



Webex meeting recording: Barrantagh Small Cap Canadian Equity - June 13, 2023

Recording link:

<https://barrantaghinvestmentmanagement.my.webex.com/barrantaghinvestmentmanagement.my/jdr.php?RCID=3fa4da1d081c8a50ae6a280bd011a00c>

Password: **SfMegnm7**

BARRANTAGH

Investment Management

Update – June 13, 2023

- Firm Update
- Small Cap Canadian Equities
 - Observations
 - Diversification
 - Mandate Review



A+ Program

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



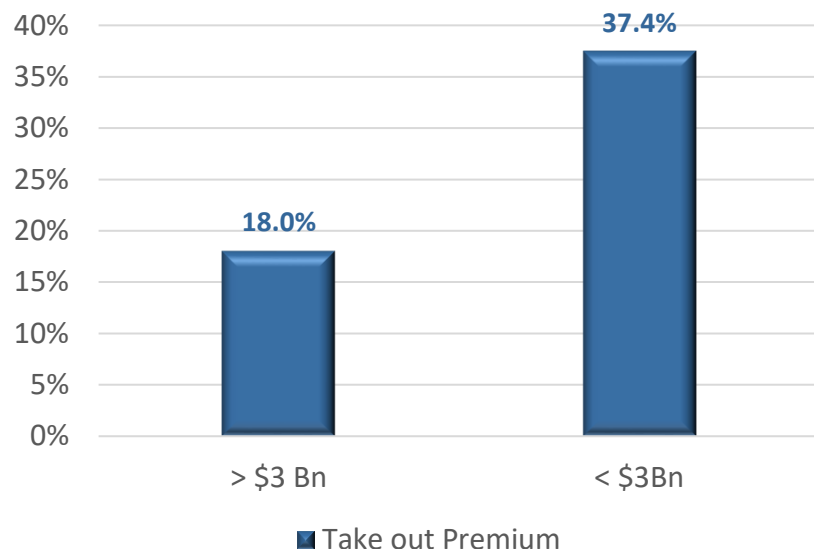
OBSERVATIONS:

Small Cap Canadian Equities

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

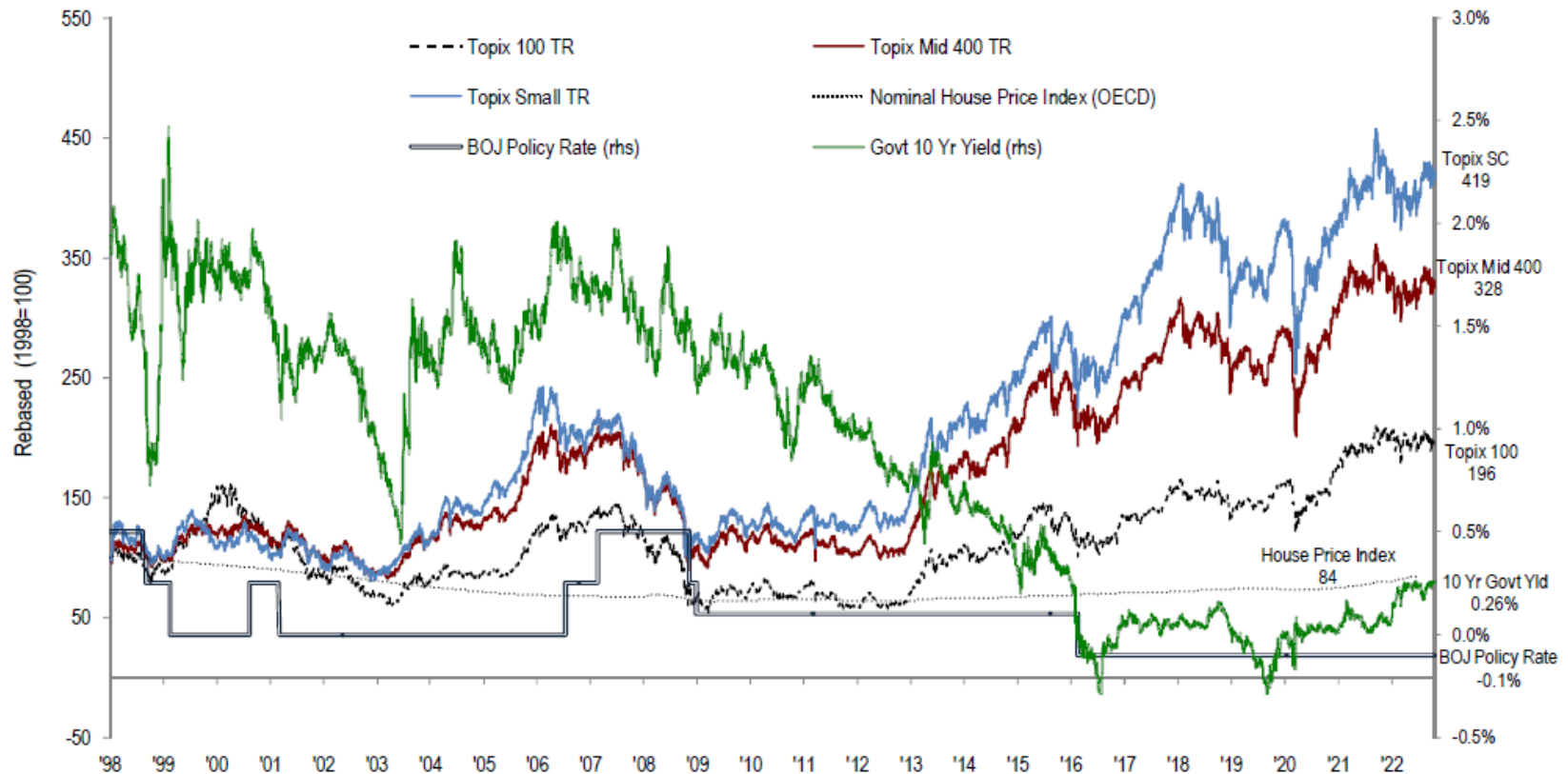
	Announce Date	Premium ¹
Summit Industrial	04/2022	31%
Lifeworks	Q2/2022	88%
Intertape Polymer	Q1/2022	67%
People Corp.	Q4/2020	75%
Enercare	Q3/2018	64%
Spartan Energy	Q2/2018	5%
Pure Industrial	Q1/2018	21%

¹Premium to 1 Month Average Price

Small Cap Investing

In a Low Growth Environment Small Caps Outperform – Japan Example

Cumulative Performance – Japan (1998 – Current)



Source: Factset, Bloomberg, JP Morgan

Small Cap Canadian Equity

Performance at May 31, 2023

For Periods Ending May 31, 2023	YTD	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs
BIM Canadian Small Cap	-4.2%	-5.0%	-1.3%	12.1%	8.9%	7.4%	7.0%	7.6%	6.3%	6.3%	8.5%
S&P/TSX Small Cap Index	-1.0%	-9.4%	-4.8%	14.5%	7.5%	3.2%	3.7%	4.4%	3.9%	2.6%	4.4%
S&P/TSX Composite Index	2.3%	-2.4%	2.6%	12.1%	8.4%	7.3%	7.4%	8.1%	6.6%	6.5%	7.7%

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
BIM Canadian Small Cap	-5.7%	18.8%¹	21.3%	19.0%	-8.9%	5.9%	19.8%¹	-5.3%	17.3%	30.9%	18.5%	15.6%	35.0%	43.8%¹	-22.9%
S&P/TSX Small Cap Index	-9.3%	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%

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

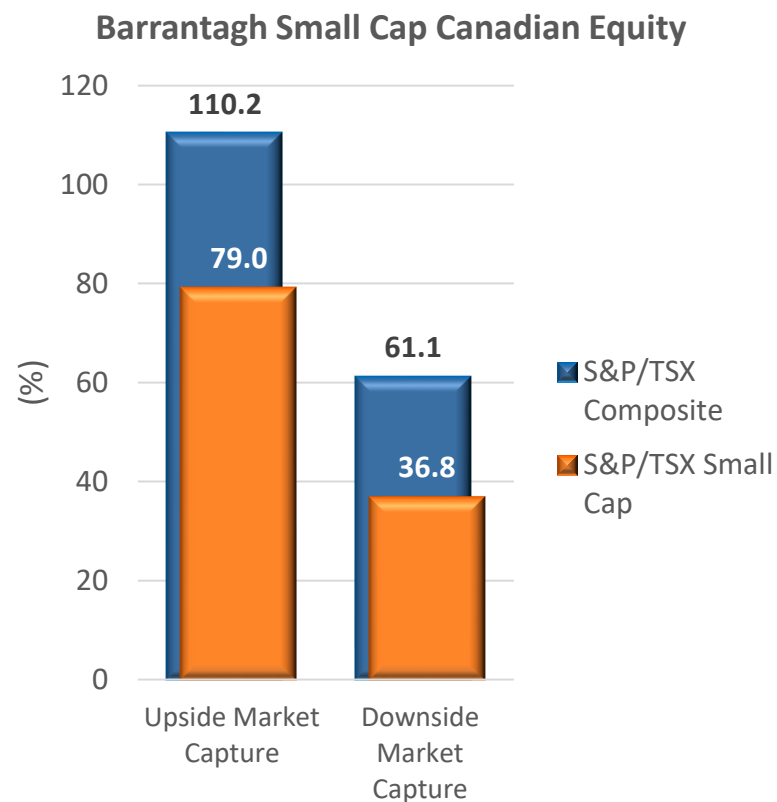
Green indicates periods that Barrantagh Small Cap outperformed

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 ¹	TSX Small Cap	Median
Annualized Return	11.8%	2.9%	7.9%
Standard Deviation	13.8%	21.1%	17.9%
<i>Sharpe Ratio</i>	<i>0.78</i>	<i>0.1</i>	<i>0.39</i>



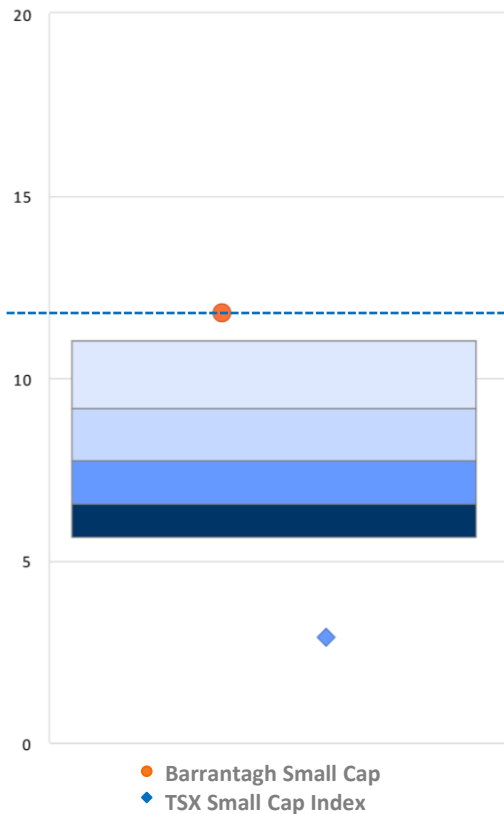
¹ Since Inception Jan. 1, 2008

² vs. Evestment Small Cap Universe

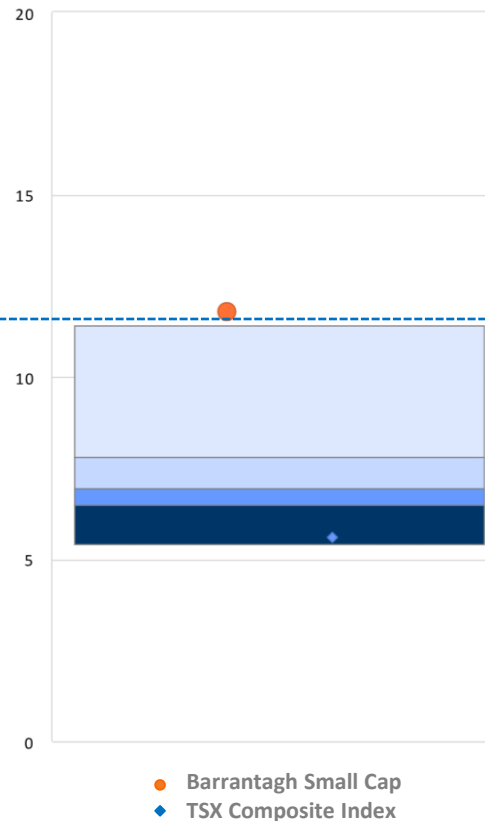
RETURNS: Small Cap Canadian Equities

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

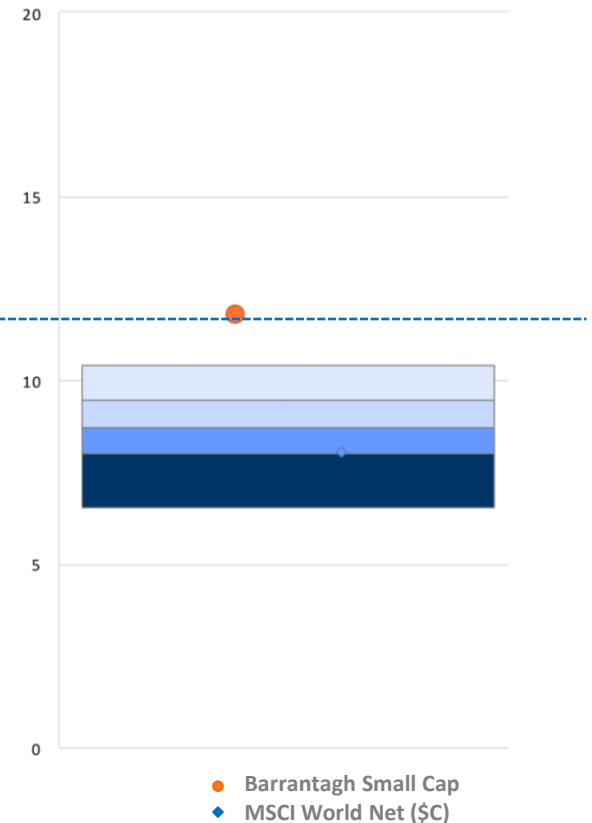
Canadian Small Cap Universe



Canadian Large Cap Universe



Global Equity Universe (\$C)



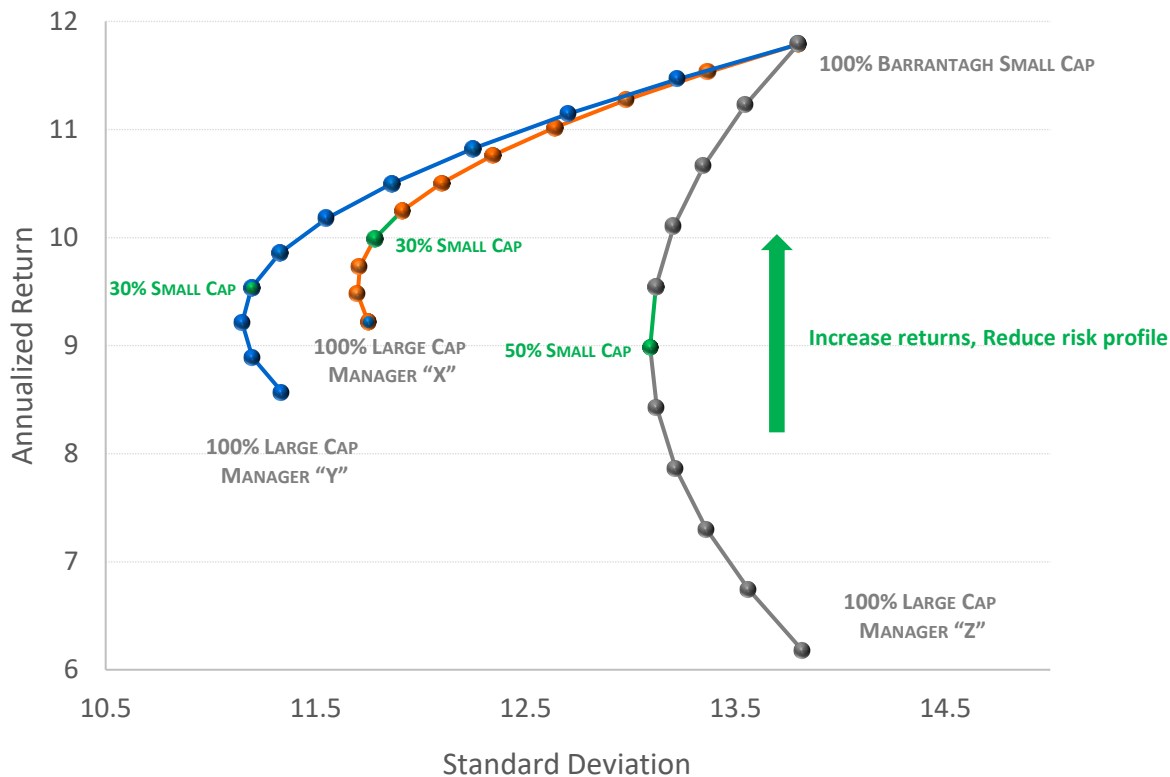
Strategy Inception Date: Jan. 1, 2008

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 (ω) of underlying components
- Risk (σ) of underlying components
- Correlation (ρ) of components

Portfolio Standard Deviation(σ_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

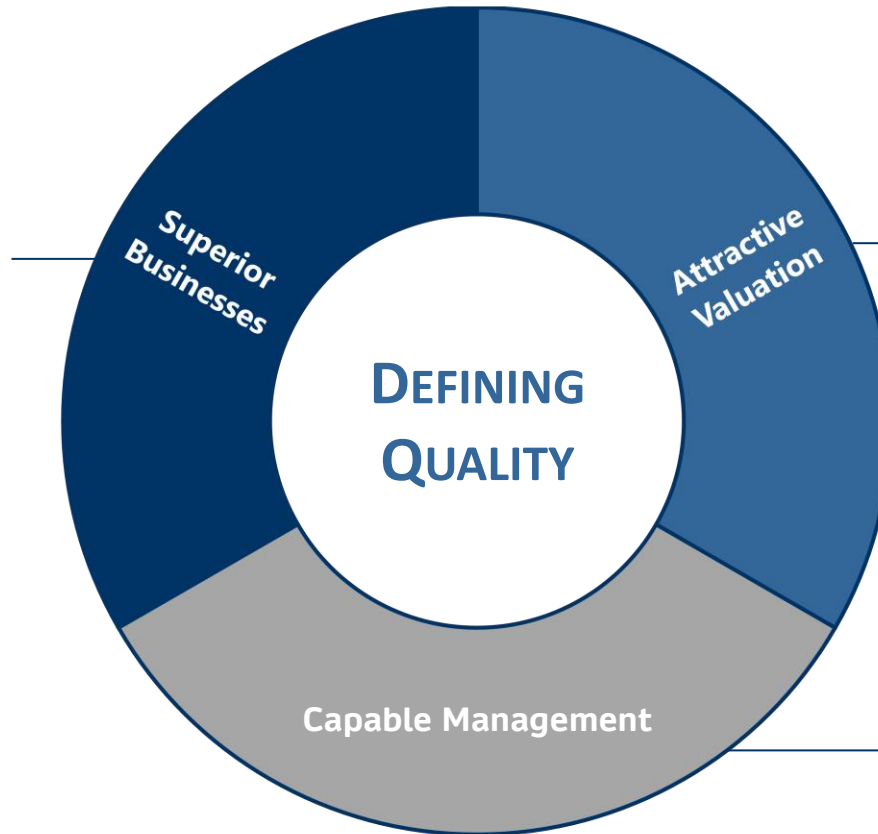
Small Cap Canadian Equities

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

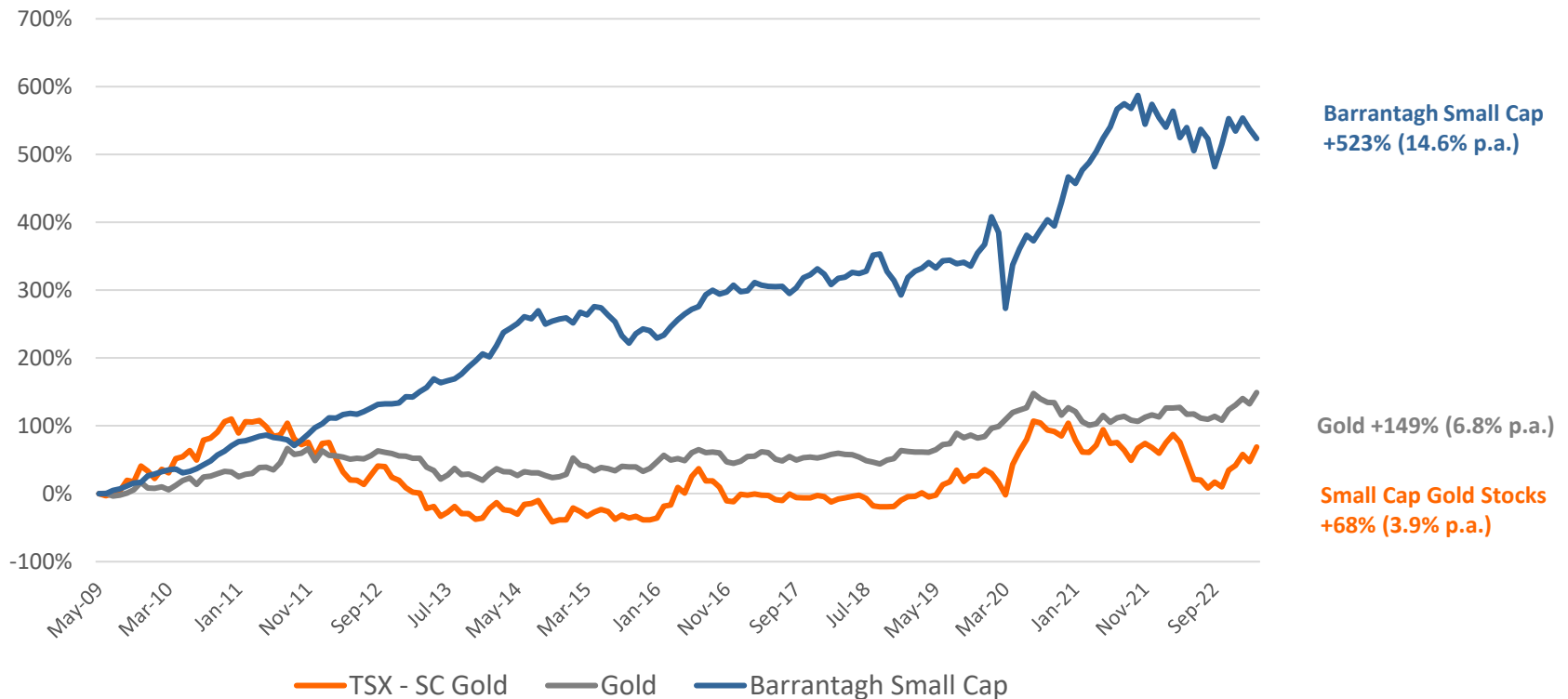
MANAGEMENT INTERVIEWS

- Aligned with shareholders
- Clear business strategy
- Record of value creation
- Low cost operators
- Conservative use of leverage

Small Cap Canadian Equity Mandate

Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

Cumulative Returns ~ 14 Years to Mar. 31 2023



Holding Update: Boyd Group Services



Overcoming Supply Chain Challenges

Sector: Industrials | Industry: Commercial Services

Ticker:	BYD	Boyd Group Services Inc. operates collision repair centers. The Company offers automotive collision, glass repair, and replacement services for commercial and passenger vehicles.
Price:	\$246	
Mkt Cap:	\$4.9B	Boyd Group Services serves customers in Canada and the United States.
Div Yld:	0.3%	

- Jun/22 – Market view (near-term risk)
 - Supply chain constraints (labour, parts)
 - Inability to get price increases
 - Margins/profitability depressed
- Jun/22 – Opportunity
 - Demand strong and backlog building
 - BYD best in class operator
 - Price increases will come on lagged basis as insurance companies raise premiums
 - Margin pressure short-term, BYD able to navigate challenges and get back to growth; long-term value creation model on track**



Valuation	
Curr	12.6x
Mean	13.9x
Max	18.0x
Min	10.5x

Share Price		
	BYD	TSX-S
1Y	77%	-10%
3Y	6%	14%
5Y	17%	3%

Holding Update: Cargojet



Short Term Headwinds Amidst Longer Term Growth Trajectory

Sector: Industrials | Industry: Air Freight & Logistics

Ticker: CJT

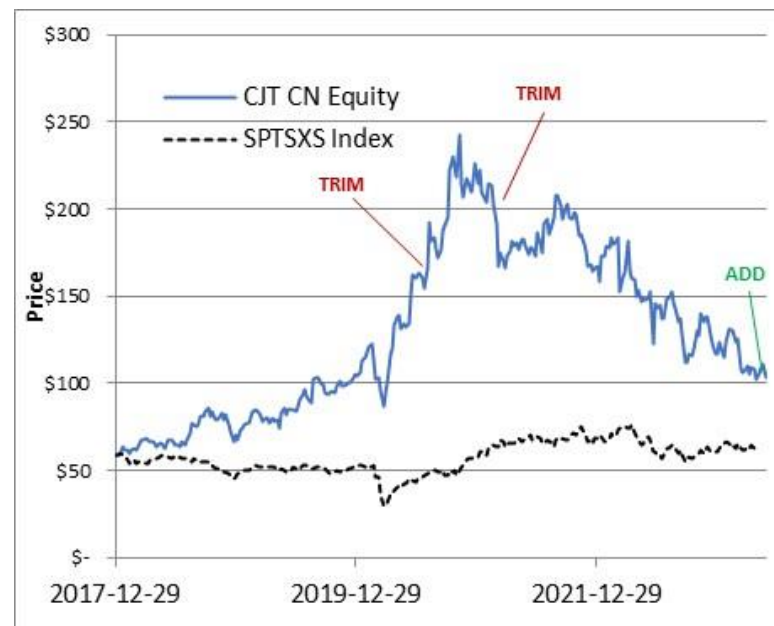
Price: \$102

Mkt Cap: \$1.7B

Div Yld: 1.1%

Cargojet, Inc. operates air cargo transportation services. The Company has approximately ~90% market share of the overnight air freight market in Canada and is also a key strategic partner of DHL, operating ~15 aircraft to global destinations on a dedicated ACMI basis.

- Market view (near-term risk)
 - Freight demand slowing
 - Air cargo market has excess supply
 - CJT just a one-trick “pandemic winner”
- Opportunity
 - Contracted revenues and near-monopoly market share mitigate demand headwinds
 - Secular e-commerce growth tailwinds to return after current air pocket
 - Deeply discounted valuation mitigates much of the slowdown
 - **Well positioned to weather current slowdown and thrive as demand picks up again and get back to growth**



Valuation	
Curr	7.5x
Mean	11.4x
Max	16.6x
Min	6.7x

	Share Price	
	CJT	TSX-S
1Y	-29%	-10%
3Y	-8%	14%
5Y	10%	3%

Holding Update: Softchoice

Building Position in Long Term Cloud Winner

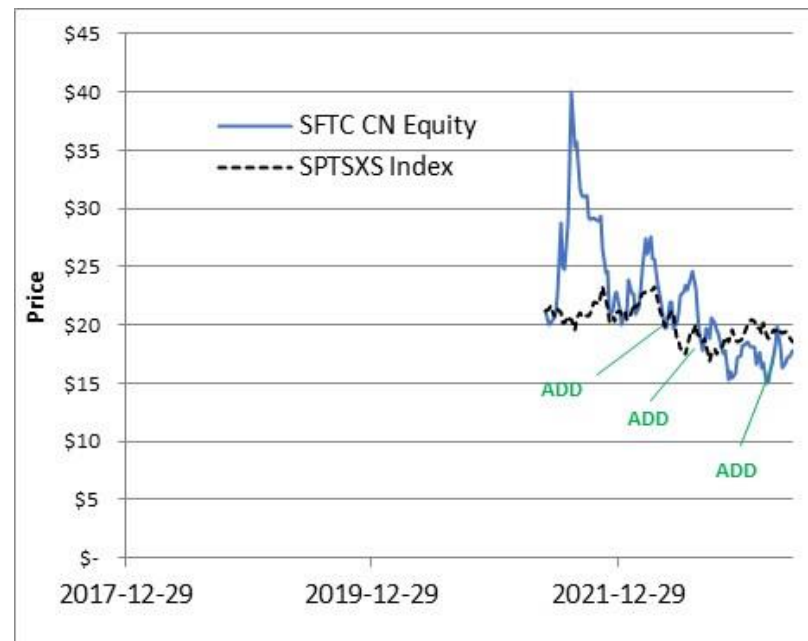


Sector: Information Technology | Technology Distributors

Ticker: SFTC
Price: \$17.92
Mkt Cap: \$1.0B
Div Yld: 2.5%

Softchoice Corporation provides information technology services. The Company offers cloud, hybrid IT, end user productivity, security, and managed services. Softchoice serves clients in Canada and the United States.

- Market view (near-term risk)
 - Slowing IT spend environment
 - Limited track record in public markets
 - Defensive “boring” tech story
- Opportunity
 - Exposure to software and cloud driving industry-beating organic growth
 - Strong management team executing well in challenging environment
 - Low leverage, high FCF generation, steady dividend and buybacks
 - **Attractive valuation and robust medium-term outlook – low risk capital compounder**



Valuation

	Curr	9.5x
Mean		12.2x
Max		24.8x
Min		8.1x

Share Price

	SFTC	TSX-S
1Y	-14%	-8%
3Y	-	12%
5Y	-	4%

Holding Update: dentalcorp

Rough Start Muddies Strong Potential

Sector: Health Care | Industry: Health Care Provider & Services

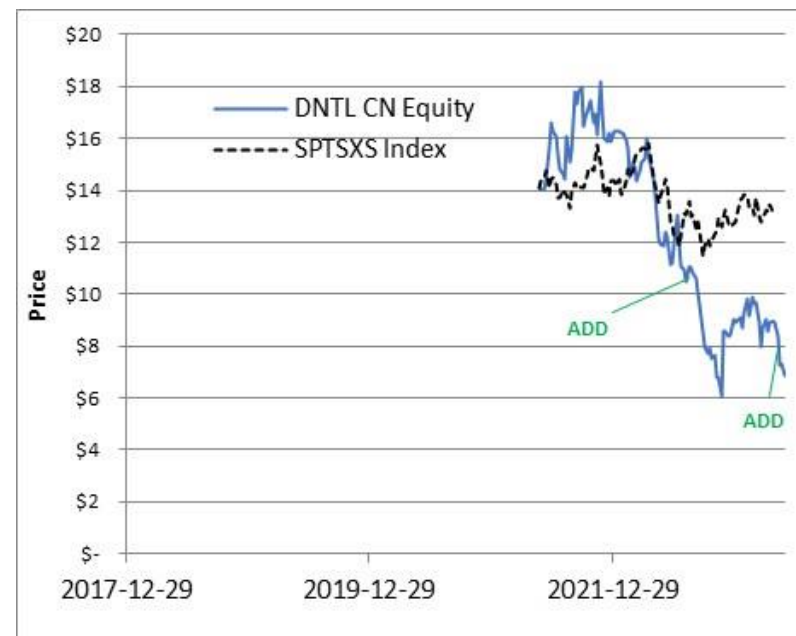
Ticker: **DNTL** *dentalcorp Holdings Ltd. operates as a holding company. The Company, through its subsidiaries, offers health care services and manages a network of dentists and dental practices which provides oral health care services. dentalcorp Holdings serves patients in Canada.*

Price: \$7.04

Mkt Cap: \$1.3B

Div Yld: nil

- Market view (near-term risk)
 - Sub-par execution
 - Too much leverage
 - Broken “roll up” IPO; failed strategic process
- Opportunity
 - Emerging from COVID challenges
 - Defensive attributes with attractive long-term secular growth tailwinds
 - Market share leader in highly fragmented market
 - **Attractive valuation given the defensibility and long term growth prospects – good setup for stock price returns**



Valuation	
Curr	9.1x
Mean	13.1x
Max	20.2x
Min	8.8x

Share Price		
	DNTL	TSX-S
1Y	-43%	-10%
3Y	-	14%
5Y	-	3%

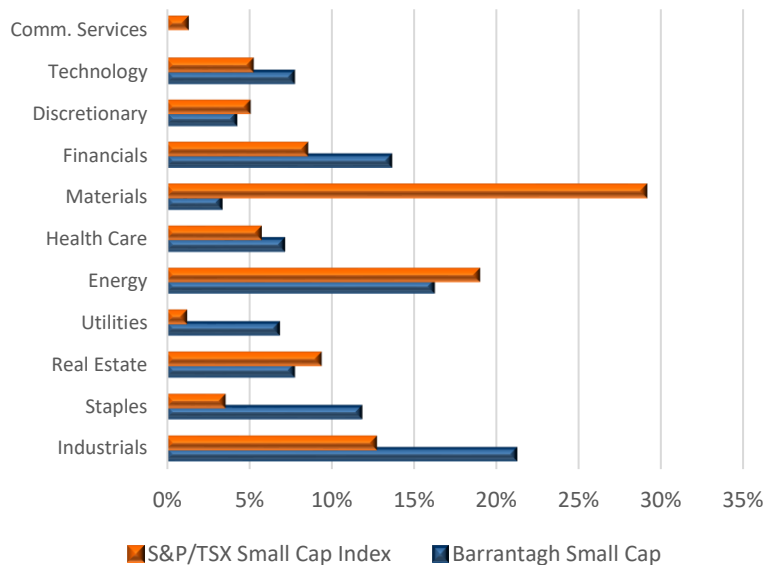
Profile: Small Cap Canadian Equities

Portfolio at May 31, 2023

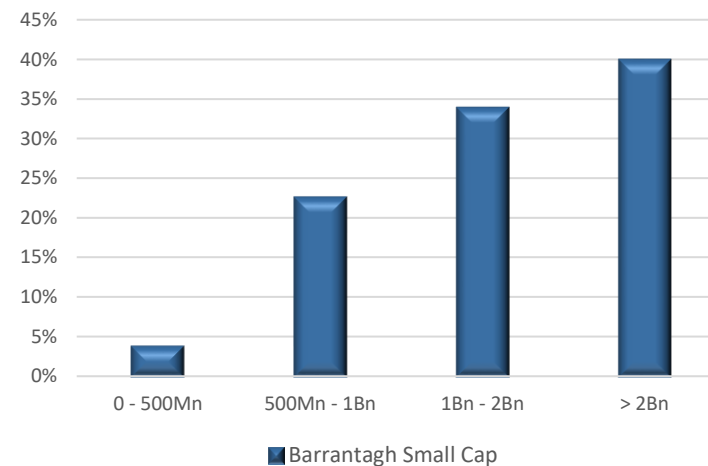
CHARACTERISTICS

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

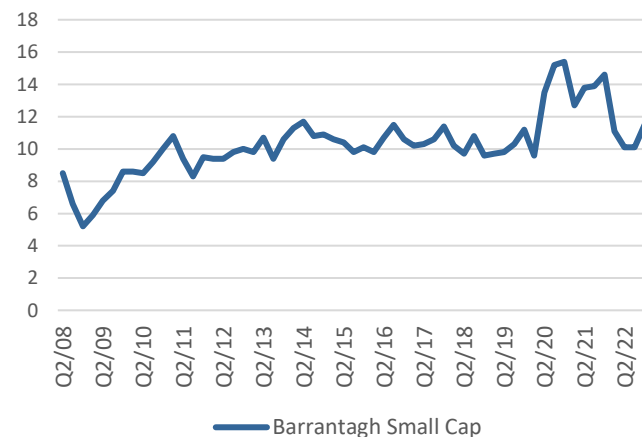
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



Canadian Small Cap Equity Portfolio

Portfolio at May 31, 2023

	Portfolio Weight		Portfolio Weight		Portfolio Weight
Consumer Discretionary		Industrials		Utilities	
MTY Food Group	4.0%	Boyd Group	6.9%	Boralex	4.0%
	4.0%	Brookfield Business (+)	3.5%	Superior Plus	2.5%
Consumer Staples		Cargojet (+)	2.8%		6.5%
Jamieson Wellness	3.3%	Calian Group	3.9%	Materials	
Neighbourly Pharmacy (+)	4.0%	Savaria	3.1%	Chemtrade Logistics	3.2%
Premium Brands	4.0%		20.2%		3.2%
	11.3%	Real Estate		Cash & Equivalent	4.3%
Energy		Minto Apartment REIT (+)	3.0%	Total	100.0%
Arc Resources	4.5%	Storagevault Canada	4.4%		
Gibson Energy	3.0%		7.4%		
Enerflex	2.8%	Health Care			
Tamarack Valley	2.7%	Andlauer Healthcare	4.4%	Sold	
Tidewater Midstream	2.5%	Dentalcorp (+)	2.4%	Summit Industrial	
	15.5%		6.8%		
Financials		Information Technology			
Definity Financial	4.3%	Dye & Durham (+)	3.5%		
EQB Group	3.2%	Softchoice (+)	3.9%		
Propel Holdings	1.1%		7.4%		
Trisura Group	4.5%			TRIM = (-)	
	13.1%			ADD = (+)	

Working with You

- 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% Management Fee, Minimum: \$1,000
 - **A Class** Fund Code: BMI110, 2% Management Fee, Minimum: \$1,000
- SMA Minimum: \$25,000
- Advisor Portal available www.barrantagh.com Password: RBC2

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