

## Update – Dec. 31, 2023

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



ICS Program

# Firm Update

## FIRM PROFILE

- 100% employee-owned investment managers since 1995
- 17 employees, firm ownership expanded to 7 employee-shareholders
- AUM: \$1.5 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:

- **Sean Wetmore** from Portfolio Manager to Vice President & Portfolio Manager– Small Cap Canadian 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

### ESG Integration Update:

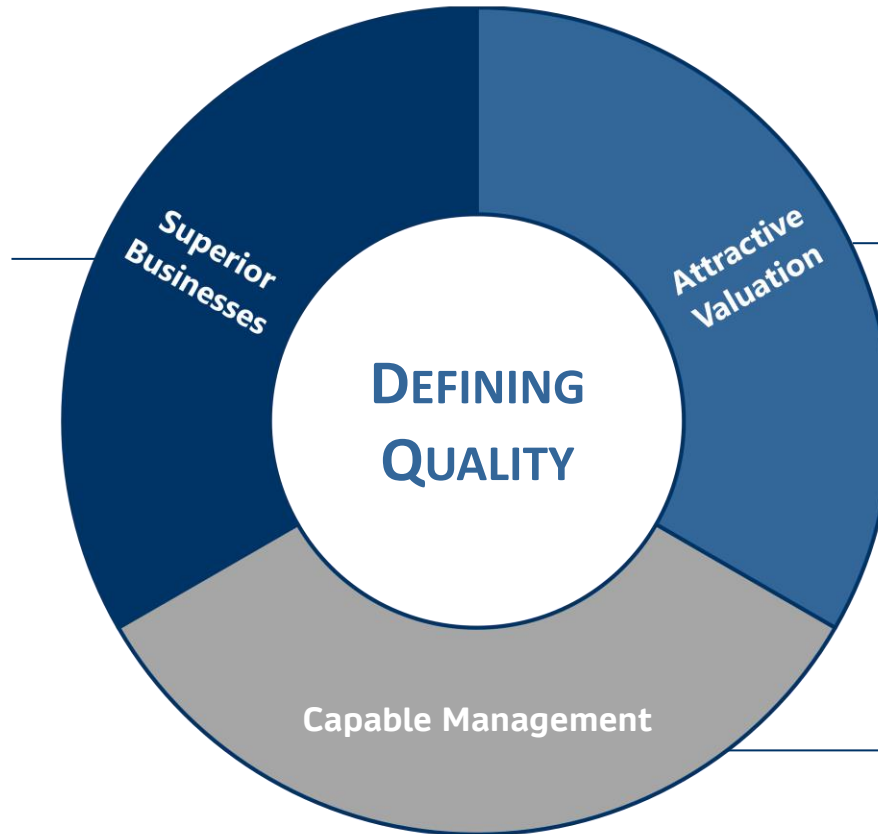
- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy
- 2021 – subscribed to ISS ESG Global database (ESG company data, Controversies, Portfolio Analysis)

# 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

# 2023 Canadian Market Review

## Smaller Companies Sequentially Lagged Larger Companies | Valuation Advantage vs Large Caps

- 461 publicly traded Canadian companies sorted by size into quartiles
- Sequential decline in median 2023 returns moving largest to smallest
- Smaller companies offer considerable valuation advantage

| Company Market Cap |                          | Market Cap Range (\$Bn's) | 2023 Median Return (%) | Upside to Normal Valuation <sup>1</sup> (%) |
|--------------------|--------------------------|---------------------------|------------------------|---|
| LARGEST            | 1 <sup>ST</sup> Quartile | 188 – 4                   | 11.7                   | 5   |
|                    | 2 <sup>nd</sup> Quartile | 4 - 1.3                   | 2.8                    | 17  |
|                    | 3 <sup>rd</sup> Quartile | 1.3 – 0.4                 | 1.5                    | 20  |
| SMALLEST           | 4 <sup>th</sup> Quartile | < 0.4                     | -12.8                  | 32  |

<sup>1</sup> Normal Valuation = 5 Yr Average

# Performance Review

## Small Caps Offer Valuation Advantage vs Large Caps

|   | Theme   | Barrantagh Small Cap Portfolio | Canadian Companies > \$10Bn Market Cap |
|---|---|--------------------------------|--|
| 2023 Oct YTD                            | <ul style="list-style-type: none"><li>Narrow Cyclical Market</li><li>Risk-off</li><li>Rising rates</li></ul>        | -13%                           |  |
| Nov – Dec 2023                          | <ul style="list-style-type: none"><li>Broad Market Rally</li><li>Falling inflation</li><li>Falling yields</li></ul> | 11%                            |  |
| Overall 2023                            | <ul style="list-style-type: none"><li>Smaller caps underperform</li></ul>   | -2.7%                          | 16.1%                                  |
| Upside to Normal <sup>1</sup> Valuation |   | 16%                            | -4%                                    |

<sup>1</sup> Normal Valuation = 5 Yr Average

# Small Cap Investing

## Small Caps Outperform Following Large Cap Concentration

### Large Cap Market Concentration Precedes Small Cap Outperformance

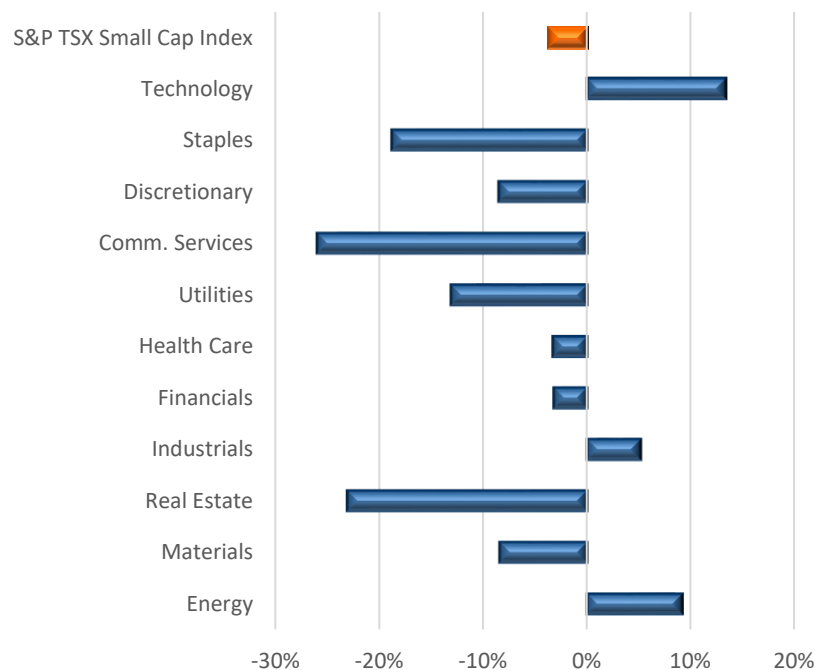


Source: The Daily Shot

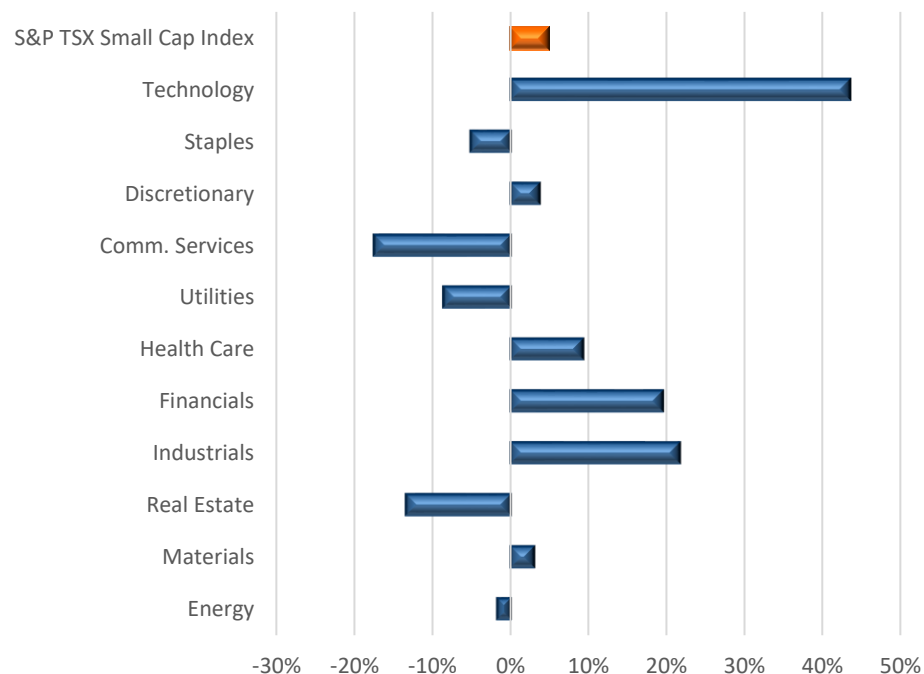
# Small Cap Investing

## 2023: Q4 Rally Broadens the Market as Energy Pulls Back

YTD Oct. 2023 Small Cap Index Returns



2023 Small Cap Index Returns by Industry



Source: Bloomberg, Barrantagh Research



# Canadian Small Cap Markets

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

| % of Index | Top 10 S&P TSX Small Cap Contributors Oct. 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            | <u>0.24</u>  | <u>49.5</u>              | <u>0.55</u>      |
|            | <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 Portfolio

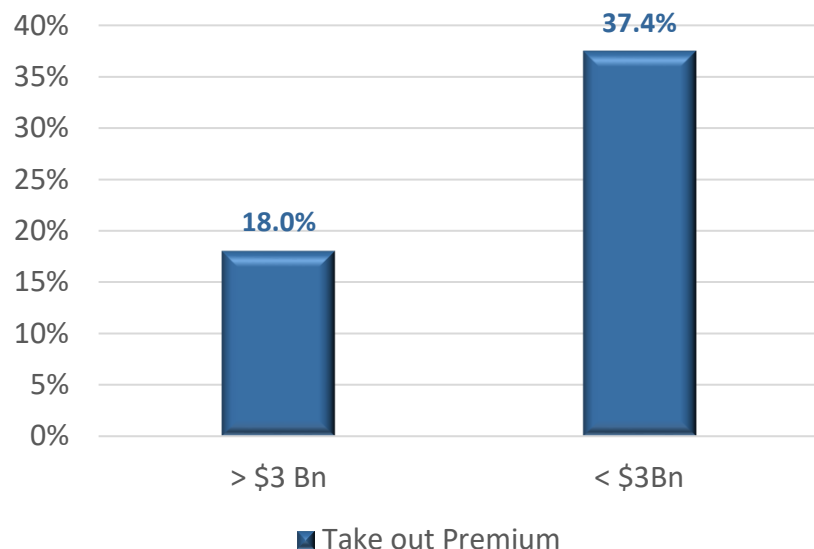
Q4 2023 Earnings Cycle: **Fundamentals Reconnect**

| Portfolio Holding       |                     | Top 10: Stock Reaction |
|-------------------------|---------------------|------------------------|
|                         |                     | Nov + Dec. Return      |
| Technology              | Dye & Durham        | +78%                   |
| Financials              | Propel Holdings     | +61%                   |
| Industrial              | Brookfield Business | +58%                   |
| Industrials             | Cargojet            | +51%                   |
| Staples                 | Jamieson Wellness   | +40%                   |
| Utilities               | Boralex             | +31%                   |
| Financials              | EQB                 | +27%                   |
| Real Estate             | Minto Holdings      | +25%                   |
| Industrial              | Savaria             | +23%                   |
| Real Estate             | Storagevault        | +22%                   |
| BIM Small Cap Portfolio |                     | +11.3%                 |
| S&P TSX Small Cap       |                     | +8.8%                  |

# 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

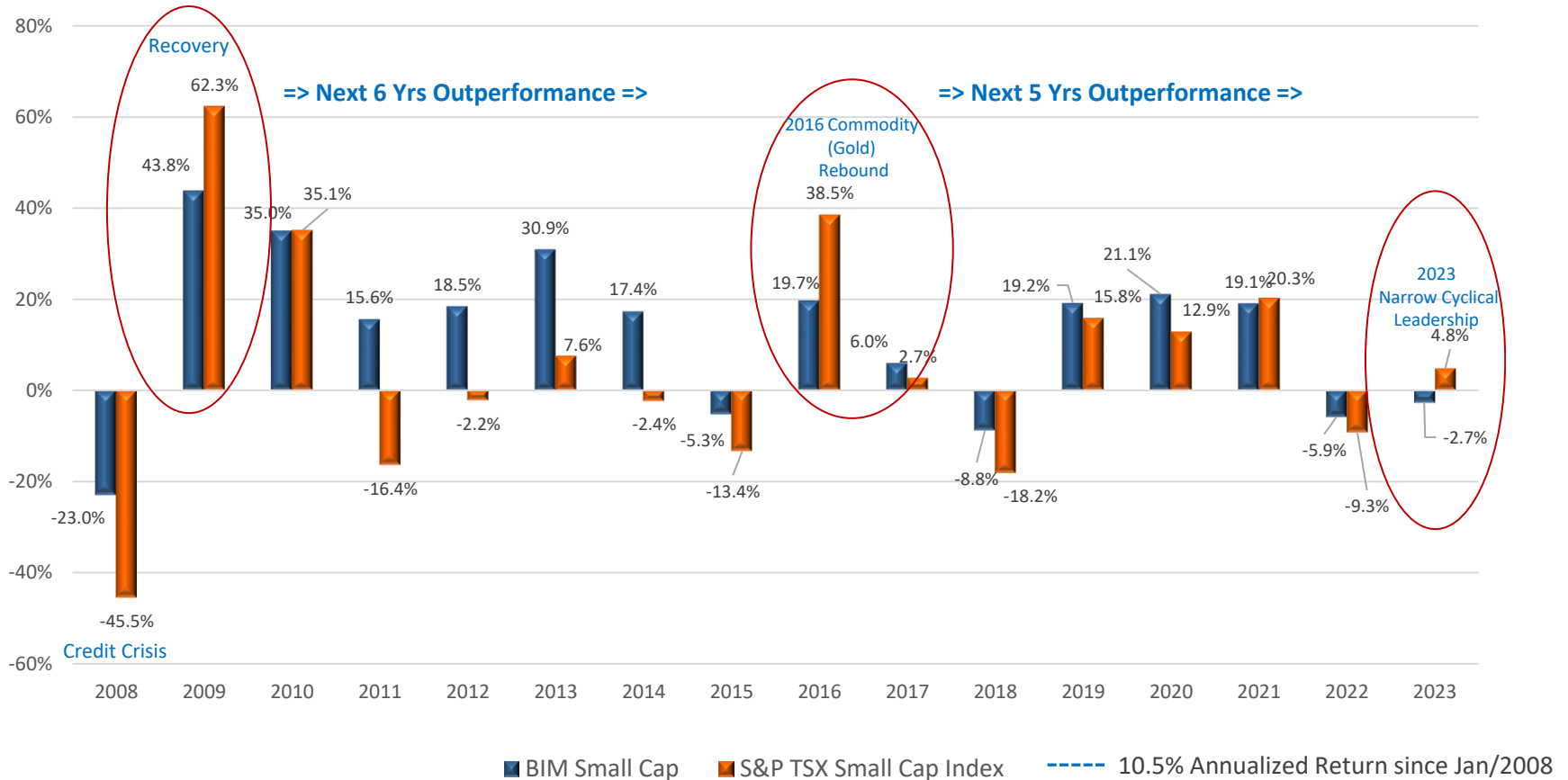
|                    | Announce Date | Premium <sup>1</sup> |
|--------------------|---------------|----------------------|
| Neighbourly Pharma | 10/2023       | 55%                  |
| Summit Industrial  | 04/2022       | 31%                  |
| Lifeworks          | Q2/2022       | 88%                  |
| 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

# Performance Update

## Investing over Market Cycles | Calendar Year Returns

Calendar Year Performance vs. Benchmark



# Small Cap Canadian Equity

Performance at December 31, 2023

| For Periods Ending<br>Dec. 31, 2023 | Q4/23 | 1 Yr  | 2 Yrs | 3 Yrs | 4 Yrs | 5 Yrs | 6 Yrs | 7 Yrs | 8 Yrs | 9 Yrs | 10 Yrs | 15 Yrs |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| <b>BIM Canadian Small Cap</b>       | 6.8%  | -2.7% | -4.2% | 2.9%  | 7.2%  | 9.5%  | 6.2%  | 6.1%  | 7.8%  | 6.2%  | 7.3%   | 11.1%  |
| <b>S&amp;P/TSX Small Cap Index</b>  | 6.0%  | 4.8%  | -2.5% | 4.6%  | 6.6%  | 8.4%  | 3.4%  | 3.3%  | 7.2%  | 4.7%  | 3.9%   | 2.8%   |
| <b>S&amp;P/TSX Composite Index</b>  | 8.1%  | 11.8% | 2.6%  | 9.6%  | 8.6%  | 11.3% | 7.6%  | 7.8%  | 9.4%  | 7.3%  | 7.6%   | 5.8%   |

|                                    | 2023  | 2022  | 2021               | 2020  | 2019  | 2018   | 2017 | 2016               | 2015   | 2014  | 2013  | 2012  | 2011   | 2010  | 2009               | 2008   |
|------------------------------------|-------|-------|--------------------|-------|-------|--------|------|--------------------|--------|-------|-------|-------|--------|-------|--------------------|--------|
| <b>BIM Canadian Small Cap</b>      | -2.7% | -5.7% | 18.8% <sup>1</sup> | 21.3% | 19.0% | -8.9%  | 5.9% | 19.8% <sup>1</sup> | -5.3%  | 17.3% | 30.9% | 18.5% | 15.6%  | 35.0% | 43.8% <sup>1</sup> | -22.9% |
| <b>S&amp;P/TSX Small Cap Index</b> | 4.8%  | -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)

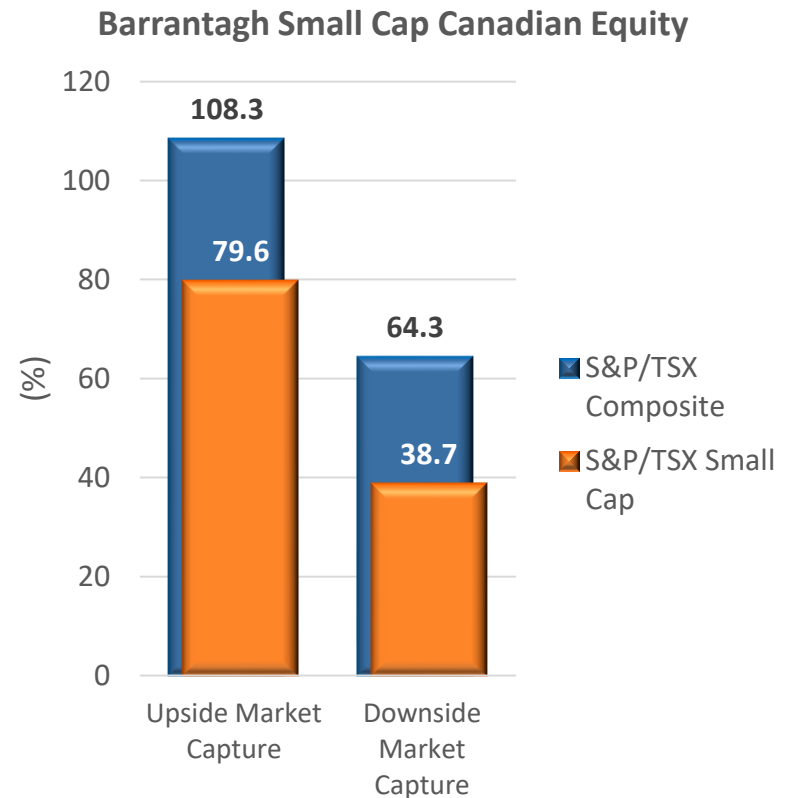
Green indicates periods that Barrantagh Small Cap outperformed

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

# Small Cap Canadian Equity

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

| Dec. 31, 2023                | Barrantagh<br>Small Cap Cdn.<br>Equites <sup>1</sup> | TSX Small<br>Cap | Median      |
|------------------------------|--|------------------|-------------|
| <b>Annualized<br/>Return</b> | <b>11.1%</b>   | <b>2.8%</b>      | <b>8.2%</b> |
| Standard<br>Deviation        | 13.8%  | 20.8%            | 17.6%       |
| <i>Sharpe Ratio</i>          | <i>0.7</i>   | <i>0.1</i>       | <i>0.4</i>  |

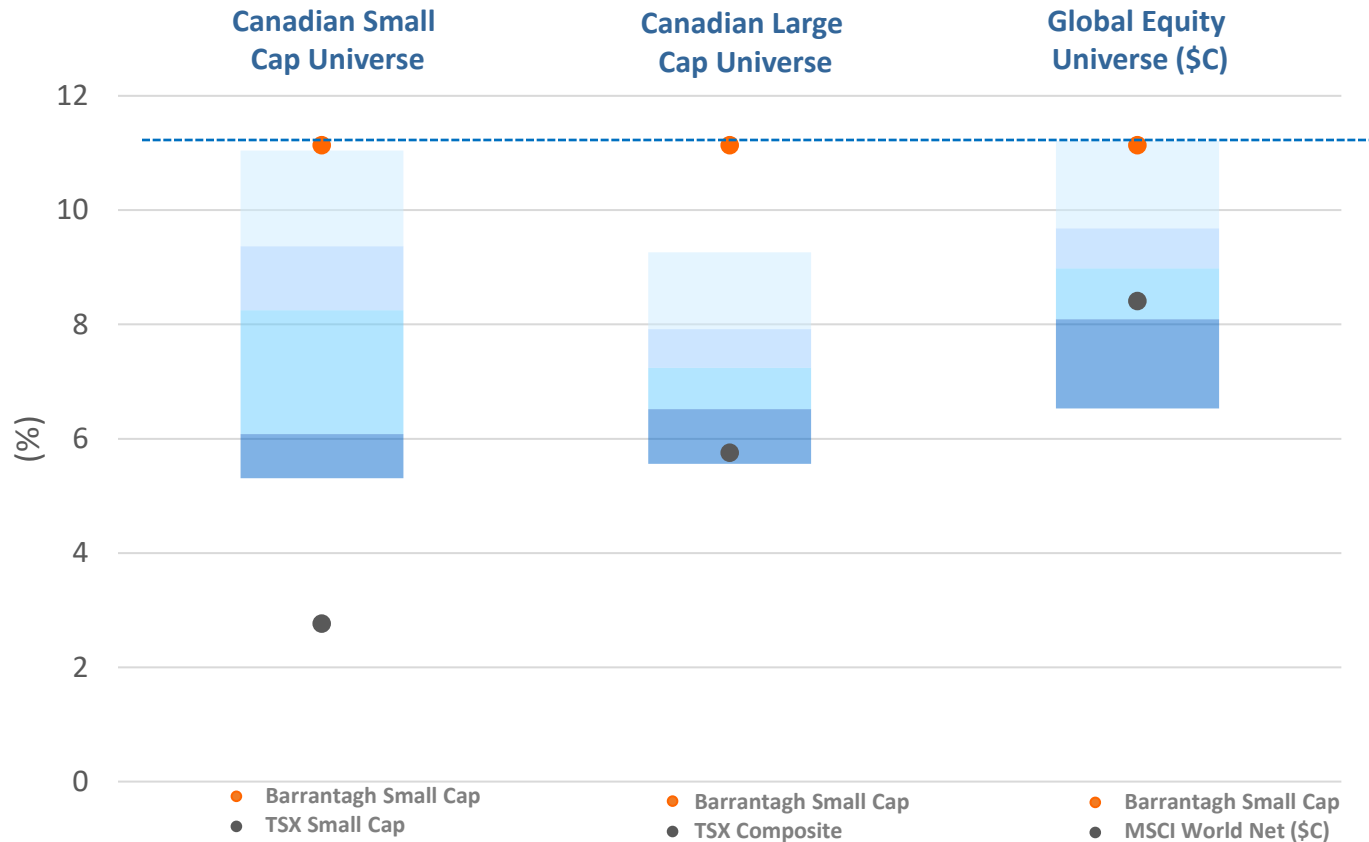


<sup>1</sup> Since Inception Jan. 1, 2008

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

# RETURNS: Small Cap Canadian Equities

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



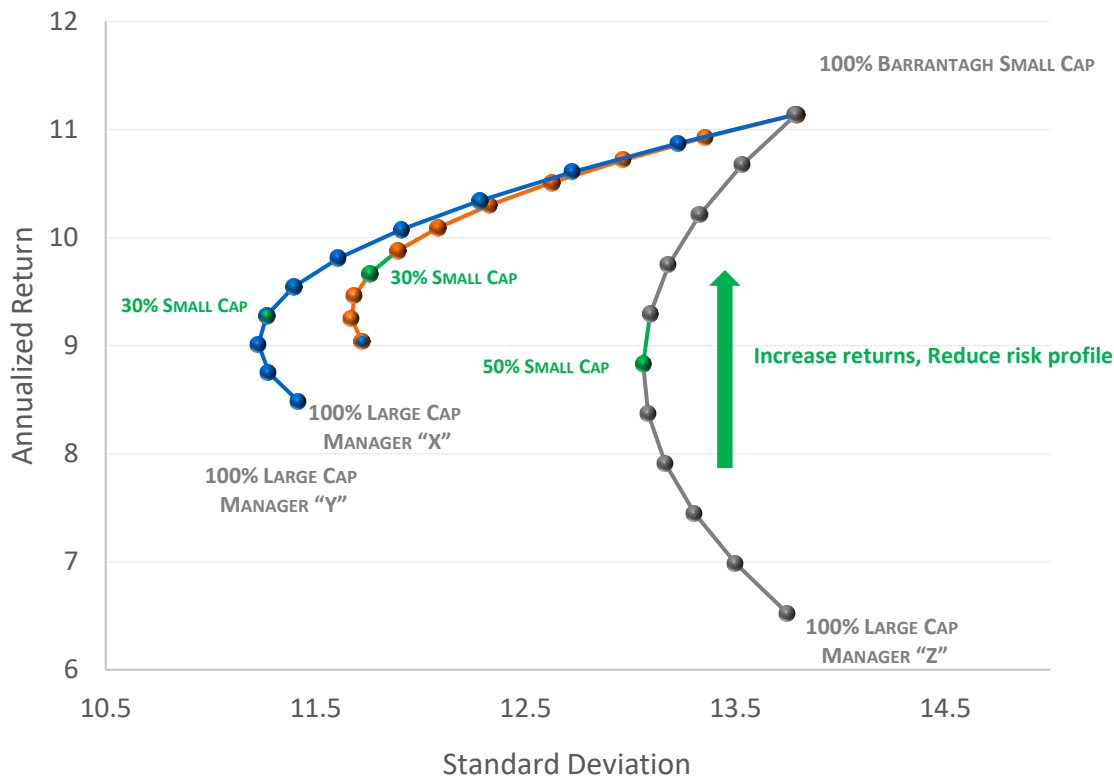
Strategy Inception Date: Jan. 1, 2008

# 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 Dec. 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:

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

Portfolio Standard Deviation( $\sigma_p$ )

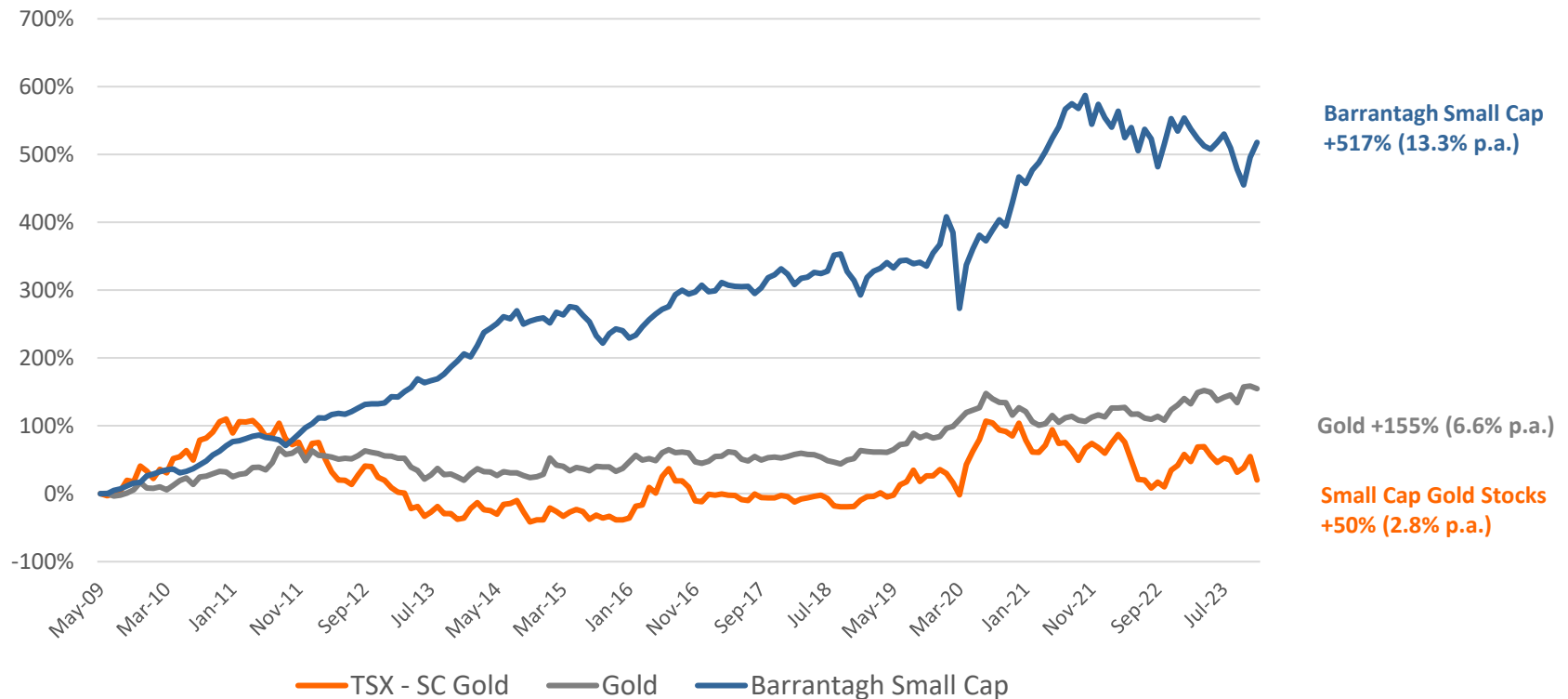
$$= \sqrt{\omega_A^2 \sigma_A^2 + \omega_B^2 \sigma_B^2 + 2\omega_A \sigma_A \omega_B \sigma_B \cdot \rho_{AB}}$$



# Small Cap Canadian Equity Mandate

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

### Cumulative Returns ~ 14 Years to December 31, 2023



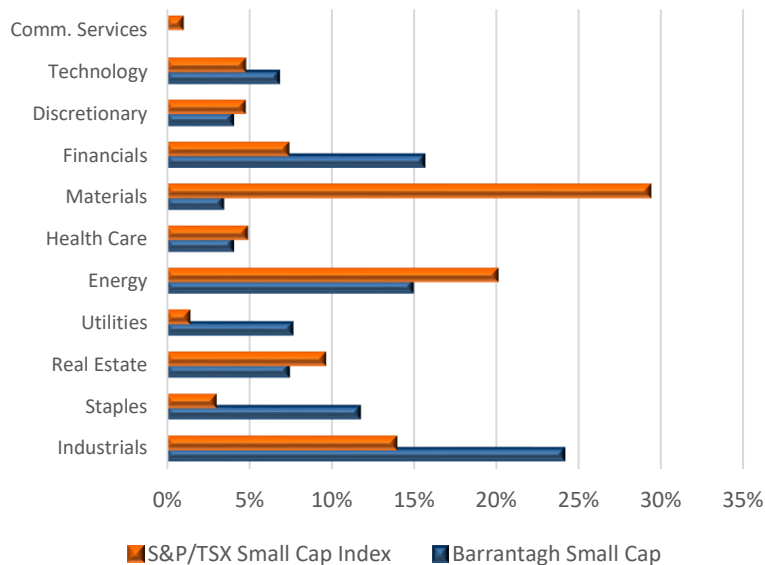
# Profile: Small Cap Canadian Equities

Portfolio at December 31, 2023

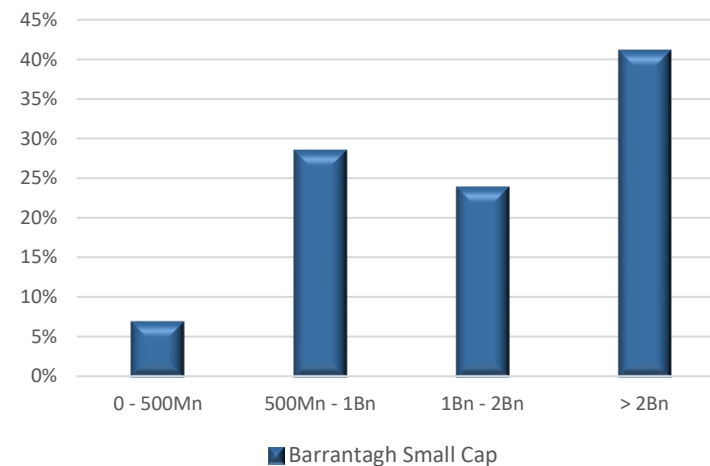
## CHARACTERISTICS

|                    |          |
|--------------------|----------|
| Number of Holdings | 27       |
| Avg. Market Cap    | \$2.4 Bn |
| # Industry Sectors | 10       |
| Dividend Yield     | 2.2%     |

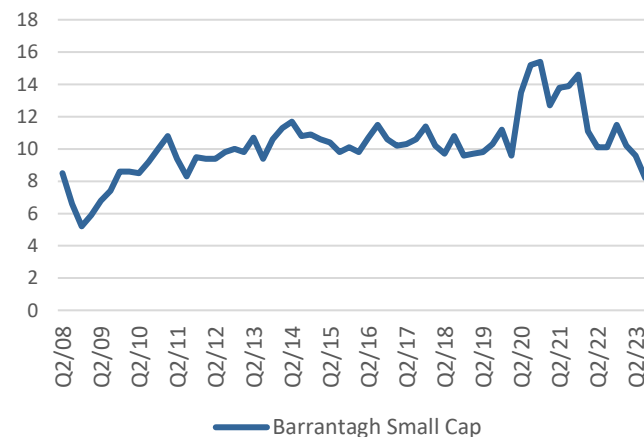
## Barrantagh Small Cap Industry Weight vs. Index



## Market Cap Exposure



## Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at December 31, 2023 | Q4 Transactions

|                               | Portfolio Weight |                               | Portfolio Weight |                     | Portfolio Weight |
|-------------------------------|------------------|-------------------------------|------------------|---------------------|------------------|
| <b>Consumer Discretionary</b> |                  | <b>Industrials</b>            |                  | <b>Utilities</b>    |                  |
| MTY Food Group                | 3.9%             | AG Growth (+)                 | 2.9%             | Boralex (+)         | 4.3%             |
|                               | 3.9%             | Boyd Group                    | 5.6%             | Superior Plus (+)   | 3.1%             |
| <b>Consumer Staples</b>       |                  | Brookfield Business           | 3.8%             |                     | 7.4%             |
| Jamieson Wellness (+)         | 4.1%             | Cargojet (+)                  | 3.8%             | <b>Materials</b>    |                  |
| Neighbourly Pharmacy          | 3.4%             | Calian Group                  | 3.8%             | Chemtrade Logistics | 3.3%             |
| Premium Brands                | 3.8%             | Savaria (+)                   | 3.3%             |                     | 3.3%             |
|                               | 11.3%            |                               | 23.2%            |                     |                  |
| <b>Energy</b>                 |                  | <b>Real Estate</b>            |                  | Cash & Equivalent   | 4.1%             |
| Arc Resources (-)             | 3.1%             | Minto Apartment REIT          | 3.3%             | Total               | 100.0%           |
| Gibson Energy(+)              | 3.2%             | Storagevault Canada           | 3.8%             |                     |                  |
| Logan Energy (NEW)            | 1.6%             |                               | 7.1%             | <b>Sold</b>         |                  |
| Tamarack Valley (+)           | 3.4%             | <b>Health Care</b>            |                  | <b>Enerflex</b>     |                  |
| Tidewater Midstream           | 3.0%             | Andlauer Healthcare           | 3.9%             | <b>Dentalcorp</b>   |                  |
|                               | 14.3%            |                               | 3.9%             |                     |                  |
| <b>Financials</b>             |                  | <b>Information Technology</b> |                  |                     |                  |
| Definity Financial            | 4.4%             | Dye & Durham                  | 3.3%             |                     |                  |
| EQB Group                     | 4.2%             | Softchoice                    | 3.3%             |                     |                  |
| Propel Holdings               | 2.0%             |                               | 6.6%             |                     |                  |
| Trisura Group                 | 4.3%             |                               |                  |                     |                  |
|                               | 14.9%            |                               |                  |                     |                  |

TRIM = (-)  
ADD = (+)

# Canadian Small Cap Equity Portfolio

## Select Holdings – Brand Recognition

### JAMIESON WELLNESS (JWEL)



### CARGOJET (CJT)



Amazon optional  
ownership stake ~15%



### BORALEX (BLX)



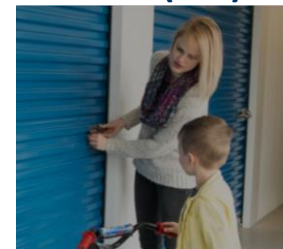
### PREMIUM BRANDS (PBH)



### BOYD GROUP (BYD)



### STORAGEVAULT (SVI)





## ECONOMIC OUTLOOK

# Outlook

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## World:

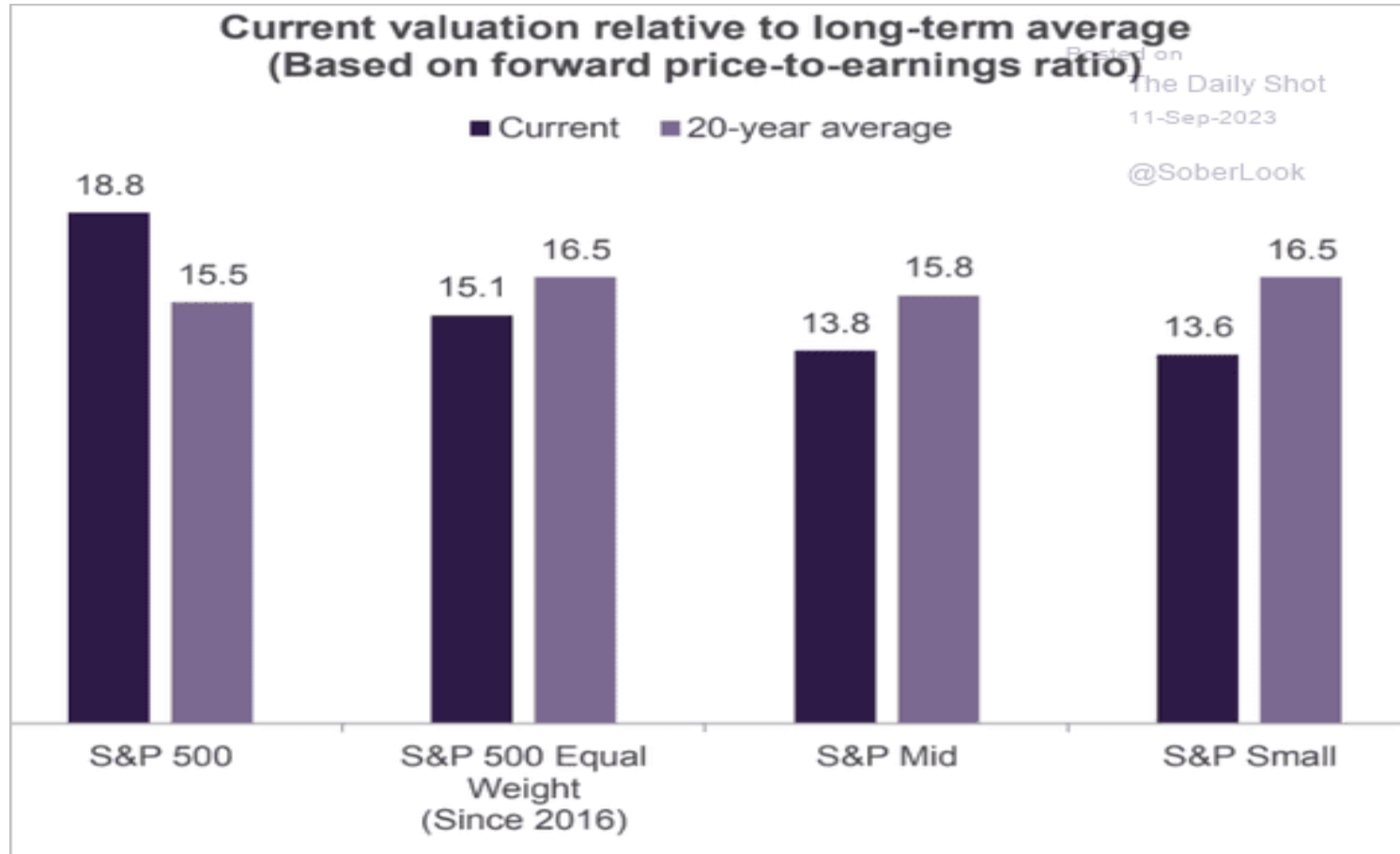
- Higher rates reduce consumer & manufacturing activity
- Soft landing/moderate recession
  - Employment & wage increases remain resilient
  - Inflation is moderating off multi-decade peak
- Narrow leadership in equity markets (Global – Technology, Canada - Cyclical)
  - Growth indices remain expensive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

# Small Cap – Widest Valuation Gap Since Tech Bubble



Source: The Daily Shot

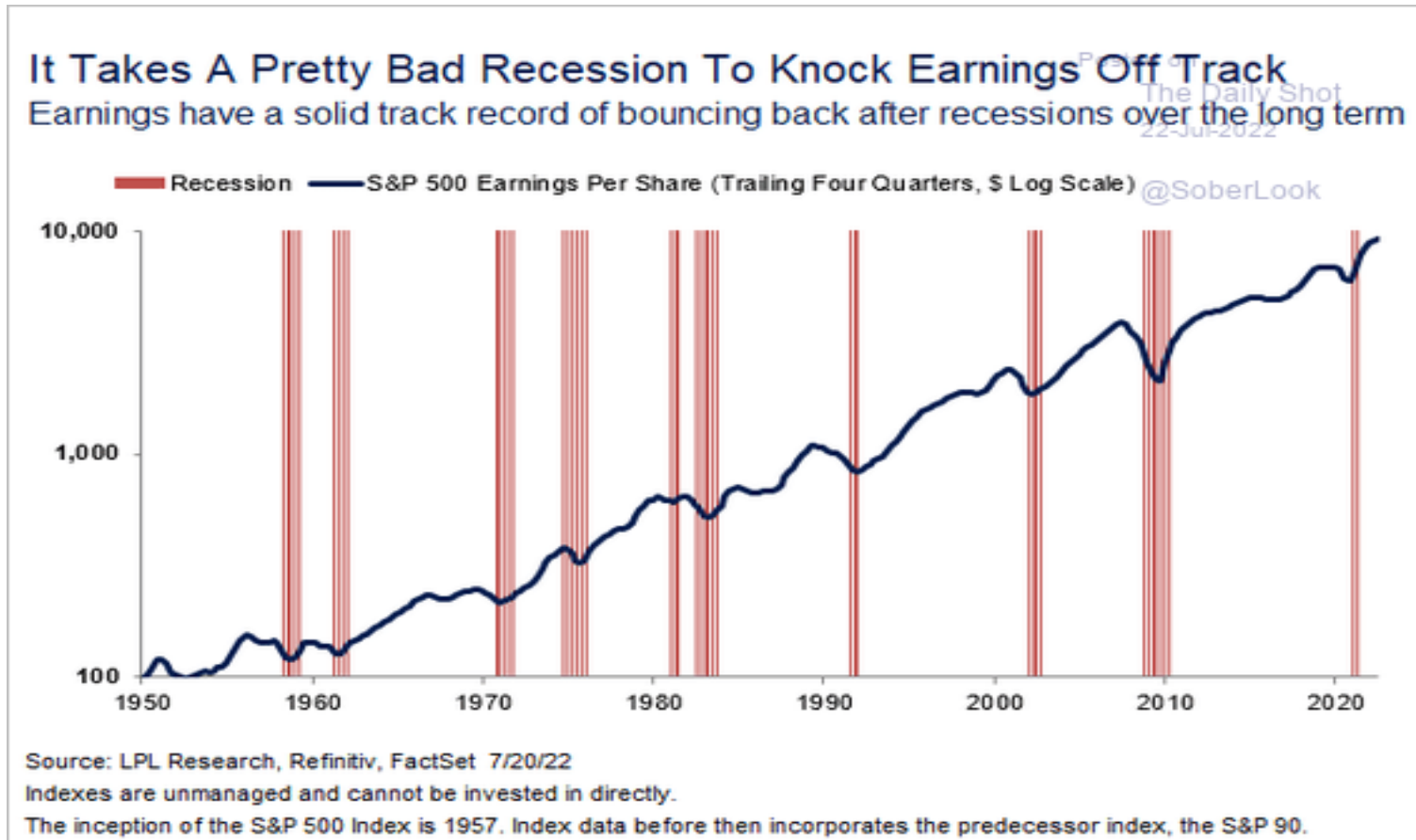
# Market Valuations



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

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