

# **BARRANTAGH**

Investment Management

## Update – Sept. 30, 2023

- 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: \$1.4 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

### Sub-Advisory News:

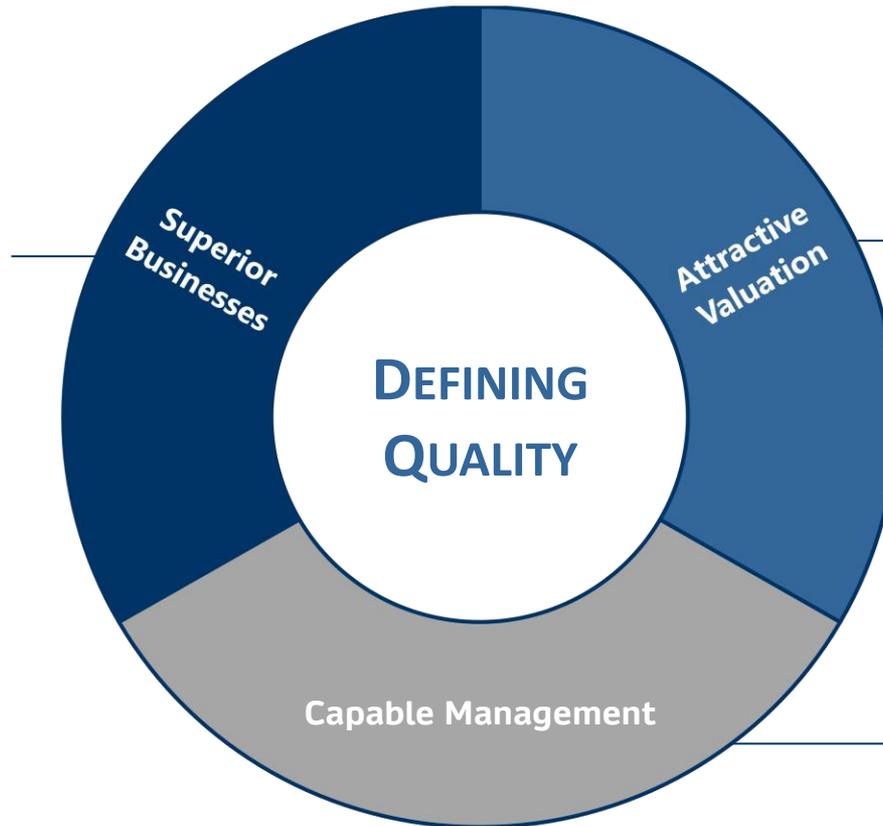
- Awarded new SMA mandate (Global Equities) continuing to broaden our offerings with 5 leading IIROC firms

# 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



# MANDATE REVIEW

Small Cap Canadian Equities

# Performance Review

## 2023 Key Themes

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1. Small Caps underperform large caps
2. Quality underperforms cyclicals
3. Cyclical stocks led the small cap Canadian market in 2023
  - i. Higher rates had less impact on cyclical companies where earnings are viewed on shorter time horizons (momentum)
4. Current environment has delivered outsized corrections relative to the scale of negative revisions

# Small Cap – Widest Valuation Gap Since Tech Bubble



Source: The Daily Shot

# Canadian Small Cap Markets

## 2023 YTD: Narrow Cyclical-Led Market – Top 10 Contributors

% of Index	Top 10 S&P TSX Small Cap Contributors (YTD 2023)		Contribution	Return 2023 YTD (%)	Index Weight (%)
8%	Celestica	AI Theme	0.91	93.0	0.82
	Athabasca Oil	Commodity Cyclical	0.70	80.5	1.18
	Dundee Precious Metals	Commodity Cyclical	0.41	31.4	1.10
	Chartwell Retirement	COVID Recovery	0.31	28.0	0.93
	<b>EQB</b>	<b>Portfolio Holding 3.9%</b>	<b>0.31</b>	<b>39.3</b>	<b>0.75</b>
	MDA	Industrial Cyclical	0.29	80.2	0.48
	Denison Mines	Commodity Cyclical	0.28	43.9	0.83
	Ero Copper	Commodity Cyclical	0.28	25.6	1.24
	Sabina Gold & Silver	Commodity Cyclical	0.27	60.2	0.22
	Cascades Inc.	Commodity Cyclical	0.24	49.5	0.55
	<b>TOP 10 Contrib.</b>		<b>4.0%</b>	<b>53.2%<sup>1</sup></b>	<b>8.1%</b>
92%	Remaining 274 Companies		-5.1%	-3.6% <sup>1</sup>	91.9%
100%	S&P TSX Small Cap Index		-1.1%	-1.1%	100.0

<sup>1</sup> Average Return

# Canadian Small Cap Equity

Next 17 Top Contributors are Also Cyclical– Top 10% of Companies in Index

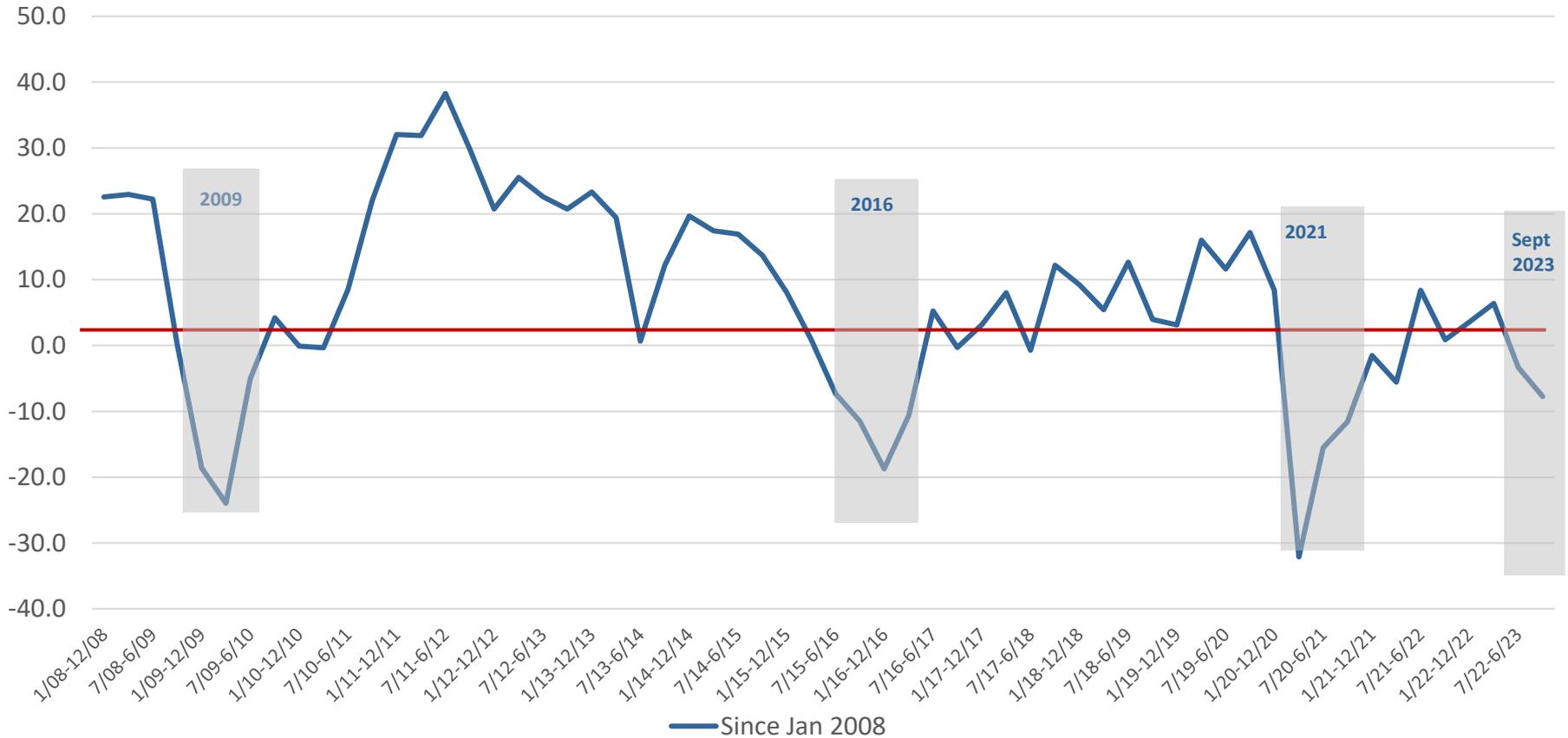
% of Index	Top 10 S&P TSX Small Cap Contributors (YTD 2023)		Contribution	Return 2023 YTD (%)	Index Weight (%)
8%	<b>TOP 10 Contrib.</b>		<b>4.0%</b>	<b>53.2%<sup>1</sup></b>	<b>8.1%</b>
	Hut 8 Mining	Crypto Mining	0.23	130.2	0.3
	Nuvista Energy	Commodity Cyclical	0.22	20.7	0.8
	Well Health	-50% from COVID peak	0.22	46.1	0.6
	Energy Fuels	Commodity Cyclical	0.21	33.2	0.9
	<b>AG Growth Int'l</b>	<b>Portfolio Holding 2.3%</b>	<b>0.2</b>	<b>23.9</b>	<b>0.7</b>
	Eldorado Gold	Commodity Cyclical	0.2	7.4	1.6
	Badger Infra.	Industrial Cyclical	0.19	32..3	0.7
	North American Construction	Commodity Cyclical	0.19	64.6	0.4
9%	Kelt Exploration	Commodity Cyclical	0.18	44.7	0.6
	Russell Metals	Industrial Cyclical	0.18	15.5	0.9
	Oceanagold	Commodity Cyclical	0.17	4.1	1.3
	Aecon Group	Industrial Cyclical	0.16	30.3	0.5
	Headwater Exploration	Commodity Cyclical	0.16	26.5	0.8
	CES Energy Solutions	Commodity Cyclical	0.15	42.8	0.5
	Computer Modelling	Commodity Cyclical	0.15	48.7	0.4
	Uni-Select	Consumer Cyclical	0.14	11.8	0.8
	Freehold Royalties	Commodity Cyclical	0.13	12.8	0.7
	<b>Top 10% of Contributors</b>		<b>7.2%</b>	<b>42%<sup>1</sup></b>	<b>17.3%</b>
83%	Remaining 257 Companies		-8.1%	-6.2% <sup>1</sup>	83%
100%	S&P TSX Small Cap Index		-1.1%	-1.1%	100.0

<sup>1</sup> Average Return

# Canadian Small Cap Equity Portfolio

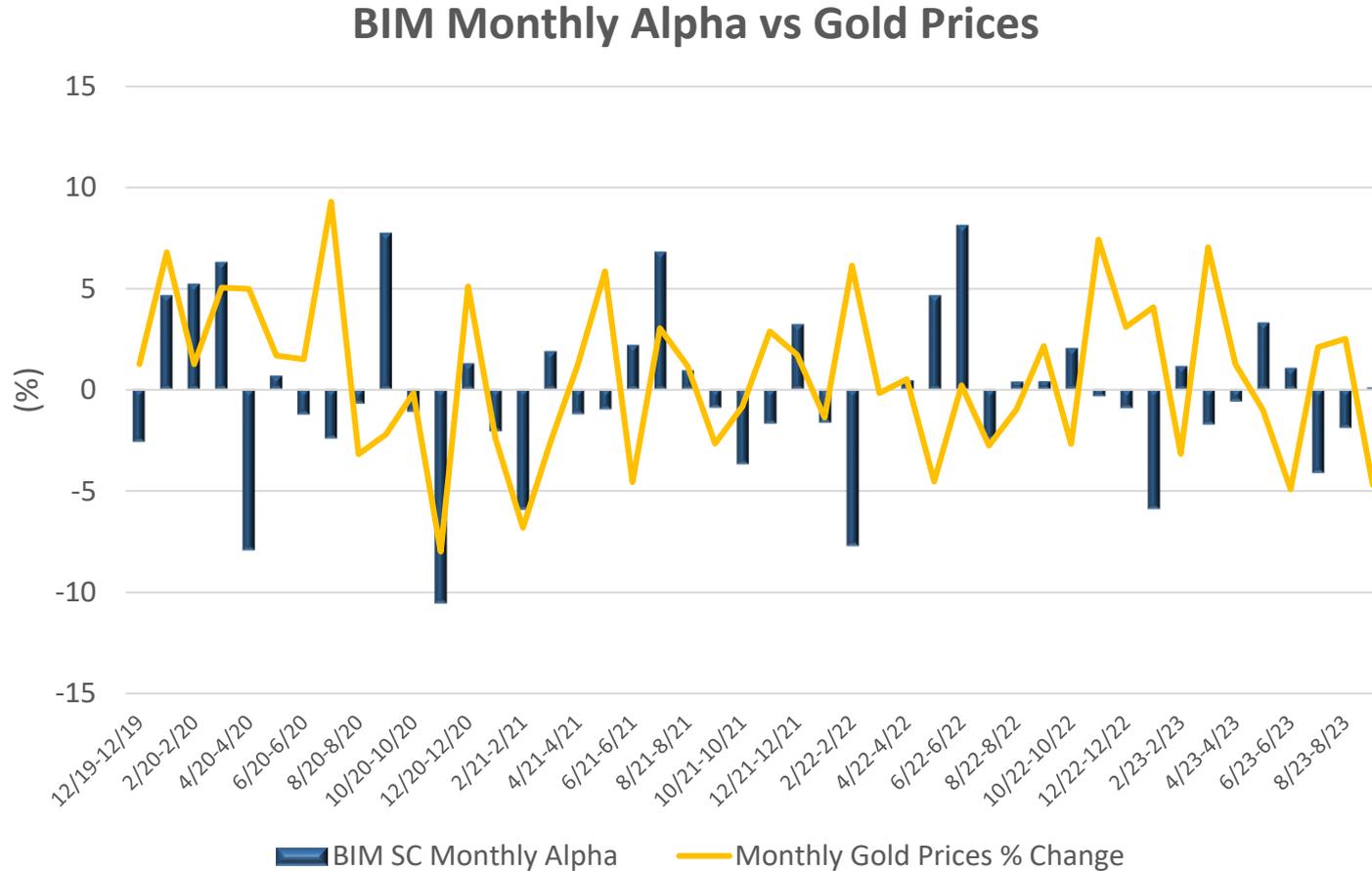
## Small Cap Quality Lags in Cyclical-Led Markets

### Rolling One-Year Excess Return vs TSX Small Cap Index



# Small Cap Canadian Equity

## Gold Price Volatility is Heightened



# Small Cap Canadian Equity

## Performance at September 30, 2023

For Periods Ending Sept. 30, 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>-8.9%</b>	<b>-0.6%</b>	<b>-6.9%</b>	<b>4.7%</b>	<b>7.0%</b>	<b>5.0%</b>	<b>6.2%</b>	<b>5.4%</b>	<b>7.6%</b>	<b>5.7%</b>	<b>7.7%</b>
S&P/TSX Small Cap Index	-1.1%	7.2%	-3.9%	10.0%	6.6%	3.8%	3.2%	2.9%	6.5%	3.0%	4.0%
S&P/TSX Composite Index	3.4%	9.5%	1.8%	9.9%	7.3%	7.3%	7.0%	7.3%	8.2%	6.2%	7.5%

	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>
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%

<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.

# Canadian Small Cap Equity Portfolio

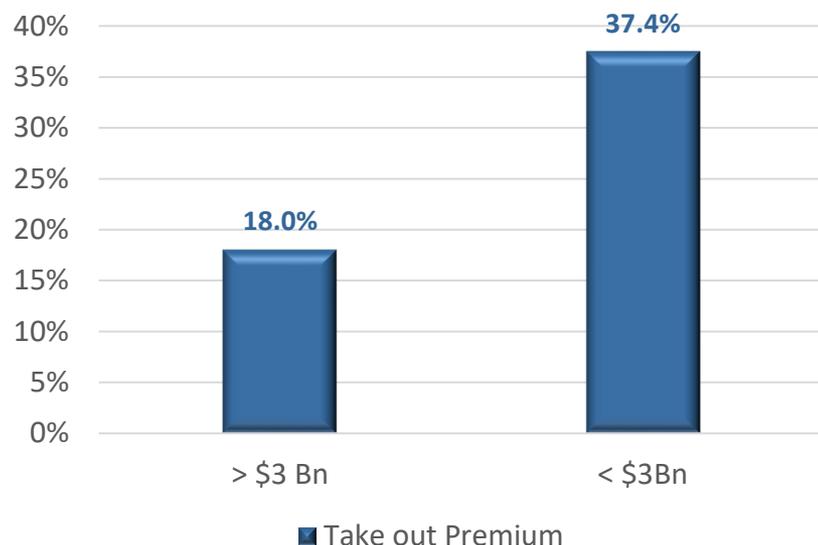
## 2023 YTD: Fundamental Disconnect – Outsized Corrections vs. Small Negative Revisions

	Portfolio Holding	Comment	Revision	Stock Reaction
<b>Macro/Rates</b>	Neighbourly Pharmacy	<b>Oct – offer to take private – 70% Premium</b>		
	Dentalcorp	Higher Financing costs.		
	Cargojet	Slowdown in freight volumes		
	Boralex	Rate sensitive, renewables out of favour		
	Softchoice	Slowdown in IT spending		
<b>Both</b>	Dye & Durham	Housing activity slowdown, FQ4 missed mid-point of guidance	<b>-4%</b> (EBITDA vs consensus )	<b>-34%</b> (multiple contracted ~25% to 7x EBITDA)
<b>Negative Revisions</b>	Jamieson Wellness	Trimmed top-end guidance	-1% 2023 RE. & EBITDA, <b>-5%</b> on EPS	<b>-22%</b> (multiple contract 16% to 9X EBITDA)
	Storagevault	Slowing organic growth	Q2 FFO/share <b>-3%</b> miss Q2SPNOI <b>+2%</b> (down from +6%q/q, +14%y/y)	<b>-17%</b> (multiple contracted ~17% to 19X FFO)
	Calian Group	Q3 Earnings miss – IT segment	-14% on 2023 EBITDA guidance (fwd estimates down <b>~5%</b> )	<b>--20%</b> (multiple contracted ~15% to 7.5X EBITDA)
	Trisura	Reinsurance receivable write-down (Feb) ~3.5% of total reinsurance recoverable	Fwd EPS estimates are <b>+17%</b> since pre-announcement	<b>-28%</b> (multiple contracted ~40% to 12X Fwd P/E)

# 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

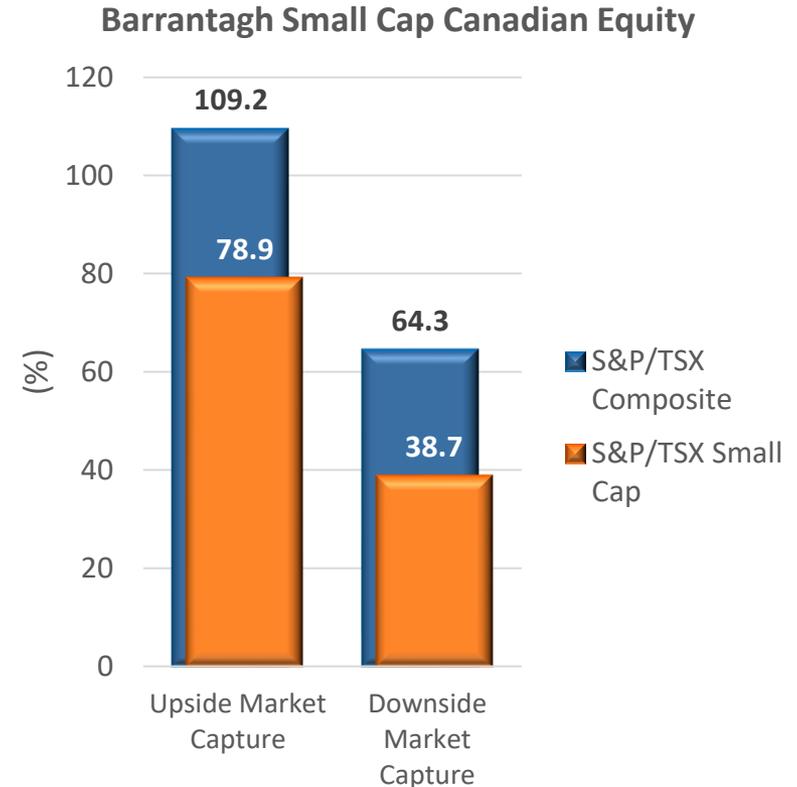
	Announce Date	Premium <sup>1</sup>
Neighbourly Pharma	10/2023	70%
Summit Industrial	04/2022	31%
Lifeworks	Q2/2022	88%
Intertape Polymer	Q1/2022	67%
People Corp.	Q4/2020	75%
Enercare	Q3/2018	64%
Spartan Energy	Q2/2018	5%
Pure Industrial	Q1/2018	21%

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

# Small Cap Canadian Equity

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

Sept. 30, 2023	Barrantagh Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
<b>Annualized Return</b>	<b>10.9%</b>	<b>2.4%</b>	<b>7.4%</b>
Standard Deviation	13.7%	20.9%	18.7%
<i>Sharpe Ratio</i>	<i>0.7</i>	<i>0.1</i>	<i>0.4</i>

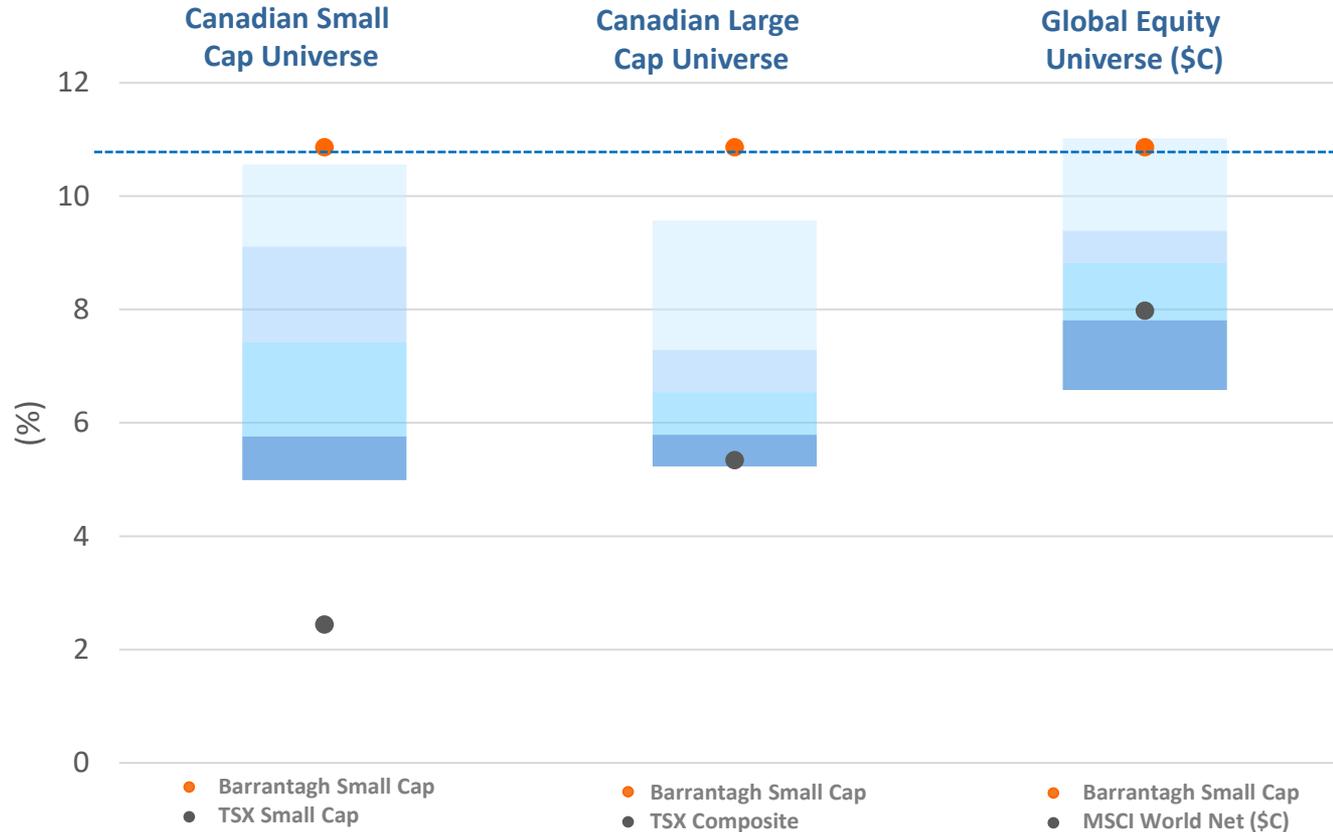


<sup>1</sup> Since Inception Jan. 1, 2008

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

# RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Sept 30, 2023)



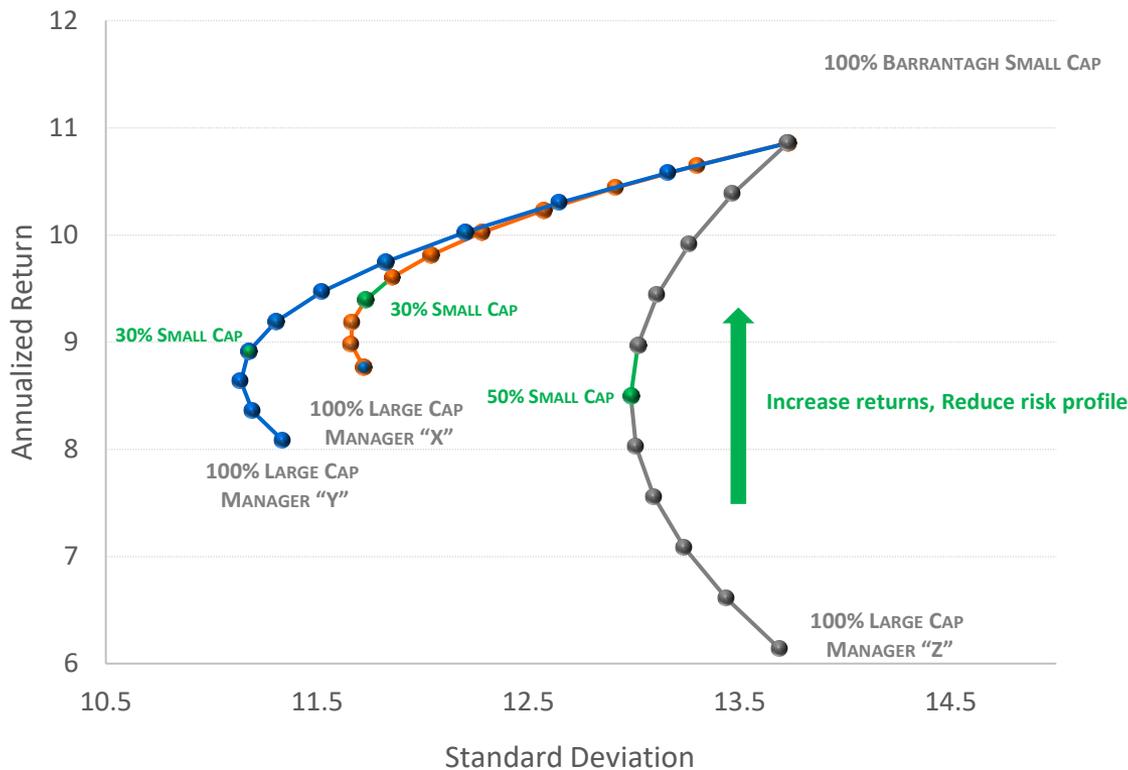
Strategy Inception Date: Jan. 1, 2008

# 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, 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:

1. Weights ( $\omega$ ) of underlying components
2. Risk ( $\sigma$ ) of underlying components
3. Correlation ( $\rho$ ) of components

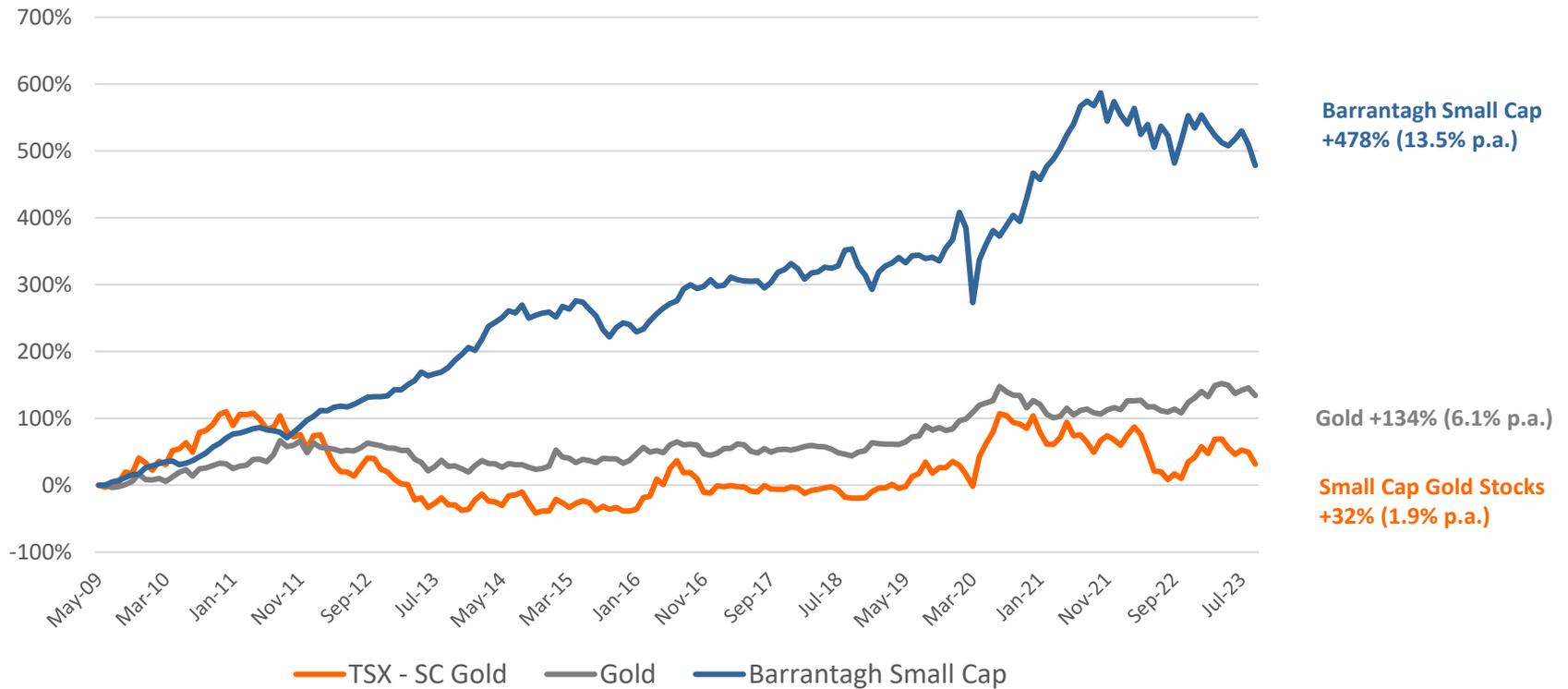
Portfolio Standard Deviation( $\sigma_p$ )

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

# Small Cap Canadian Equity Mandate

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

### Cumulative Returns ~ 14 Years to September 30 2023



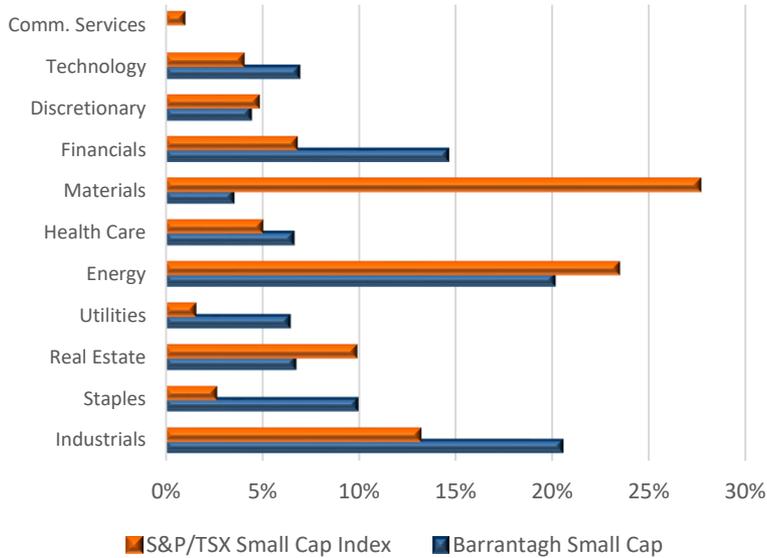
# Profile: Small Cap Canadian Equities

Portfolio at September 30, 2023

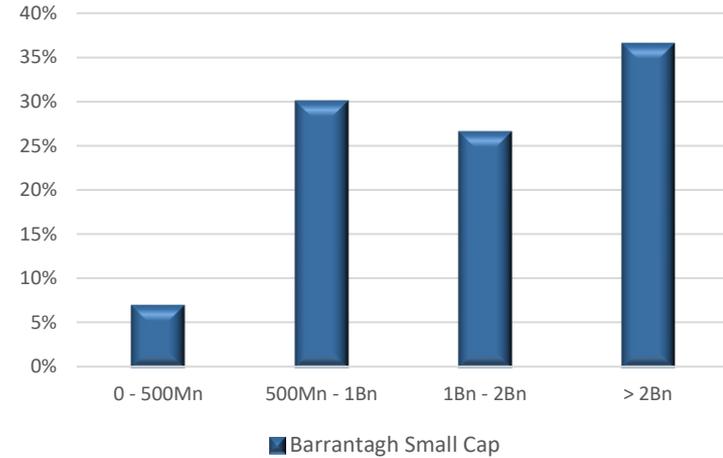
## CHARACTERISTICS

Number of Holdings	29
Avg. Market Cap	\$2.3 Bn
# Industry Sectors	10
Dividend Yield	2.3%

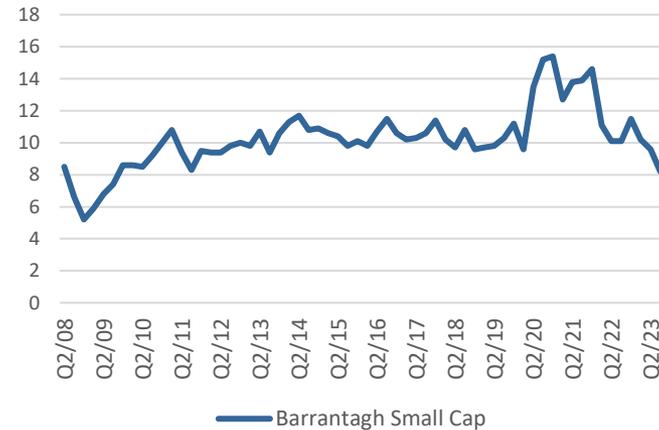
## Barrantagh Small Cap Industry Weight vs. Index



## Market Cap Exposure



## Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at September 30, 2023 | Q3 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Utilities</b>	
MTY Food Group	4.3%	AG Growth (+)	2.3%	Borex	3.3%
	<u>4.3%</u>	Boyd Group (-)	5.2%	Superior Plus	2.9%
<b>Consumer Staples</b>		Brookfield Business	3.2%		<u>6.2%</u>
Jamieson Wellness	2.8%	Cargojet	2.6%	<b>Materials</b>	
Neighbourly Pharmacy	2.7%	Calian Group	3.6%	Chemtrade Logistics	3.4%
Premium Brands	4.0%	Savaria	2.8%		3.4%
	<u>9.5%</u>		<u>19.7%</u>	Cash & Equivalent	3.9%
<b>Energy</b>		<b>Real Estate</b>		Total	100.0%
Arc Resources (-)	3.7%	Minto Apartment REIT	3.0%		
Gibson Energy	2.8%	Storagevault Canada	3.5%		
Enerflex	3.1%		<u>6.5%</u>		
Logan Energy (NEW)	2.0%	<b>Health Care</b>			
Tamarack Valley (+)	4.6%	Andlauer Healthcare	4.2%		
Tidewater Midstream	3.1%	Dentalcorp	2.2%		
	<u>19.3%</u>		<u>6.4%</u>		
<b>Financials</b>		<b>Information Technology</b>			
Definity Financial	4.7%	Dye & Durham	3.2%		
EQB Group	3.9%	Softchoice	3.5%		
Propel Holdings	1.4%		<u>6.7%</u>		
Trisura Group	4.1%				
	<u>14.1%</u>				

TRIM = (-)  
ADD = (+)





# MANDATE REVIEW

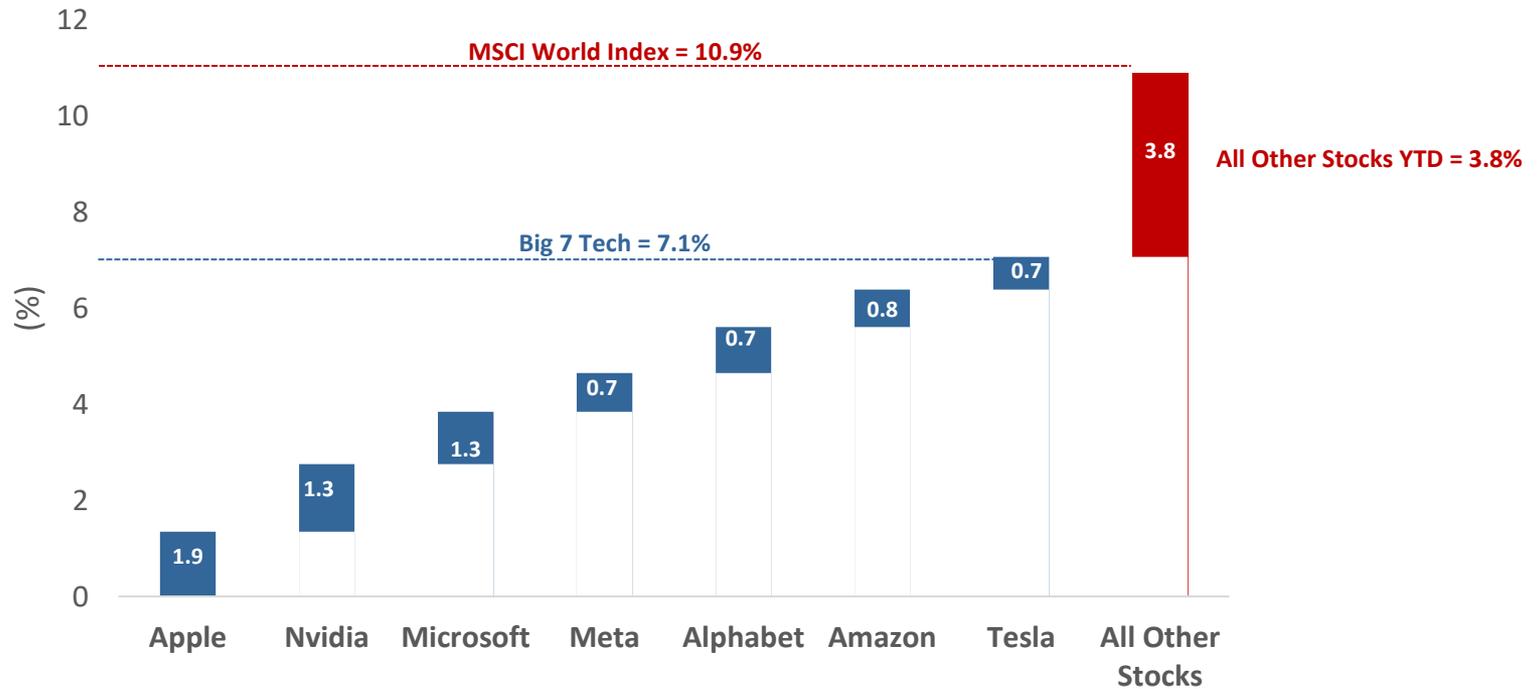
## ALL CAP GLOBAL EQUITIES

# Global Market Performance

## Narrow Market: 7 Mega Cap Tech Stocks Dominate

### MSCI World Return Attribution

YTD as of Sept. 30, 2023



2023 YTD Performance	32%	197%	32%	148%	48%	51%	103%
Weight in BIM Global	-	-	5.7%	-	5.4%	2.8%	-

# Magnificent 7 are 28% of the S&P500 Market Cap

## AI Theme Peaks Share of S&P500 Despite Higher Rates



Source: The Daily Shot, Bank of America, Bloomberg

# Tech Valuations Are Elevated



Source: The Daily Shot

# All Cap Global Equity Mandate

Performance at September 30, 2023

For Periods Ending Sept. 30, 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>6.6%</b>	<b>16.2%</b>	<b>3.7%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>9.9%</b>	<b>10.6%</b>	<b>10.7%</b>	<b>11.0%</b>	<b>11.0%</b>	<b>11.9%</b>
MSCI World (Net)	10.9%	20.0%	2.3%	8.5%	9.2%	8.2%	9.3%	9.8%	9.7%	10.1%	11.3%

	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%

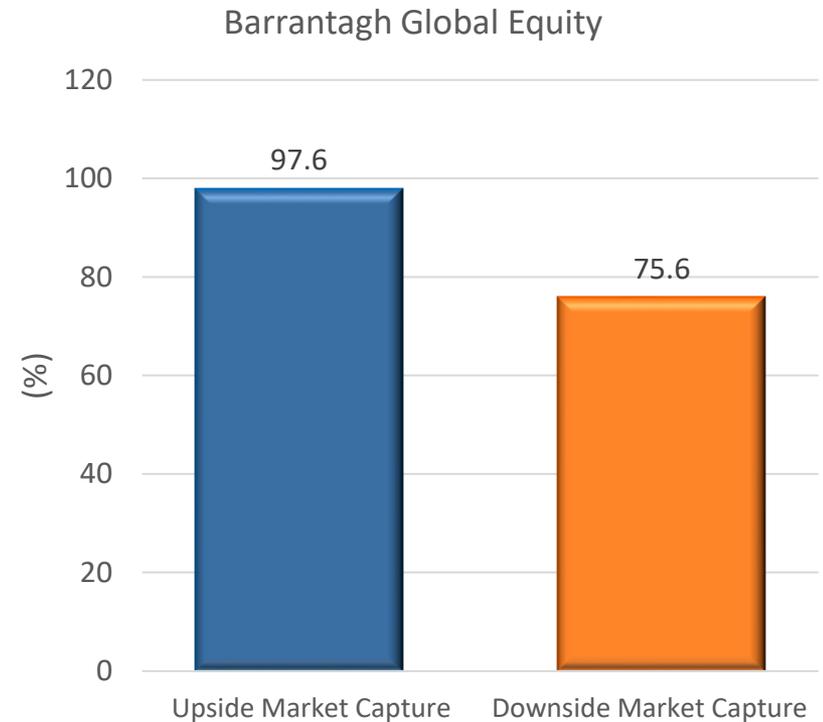
Green indicates periods that Barrantagh outperformed

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 Sept. 30, 2023)

	Barrantagh Global Equities <sup>1</sup>	Percentile Rank <sup>2</sup>	
<b>Annualized Return</b>	<b>13.5%</b>	<b>9</b>	<b>1<sup>st</sup> Quartile</b>
Standard Deviation	11.2%	23	Lower Volatility than Median
<i>Sharpe Ratio</i>	<i>1.1</i>	<i>6</i>	<i>High risk-adjusted return</i>
Beta	0.91	36	Low risk vs. market
<i>Treynor Ratio</i>	<i>13.5</i>	<i>15</i>	<i>High risk-adjusted return</i>

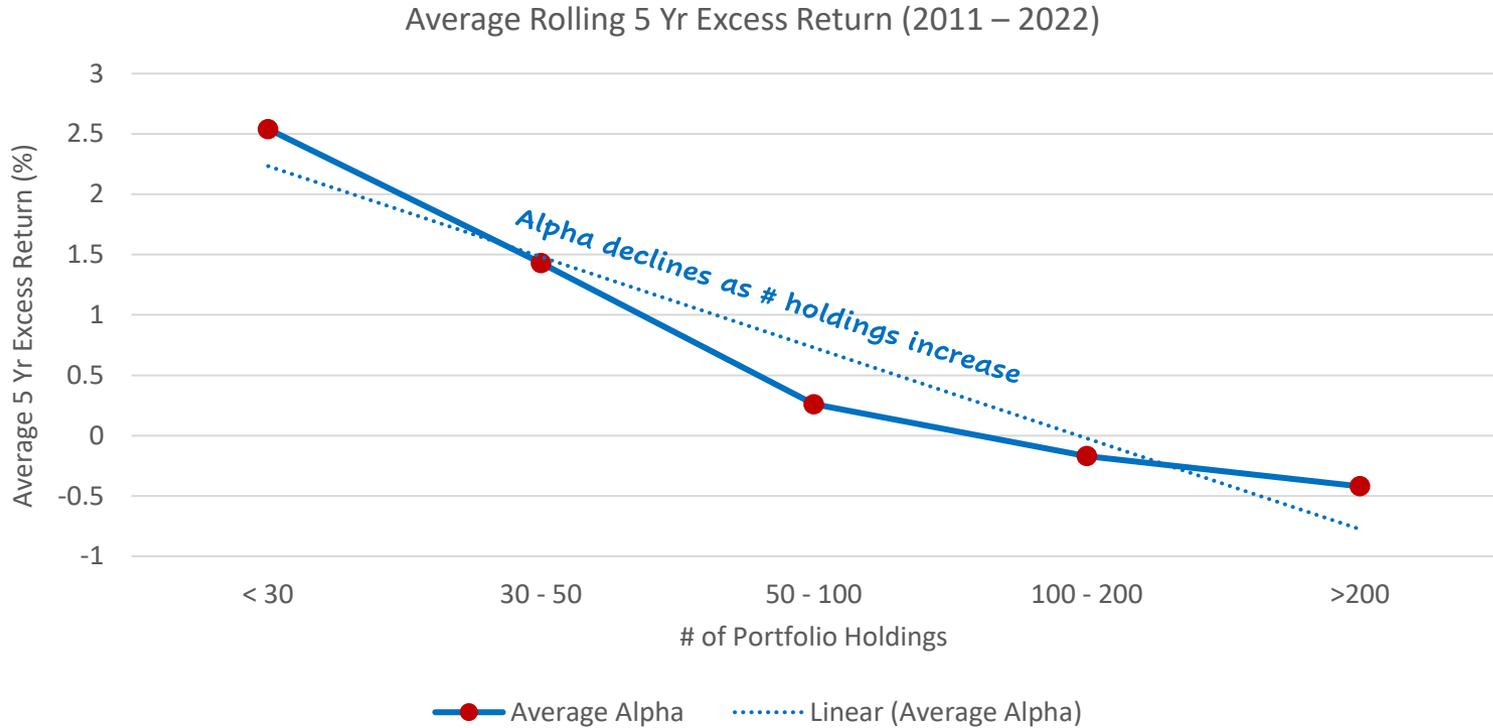


<sup>1</sup> Since Inception Jan. 1, 2012

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

# Concentrated Global Equity Advantages

## # Holdings & Alpha Generation



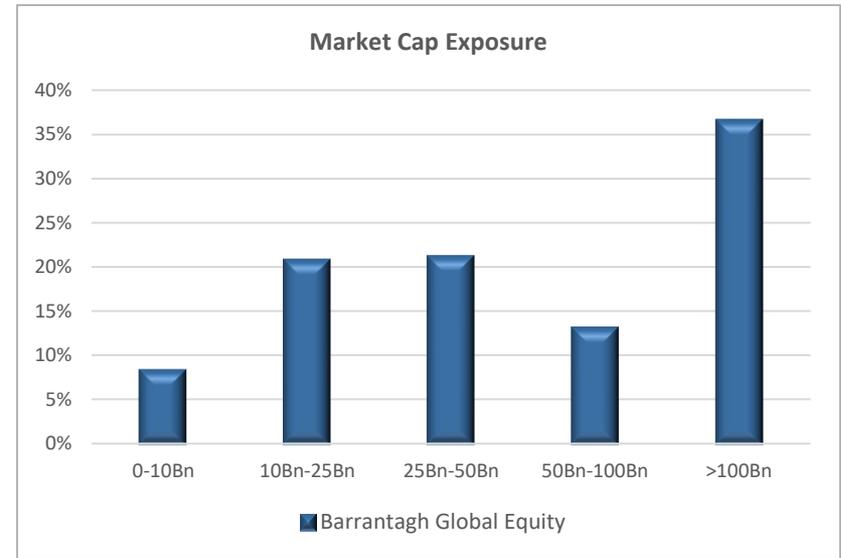
Excess Returns (CAD) vs. MSCI World Index (Net)

# All Cap Global Equities

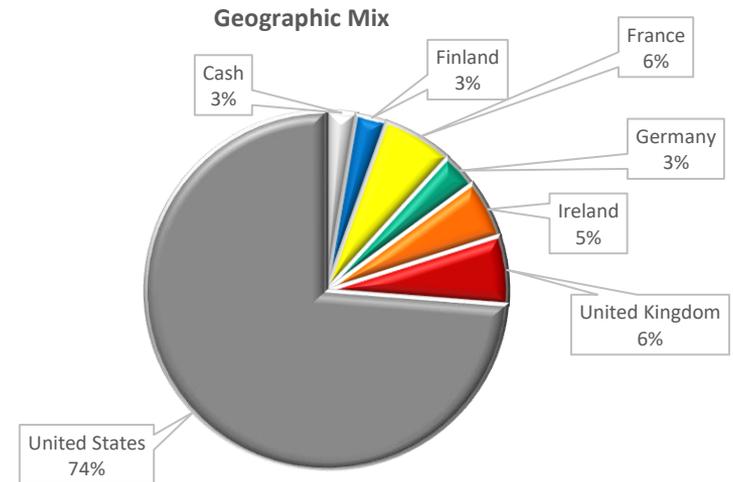
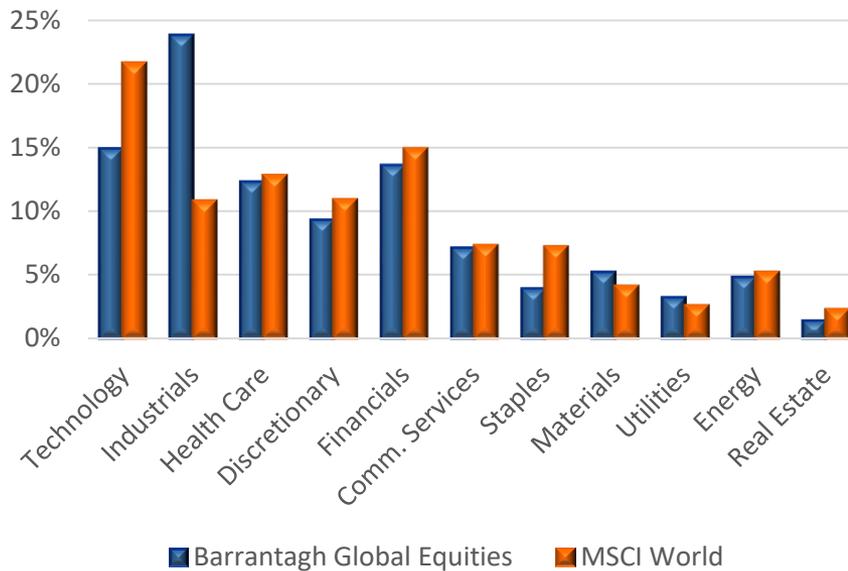
at September 30, 2023

## CHARACTERISTICS

Number of Holdings	32
# Industry Sectors	11
Average Market Cap	\$484.2Bn
P/CF	12.9X
Dividend Yield	1.6%



Barrantagh Global Equities Industry Weight vs Index



# All Cap Global Equities

Portfolio at September 30, 2023 | Q3 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Financials</b>	
Amazon	2.8%	Leidos Holdings (+)	2.2%	Bank of America	2.7%
Compass Group (+)	3.3%	Metso Outotec	2.8%	Wells Fargo	2.4%
Intercontinental Hotels	<u>2.9%</u>	Vinci S.A.	2.8%	JP Morgan Chase	2.4%
	9.1%	Quanta Services	3.2%	Mastercard	3.4%
<b>Consumer Staples</b>		Regal Rexnord	3.0%	Willis Towers Watson	<u>2.4%</u>
Constellation Brands	<u>3.8%</u>	Schneider Electric	3.5%		13.3%
	3.8%	Union Pacific	3.0%	<b>Information Technology</b>	
<b>Materials</b>		Wabtec	<u>2.8%</u>	Dynatrace	3.1%
CRH (-)	2.8%		23.3%	Itron	2.3%
International Flavours & Frag.	<u>2.3%</u>	<b>Health Care</b>		Microchip Technology	3.4%
	5.1%	Baxter International	2.1%	Microsoft	<u>5.7%</u>
<b>Utilities</b>		Boston Scientific	3.3%		14.5%
RWE Aktiengesellschaft	<u>3.2%</u>	Thermo Fisher Scientific	3.2%	<b>Communication Services</b>	
	3.2%	United Health Group (+)	<u>3.4%</u>	T-Mobile	1.6%
<b>Real Estate</b>			12.0%	Alphabet	<u>5.4%</u>
American Tower (NEW)	<u>1.4%</u>	<b>Energy</b>			7.0%
	1.4%	EOG Resources	<u>4.7%</u>	Cash & Equivalents	2.6%
			4.7%	Total	100.0%
<b>Sold</b>		<b>TRIM = (-)</b>			
Dollar General		<b>ADD = (+)</b>			



## ECONOMIC REVIEW

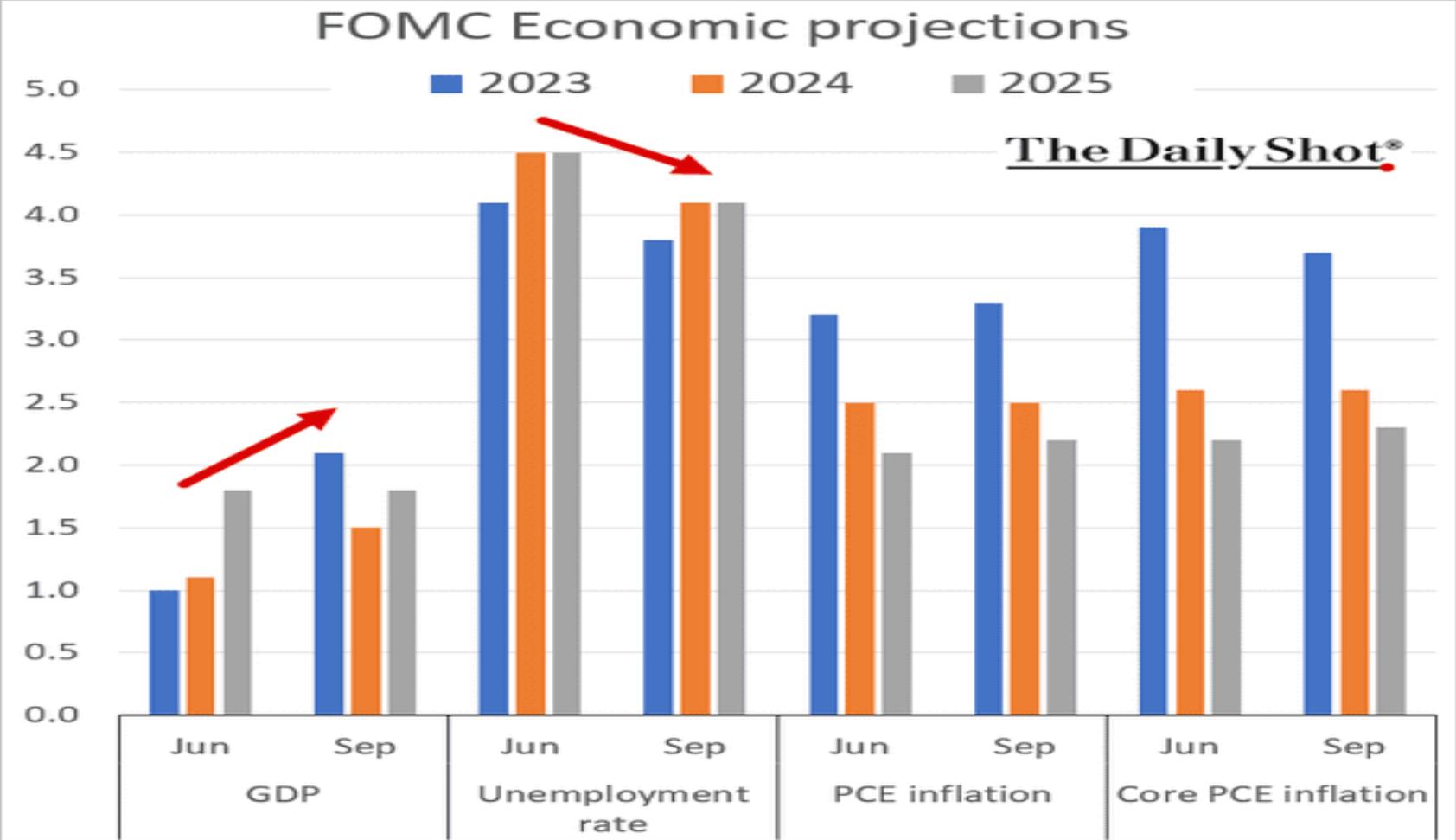
# Outlook

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## World:

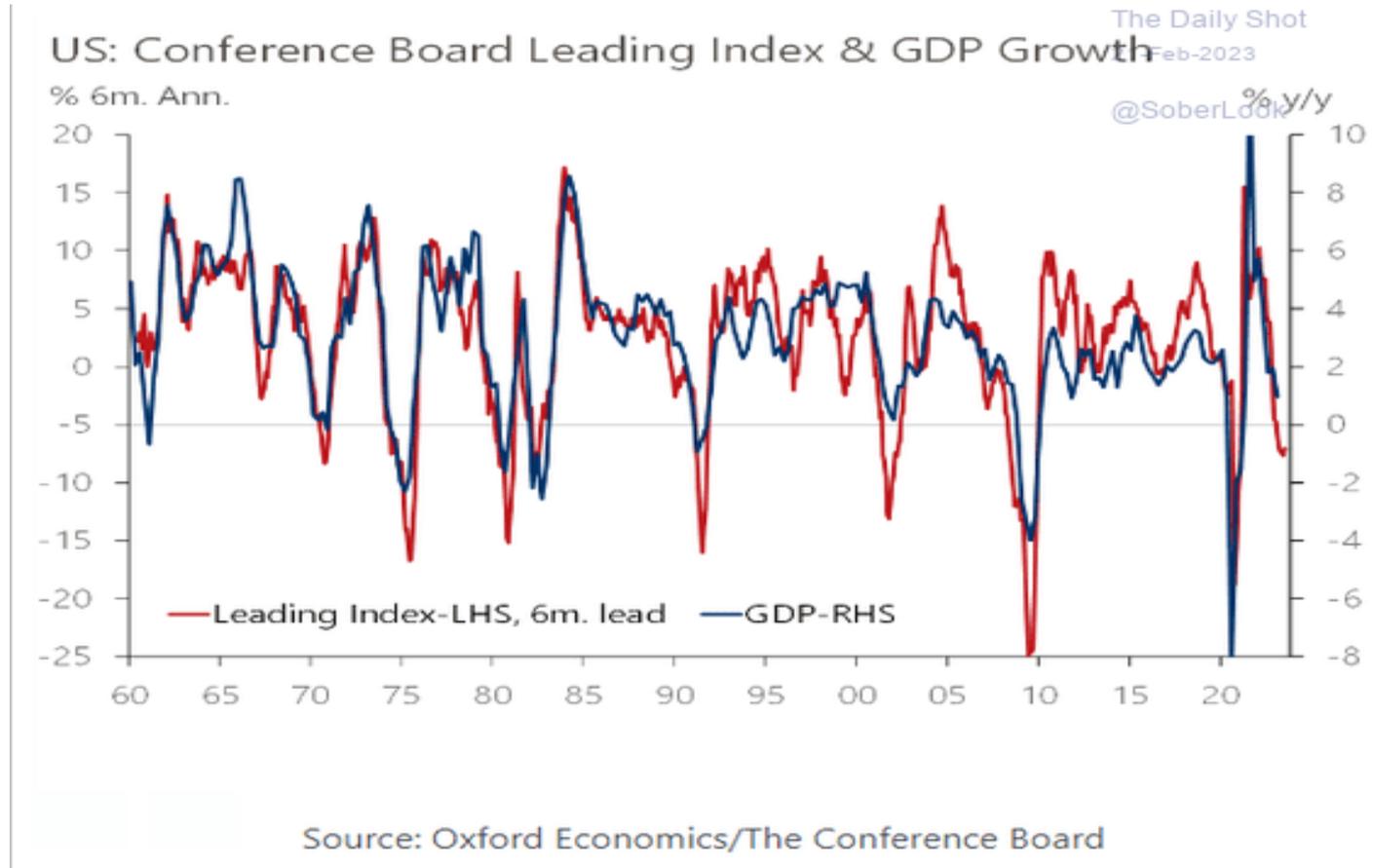
- Higher rates reduce consumer & manufacturing activity
- Soft landing/moderate recession
  - Employment & wage increases remain resilient
  - Inflation is moderating off multi-decade peak
- Narrow leadership in equity markets (Global – Technology, Canada - Cyclical)
  - Growth indices remain expensive vs. Value
  - Small cap and Income stocks are supported by falling inflation & current valuations

# U.S. Fed Economic Projections



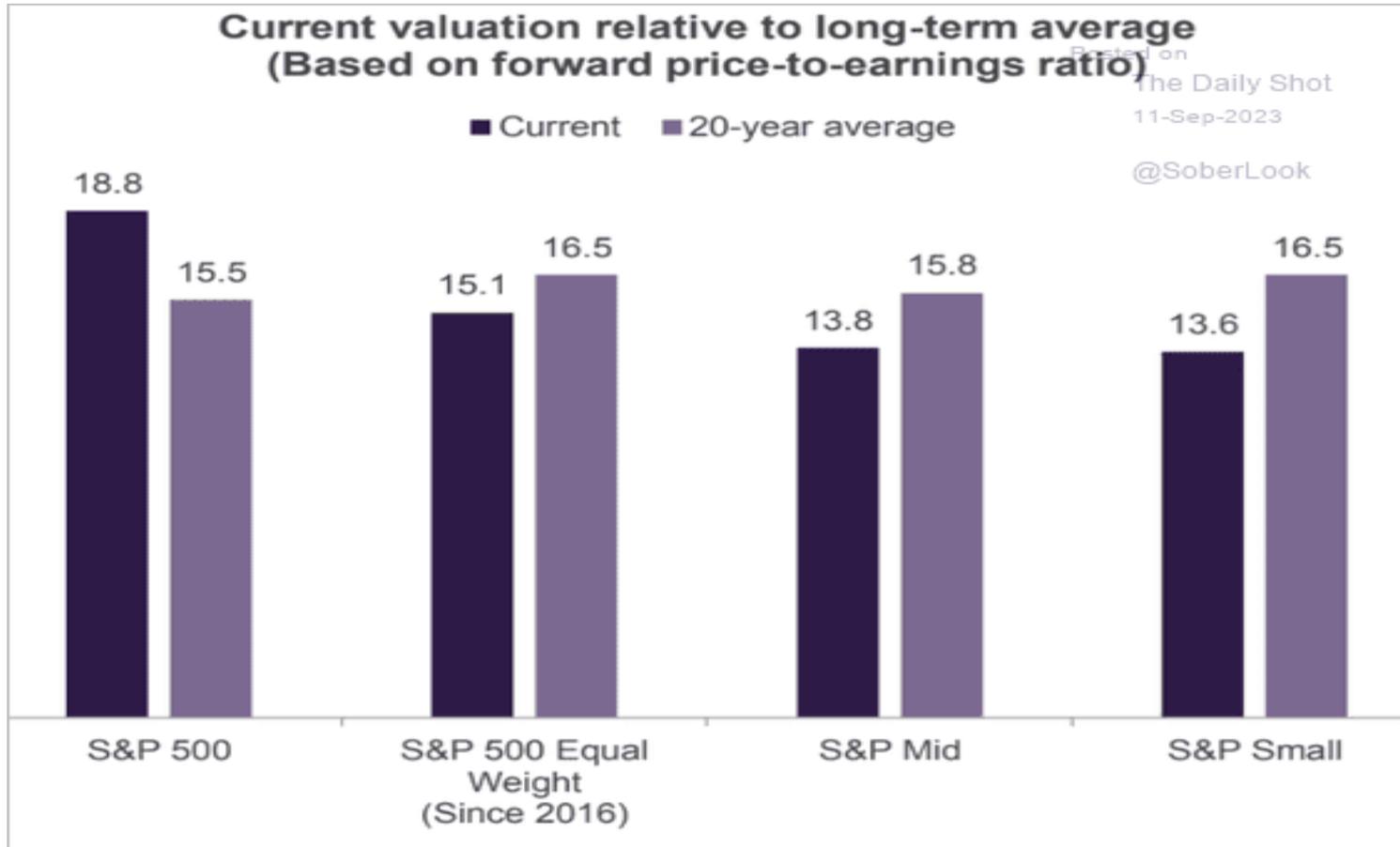
Source: The Daily Shot

# U.S. Leading Index Suggests Mild Recession



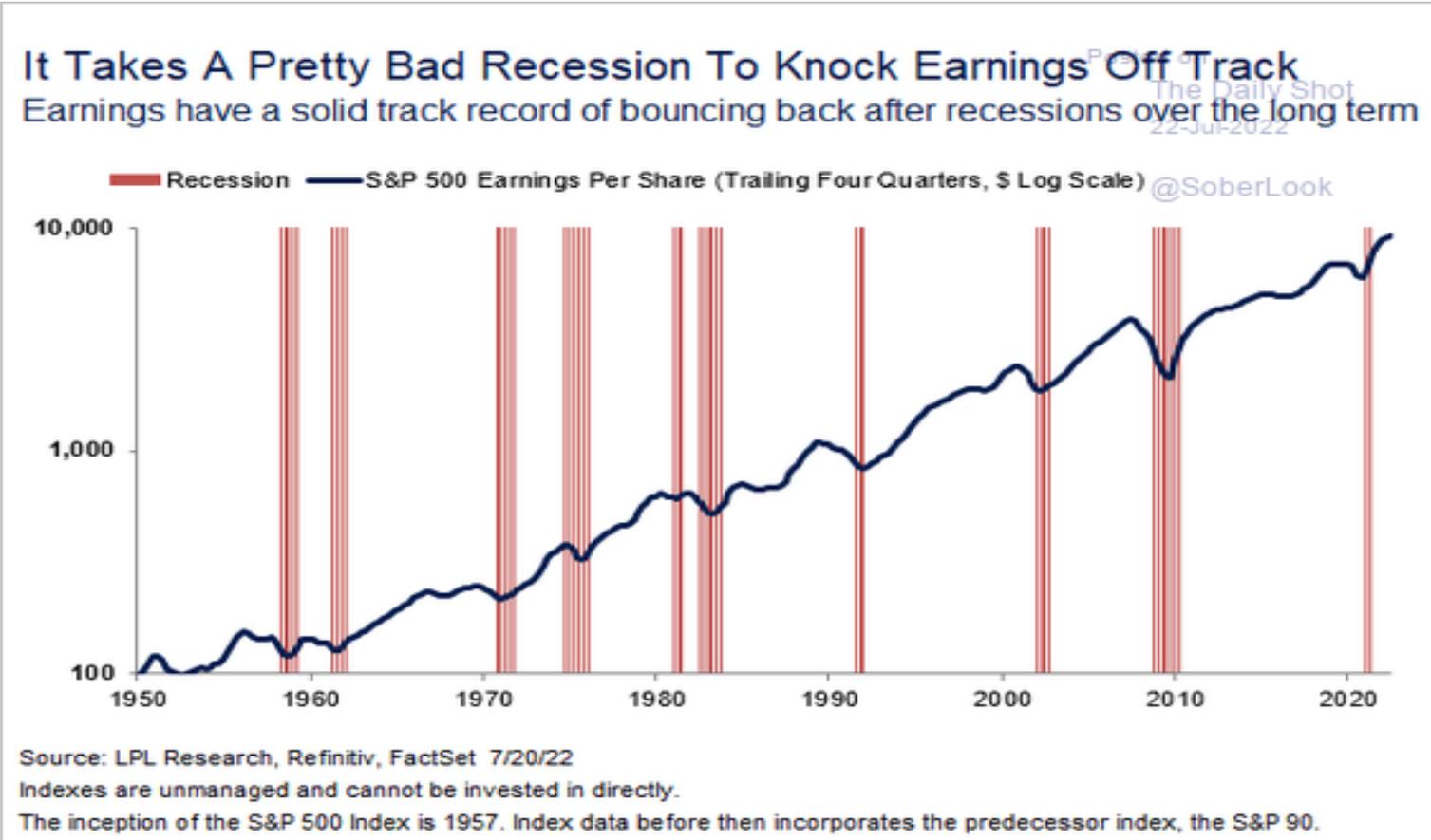
Source: The Daily Shot

# Market Valuations



Source: The Daily Shot

# Take a Long Term View – Earnings are Resilient



Source: The Daily Shot

# 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

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