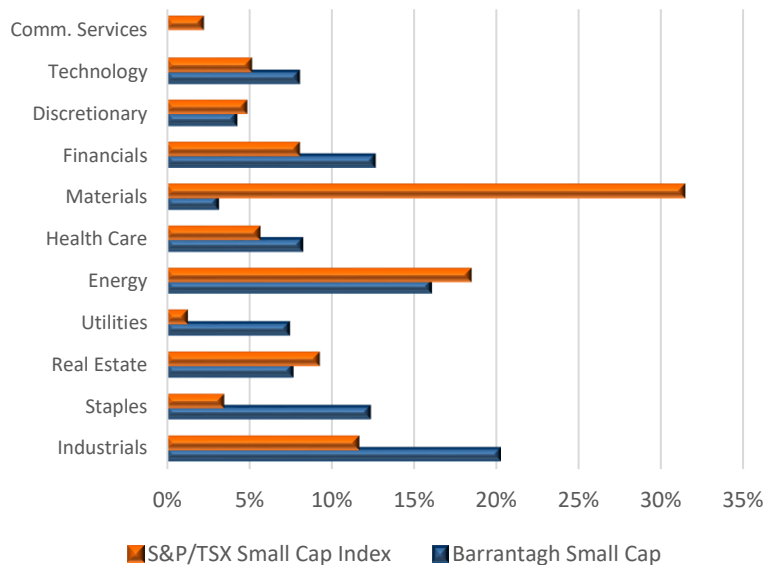
# Profile: Small Cap Canadian Equities

Portfolio at March 31, 2023

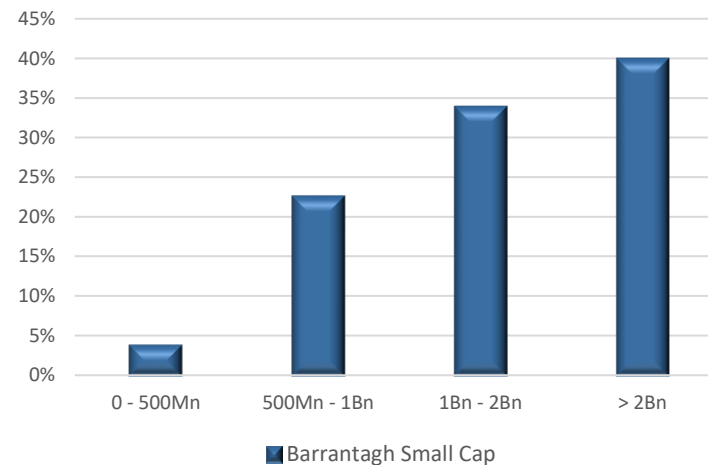
## CHARACTERISTICS

Number of Holdings	27
Avg. Market Cap	\$2.3 Bn
# Industry Sectors	10
Dividend Yield	2.1%

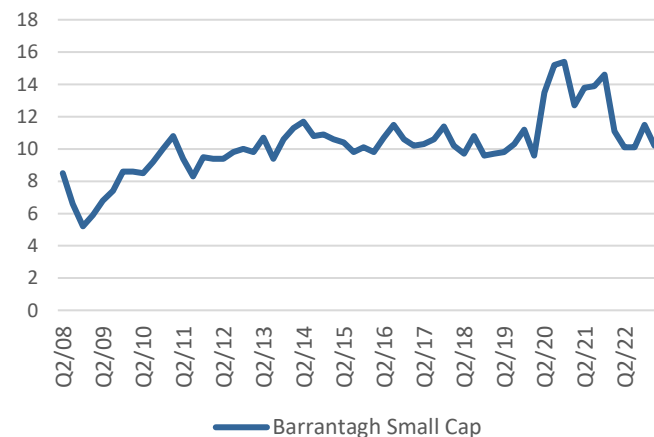
## Barrantagh Small Cap Industry Weight vs. Index



## Market Cap Exposure



## Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at March 31, 2023 | Q1 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Utilities</b>	
MTY Food Group	4.2%	Boyd Group	5.9%	Boralex	4.3%
	4.2%	Brookfield Business (+)	2.2%	Superior Plus	3.0%
<b>Consumer Staples</b>		Cargojet (+)	3.0%		7.3%
Jamieson Wellness	3.6%	Calian Group	4.2%	<b>Materials</b>	
Neighbourly Pharmacy (+)	4.5%	Savaria	2.9%	Chemtrade Logistics	3.0%
Premium Brands	3.9%		18.2%		3.0%
	12.0%	<b>Real Estate</b>		Cash & Equivalent	5.3%
<b>Energy</b>		Minto Apartment REIT (+)	3.0%	Total	100.0%
Arc Resources	4.2%	Storagevault Canada	4.4%		
Gibson Energy	2.9%		7.4%		
Enerflex	3.0%	<b>Health Care</b>		<b>Sold</b>	
Tamarack Valley	3.1%	Andlauer Healthcare	4.8%	<b>Summit Industrial</b>	
Tidewater Midstream	2.5%	Dentalcorp (+)	3.0%		
	15.7%		7.8%		
<b>Financials</b>		<b>Information Technology</b>			
Definity Financial	4.1%	Dye & Durham (+)	4.1%		
EQB Group	2.8%	Softchoice (+)	2.9%		
Propel Holdings	1.0%		7.0%		
Trisura Group	4.2%			<b>TRIM = (-)</b>	
	12.1%			<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)





## MANDATE REVIEW

### ALL CAP GLOBAL EQUITIES

# All Cap Global Equity Mandate

Performance at March 31, 2023

For Periods Ending Mar. 31, 2023	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs
<b>BIM Global Equities</b>	<b>4.1%</b>	<b>3.9%</b>	<b>4.9%</b>	<b>11.4%</b>	<b>11.0%</b>	<b>10.9%</b>	<b>10.5%</b>	<b>11.3%</b>	<b>10.4%</b>	<b>11.0%</b>	<b>12.9%</b>
MSCI World (Net)	7.6%	0.7%	5.0%	14.5%	9.4%	9.1%	9.2%	10.5%	8.9%	10.2%	12.0%

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>BIM Global Equities</b>	<b>-6.2%</b>	<b>15.6%</b>	<b>8.6%</b>	<b>37.4%</b>	<b>0.1%</b>	<b>13.7%</b>	<b>7.0%</b>	<b>14.0%</b>	<b>14.0%</b>	<b>39.6%</b>	<b>16.0%</b>
MSCI World (Net)	-12.2%	20.8%	13.9%	21.2%	-0.5%	14.4%	3.8%	18.9%	14.4%	35.2%	13.3%

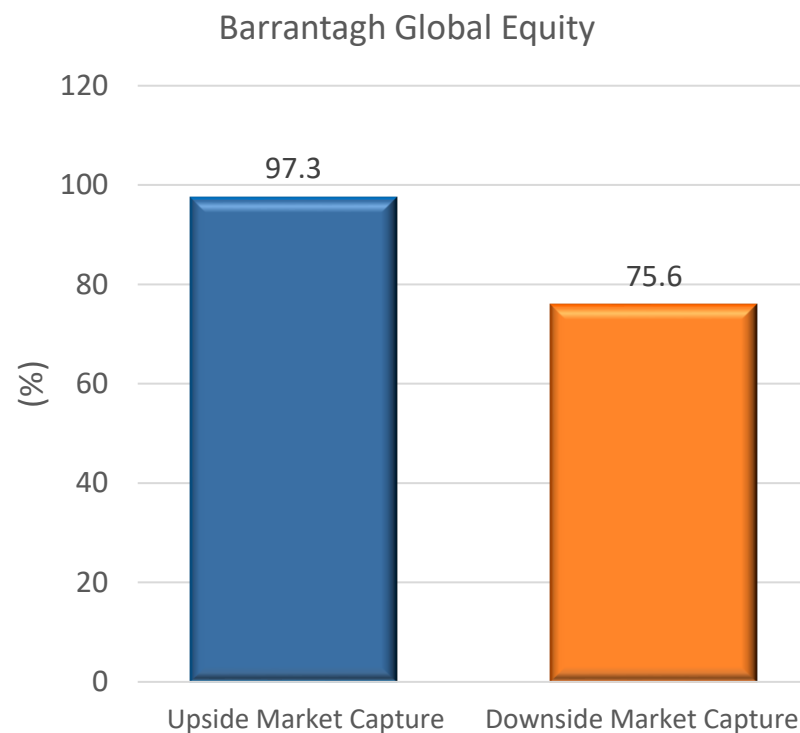
Green indicates periods that Barrantagh outperformed

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

# All Cap Global Equities

Risk Statistics vs. Global Equity (for Periods Ending Mar. 31, 2023)

	Barrantagh Global Equities <sup>1</sup>	Percentile Rank <sup>2</sup>	
<b>Annualized Return</b>	<b>13.9</b>	<b>10</b>	<b>1<sup>st</sup> Quartile</b>
Standard Deviation	11.3	28	Lower Volatility than Median
<i>Sharpe Ratio</i>	<i>1.14</i>	<i>9</i>	<i>High risk-adjusted return</i>
Beta	0.9	39	Low risk vs. market
<i>Treynor Ratio</i>	<i>14.2</i>	<i>15</i>	<i>High risk-adjusted return</i>

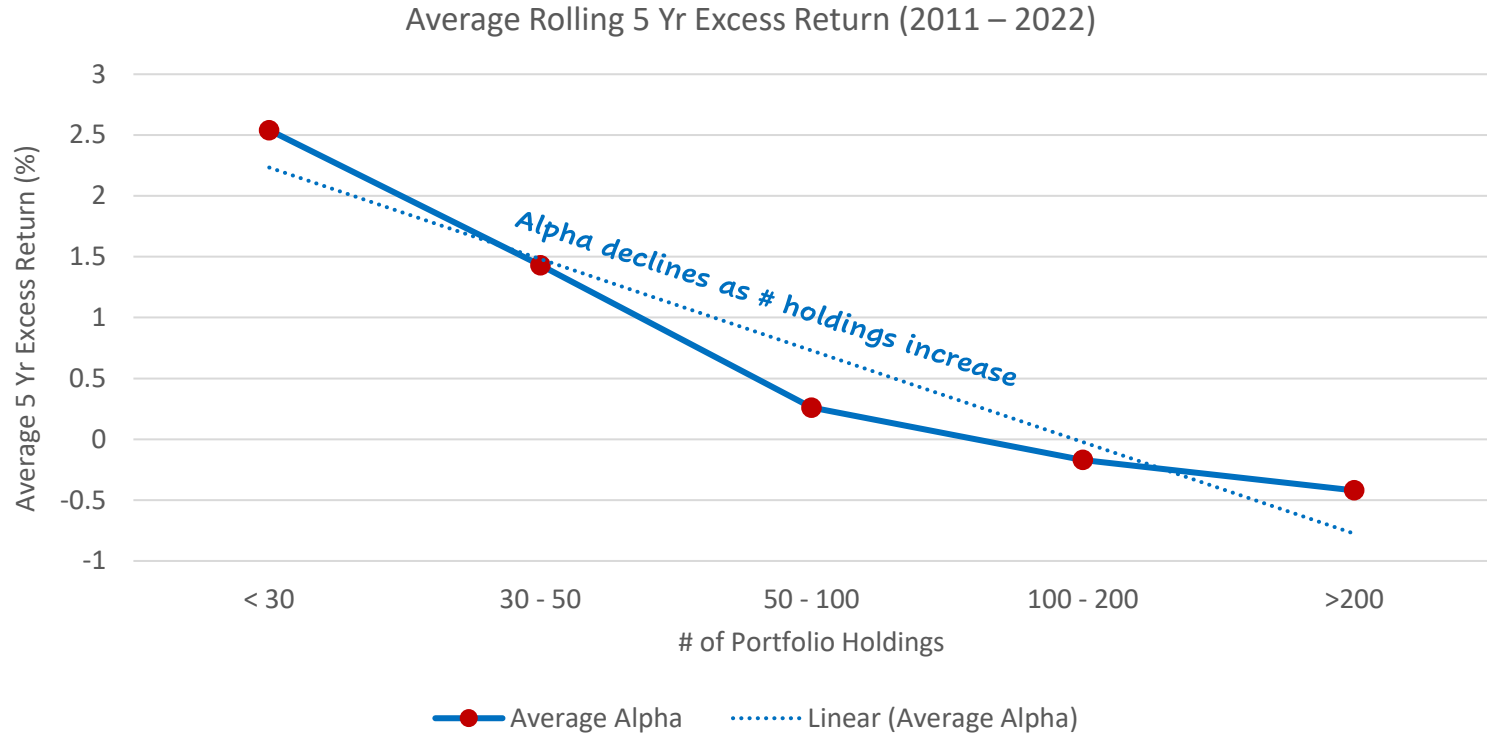


<sup>1</sup> Since Inception Jan. 1, 2012

<sup>2</sup> vs. Evestment All Cap Value Universe

# Concentrated Global Equity Advantages

## # Holdings & Alpha Generation



Excess Returns (CAD) vs. MSCI World Index (Net)

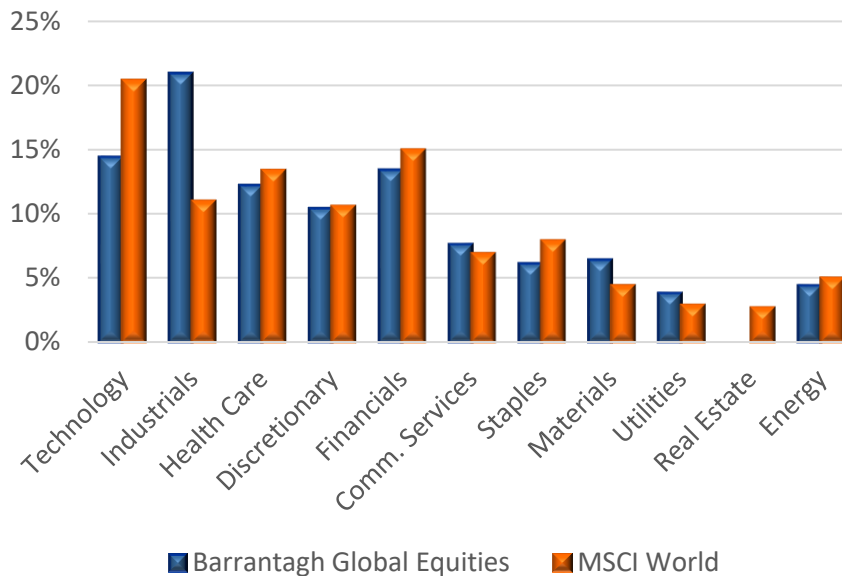
# All Cap Global Equities

## at March 31, 2023

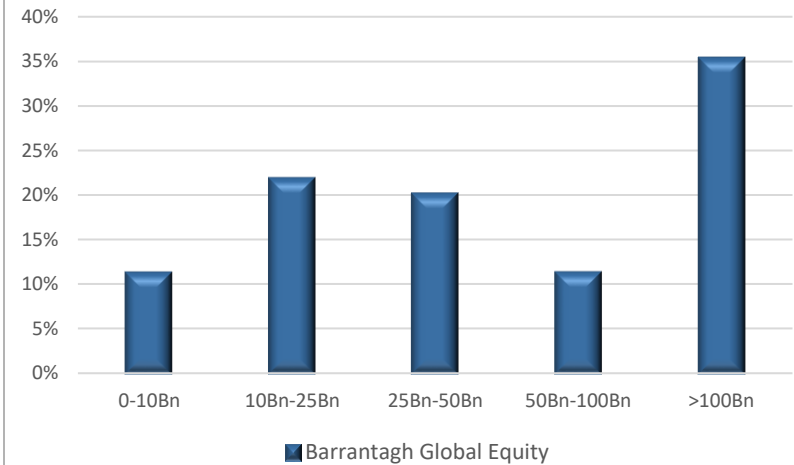
### CHARACTERISTICS

Number of Holdings	32
# Industry Sectors	10
Average Market Cap	\$381.9Bn
P/CF	12.1X
Dividend Yield	1.7%

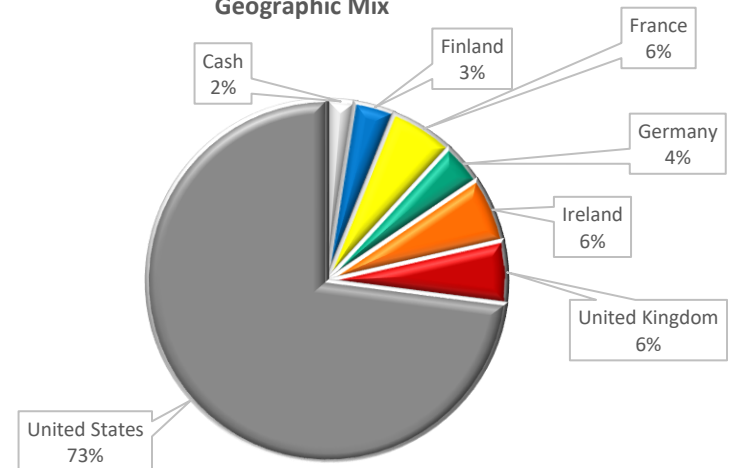
Barrantagh Global Equities Industry Weight vs Index



Market Cap Exposure



Geographic Mix





# All Cap Global Equities

Portfolio at March 31, 2023 | Q1 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Financials</b>	
Advance Auto Parts (+)	2.2%	Metso Outotec	3.6%	Bank of America	2.8%
Amazon	2.3%	Vinci S.A.	2.2%	Wells Fargo	2.2%
Compass Group (-)	3.0%	Quanta Services	2.9%	JP Morgan Chase	2.2%
Intercontinental Hotels	2.6%	Regal Rexnord	3.0%	Mastercard (-)	3.2%
	10.1%	Schneider Electric	3.5%	Willis Towers Watson	2.7%
		Union Pacific	2.5%		13.1%
<b>Consumer Staples</b>		Wabtec	2.7%	<b>Information Technology</b>	
Constellation Brands	3.5%		20.4%	Dynatrace	2.8%
Dollar General	2.5%	<b>Health Care</b>		Itron (+)	2.2%
	6.0%	Baxter International (+)	2.3%	Microchip Technology	3.7%
<b>Materials</b>		Boston Scientific (-)	3.2%	Microsoft	5.3%
CRH	3.2%	Thermo Fisher Scientific	3.7%		14.0%
International Flavours & Frag. (+)	3.1%	United Health Group	2.7%	<b>Communication Services</b>	
	6.3%		11.9%	T-Mobile	3.2%
<b>Utilities</b>		<b>Energy</b>		Alphabet	4.3%
RWE Aktiengesellschaft	3.8%	EOG Resources	4.3%		7.0%
	3.8%		4.3%	Cash & Equivalents	3.1%
<b>Sold</b>		<b>TRIM = (-)</b>		Total	100.0%
		<b>ADD = (+)</b>			



## ECONOMIC REVIEW

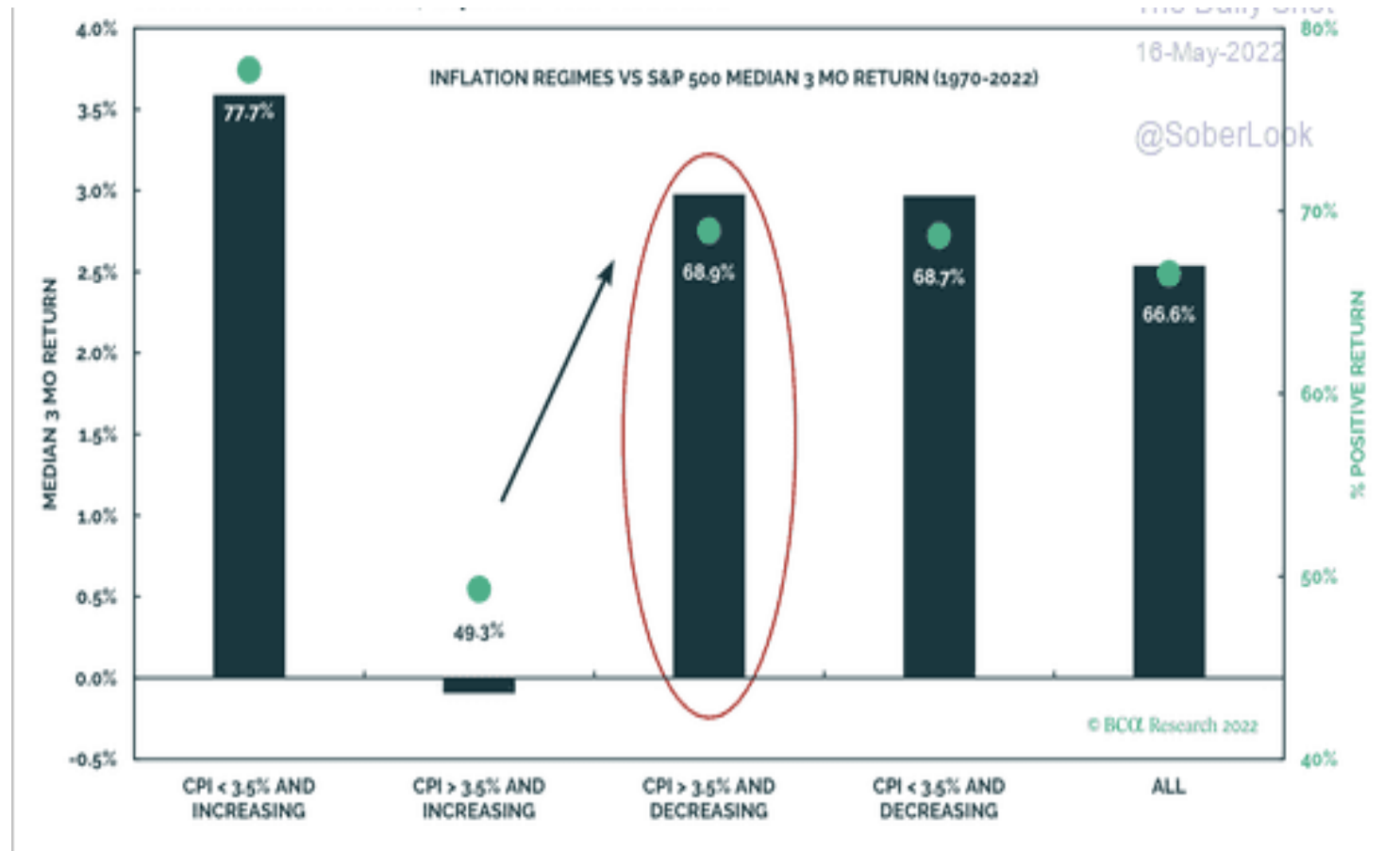
# Outlook

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## World:

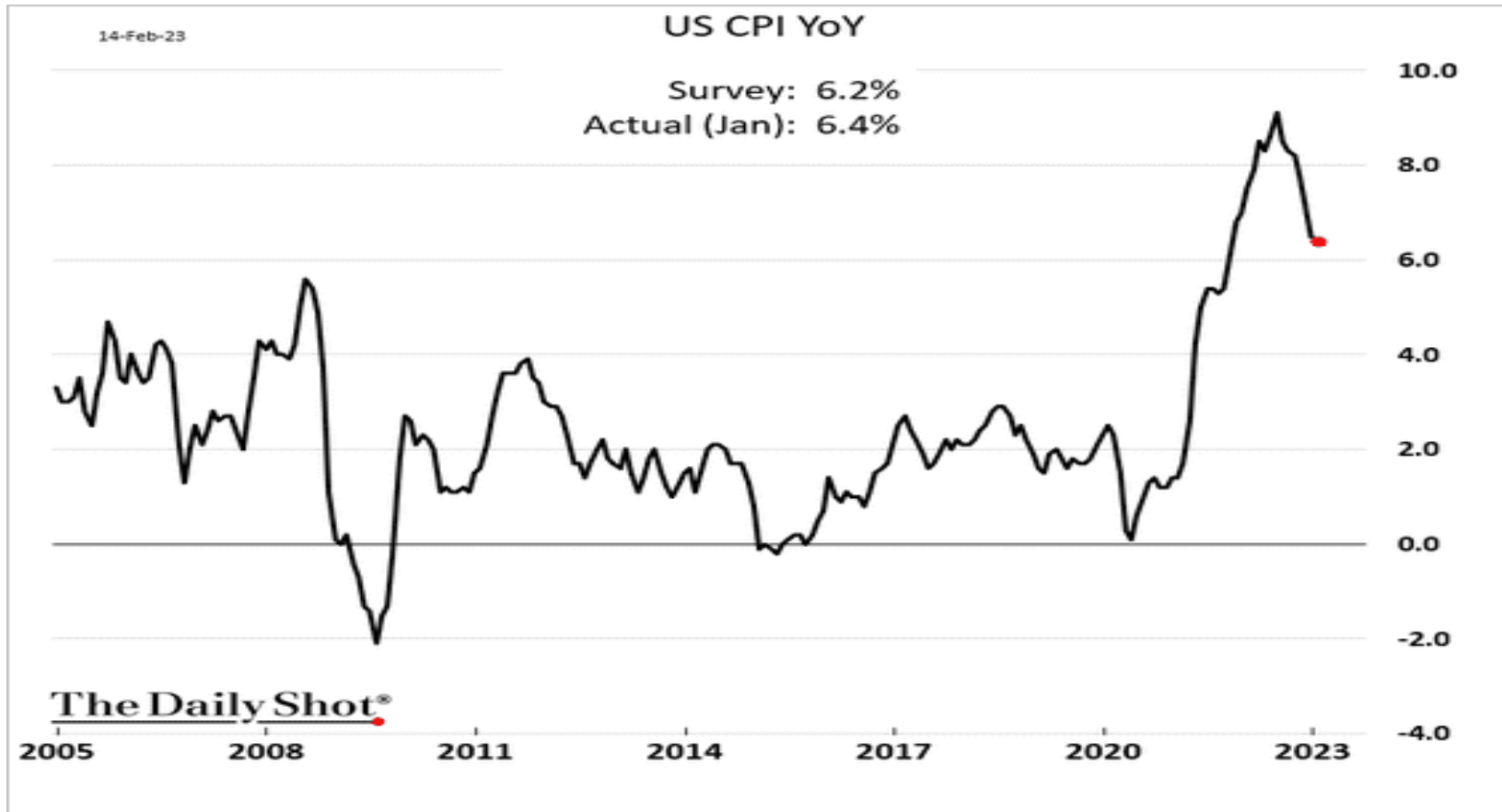
- Higher rates reduce consumer & manufacturing activity
- Soft landing/moderate recession
  - Employment & wage increases remain resilient
  - Inflation is moderating off multi-decade peak
- Equity markets fell in 2022 on the expectation of weakening economy
  - Growth indices remain expensive vs. Value
  - Small cap and Income stocks are supported by falling inflation & current valuations

# When Inflation Turns, Equities Rebound



Source: The Daily Shot

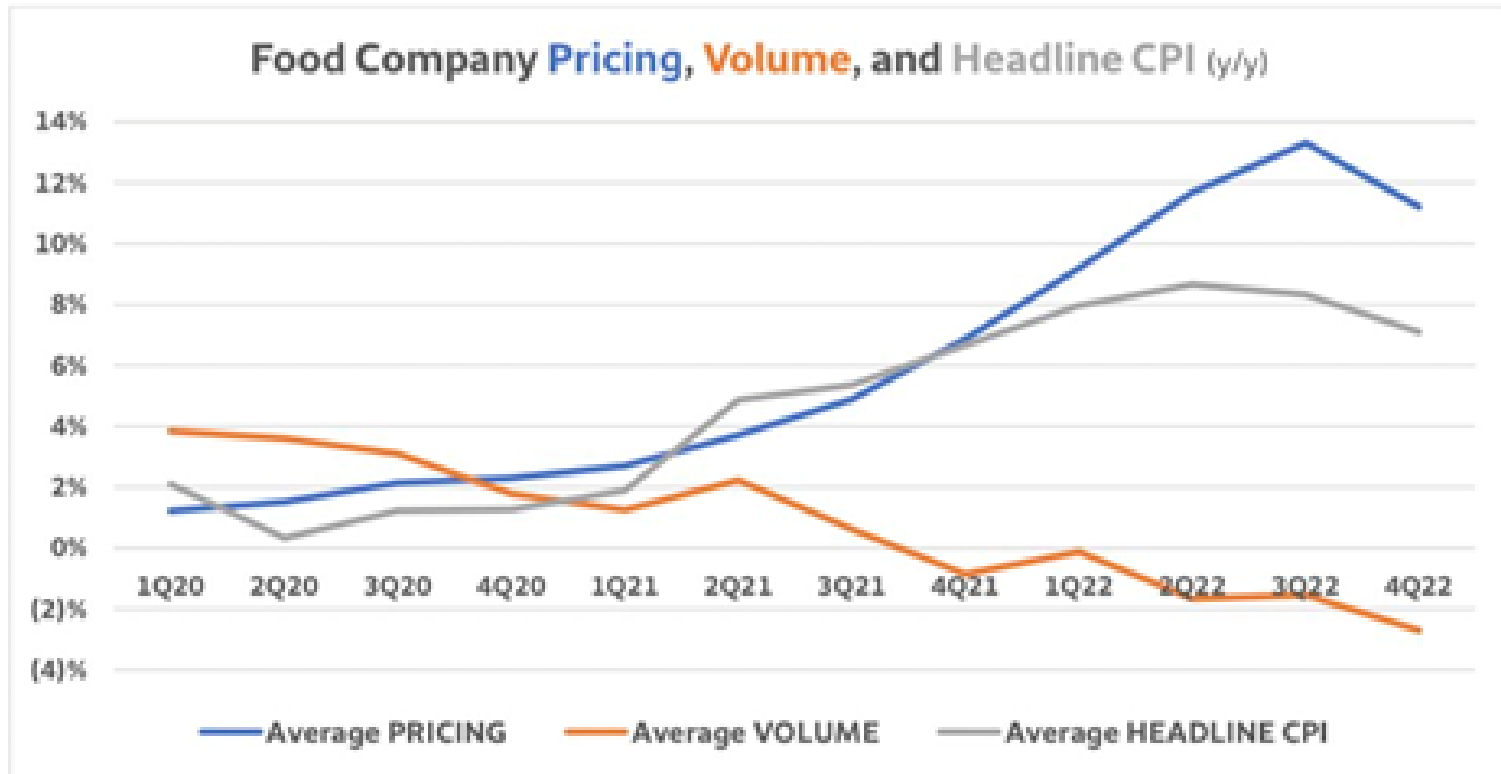
# U.S. Inflation Indicator - CPI



Source: The Daily Shot

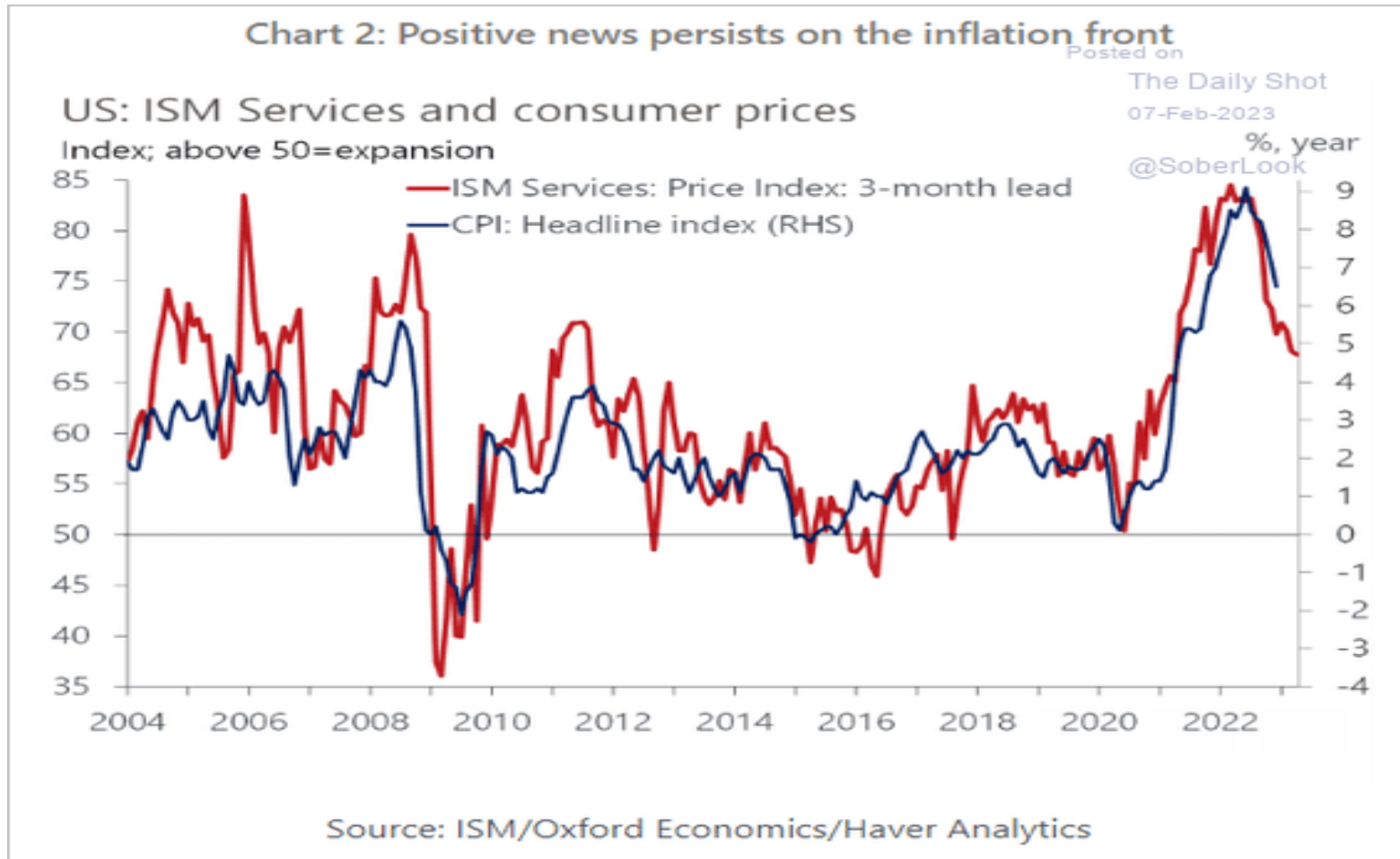
# Food Inflation Easing – Prices Drop as Volume Drops

Food Inflation >10%; Volumes Turn Negative



Source: RBC, Wells

# ISM Leads Inflation -Lower



Source: The Daily Shot

# Canada's Inflation

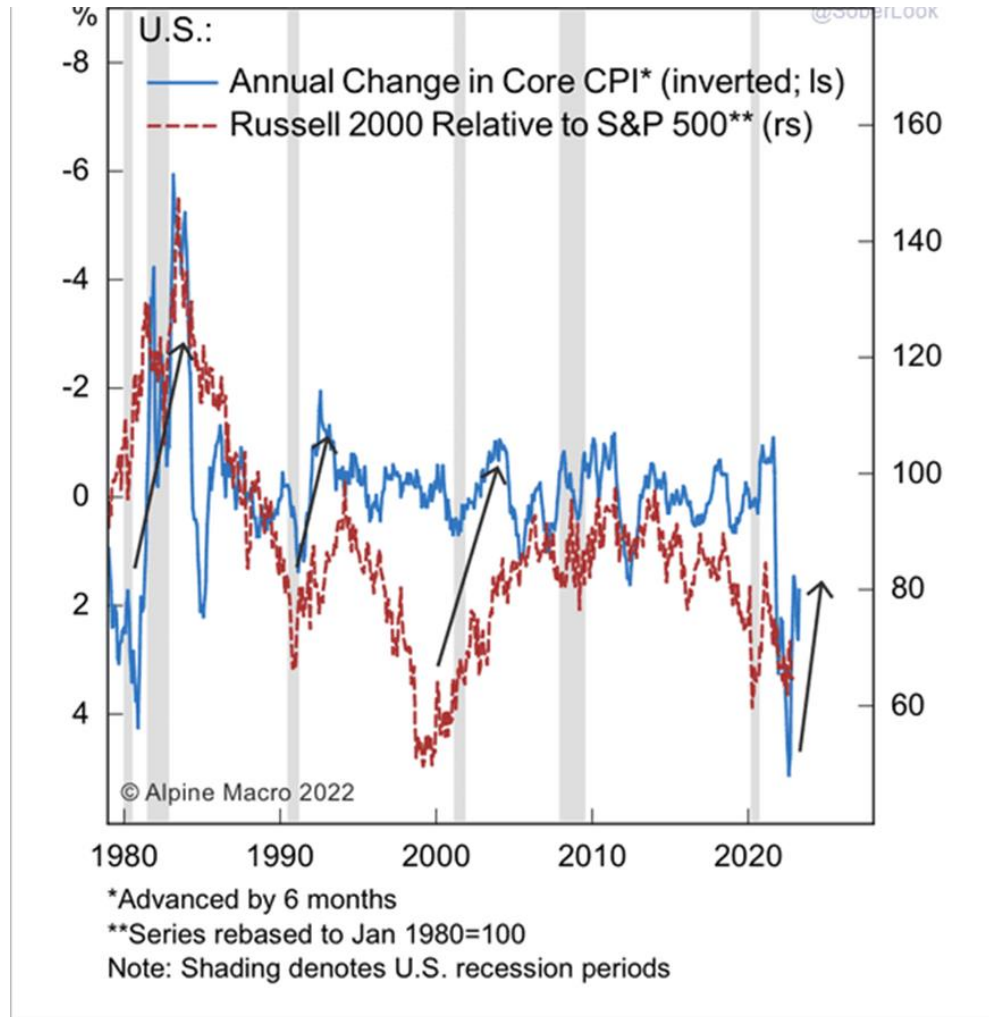


Source: The Daily Shot



# Inflation Moderates

## Stronger Environment for Small Caps



Source: The Daily Shot, Alpine Macro

# 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)
- Barrantagh Small Cap Canadian Equity Fund
  - **F Class** Fund Code: BMI105, 1% MER, Minimum: \$1,000
  - **NEW: A Class** Fund Code: BMI110, 2% MER, Minimum: \$1,000
- SMA Min. Investment Small Cap: \$40,000 , Global Equities: \$100,000
- Advisor Portal available [www.barrantagh.com](http://www.barrantagh.com) Password: AC5

## Contact (Toronto):

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# BARRANTAGH

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