

BARRANTAGH

Investment Management

Update – Dec. 31, 2023

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



A+ 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:

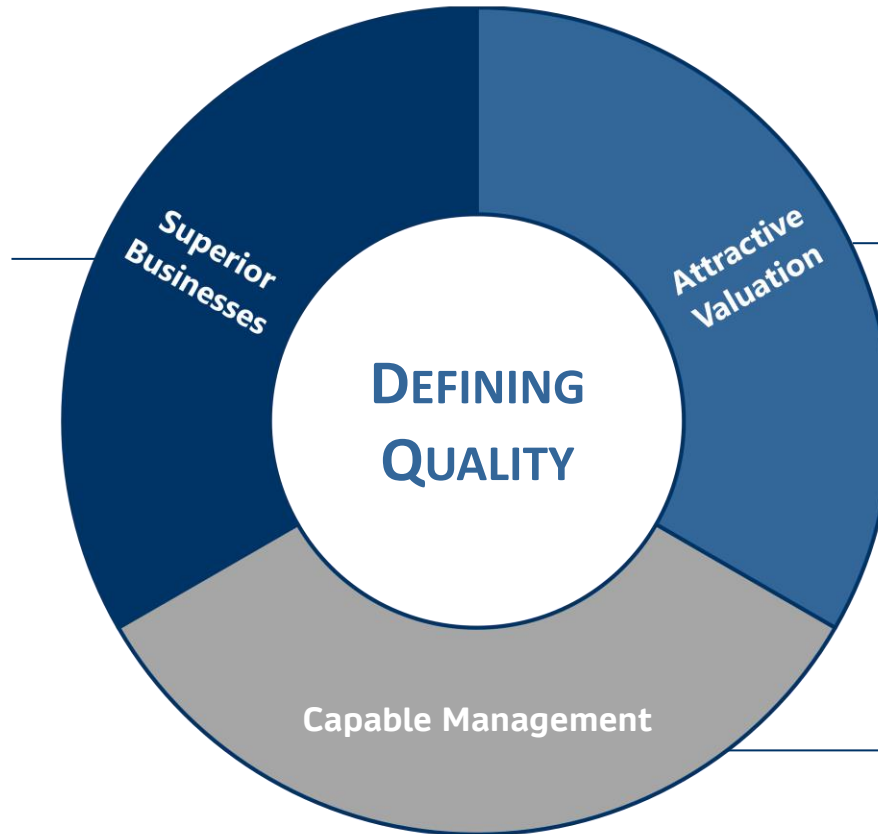
- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy
- 2021 – subscribed to ISS ESG Global database (ESG company data, Controversies, Portfolio Analysis)

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 ¹ (%) |
|--------------------|--------------------------|---------------------------|------------------------|---|
| LARGEST | 1 ST Quartile | 188 – 4 | 11.7 | 5 |
| | 2 nd Quartile | 4 - 1.3 | 2.8 | 17 |
| | 3 rd Quartile | 1.3 – 0.4 | 1.5 | 20 |
| SMALLEST | 4 th Quartile | < 0.4 | -12.8 | 32 |

¹ 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">Narrow Cyclical MarketRisk-offRising rates | -13% | |
| Nov – Dec 2023 | <ul style="list-style-type: none">Broad Market RallyFalling inflationFalling yields | 11% | |
| Overall 2023 | <ul style="list-style-type: none">Smaller caps underperform | -2.7% | 16.1% |
| Upside to Normal ¹ Valuation | | 16% | -4% |

¹ Normal Valuation = 5 Yr Average

Small Cap Investing

Small Caps Outperform Following Large Cap Concentration

Large Cap Market Concentration Precedes Small Cap Outperformance

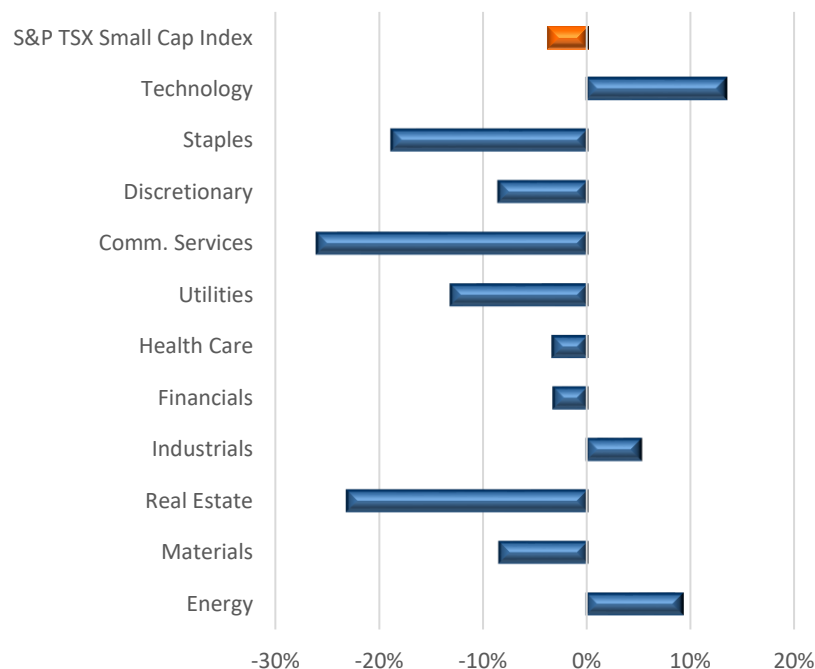


Source: The Daily Shot

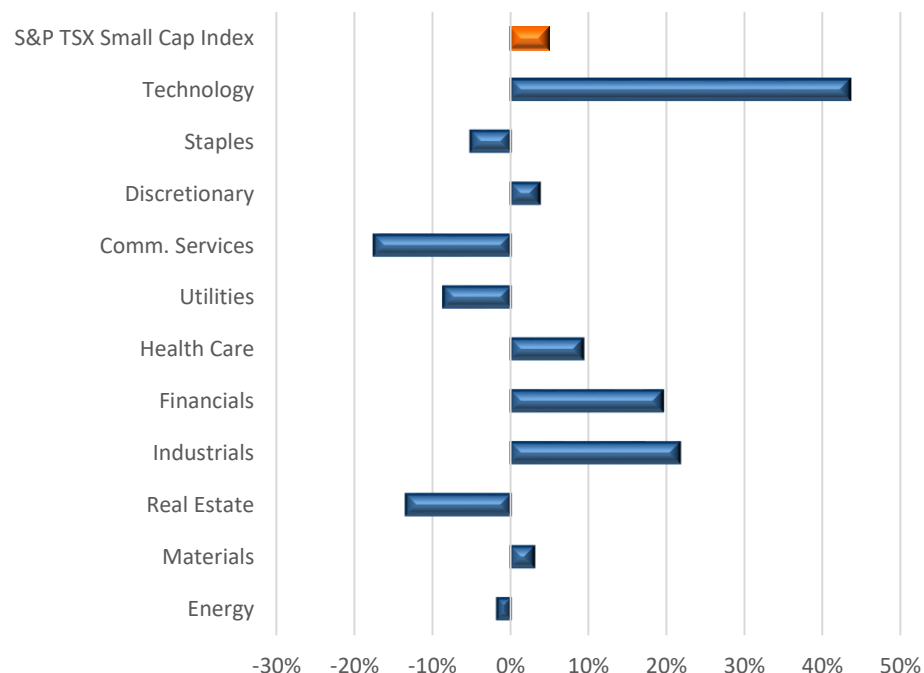
Small Cap Investing

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 |
| | EQB | Portfolio Holding 3.9% | 0.31 | 39.3 | 0.75 |
| | 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> |
| | TOP 10 Contrib. | | 4.0% | 53.2%¹ | 8.1% |
| 92% | Remaining 274 Companies | | -5.1% | -3.6% ¹ | 91.9% |
| 100% | S&P TSX Small Cap Index | | -1.1% | -1.1% | 100.0 |

¹ Average Return

Canadian Small Cap Equity Portfolio

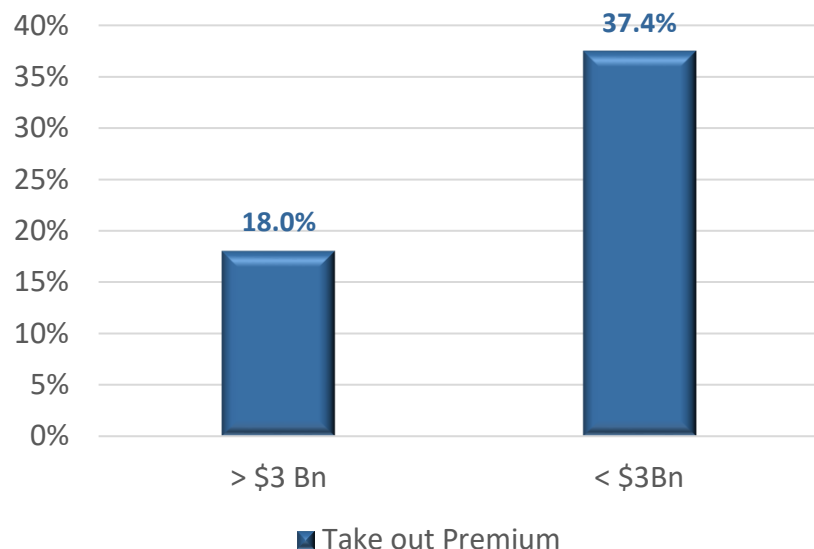
Q4 2023 Earnings Cycle: **Fundamentals Reconnect**

| 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

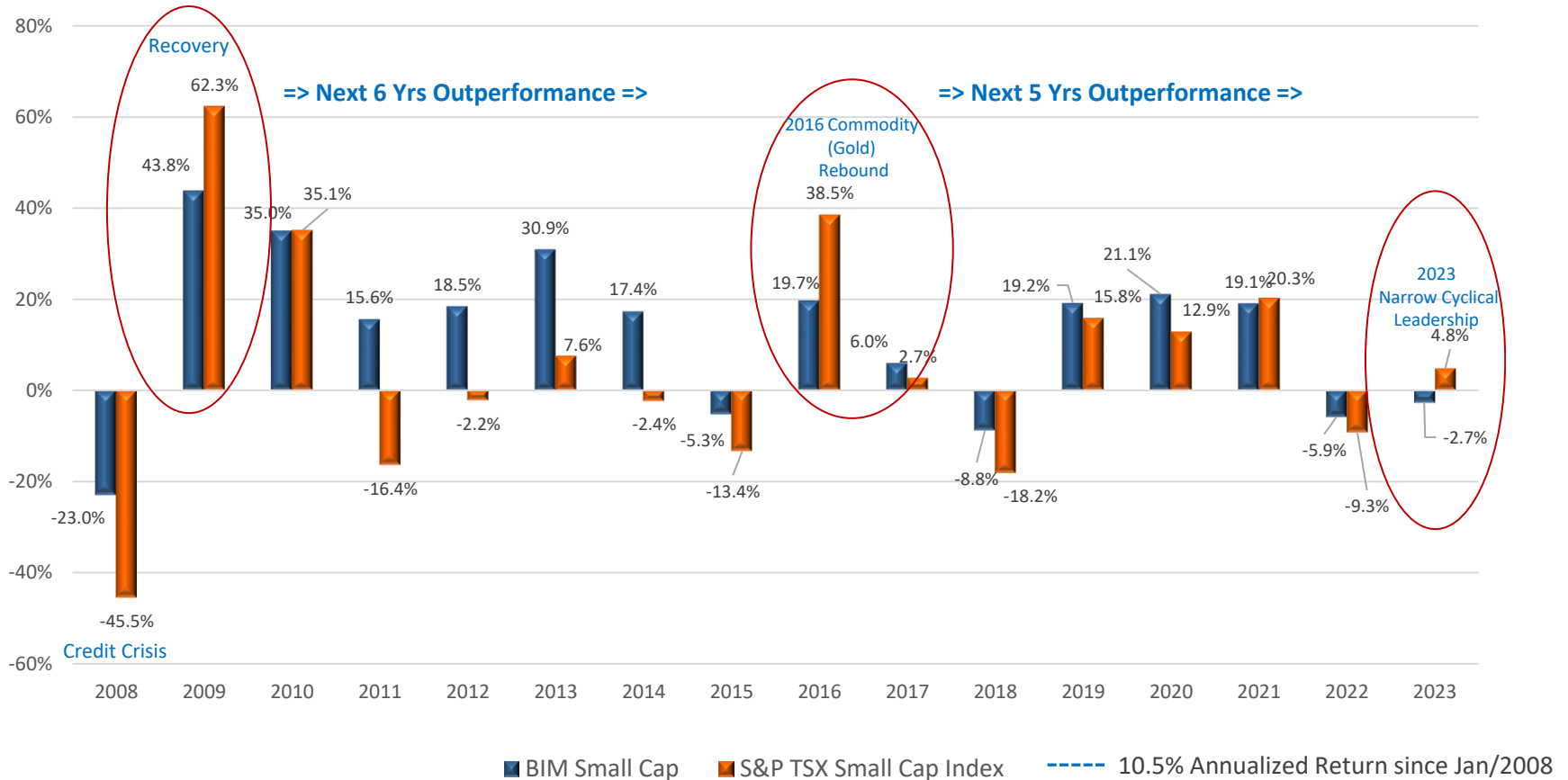
| | Announce Date | Premium ¹ |
|--------------------|---------------|----------------------|
| Neighbourly Pharma | 10/2023 | 55% |
| Summit Industrial | 04/2022 | 31% |
| Lifeworks | Q2/2022 | 88% |
| Intertape Polymer | Q1/2022 | 67% |
| People Corp. | Q4/2020 | 75% |
| Enercare | Q3/2018 | 64% |
| Spartan Energy | Q2/2018 | 5% |
| Pure Industrial | Q1/2018 | 21% |

¹Premium 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 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 |
|-------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| BIM Canadian Small Cap | 6.8% | -2.7% | -4.2% | 2.9% | 7.2% | 9.5% | 6.2% | 6.1% | 7.8% | 6.2% | 7.3% | 11.1% |
| S&P/TSX Small Cap Index | 6.0% | 4.8% | -2.5% | 4.6% | 6.6% | 8.4% | 3.4% | 3.3% | 7.2% | 4.7% | 3.9% | 2.8% |
| S&P/TSX Composite Index | 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 |
|------------------------------------|-------|-------|--------------------|-------|-------|--------|------|--------------------|--------|-------|-------|-------|--------|-------|--------------------|--------|
| BIM Canadian Small Cap | -2.7% | -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 | 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% |

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

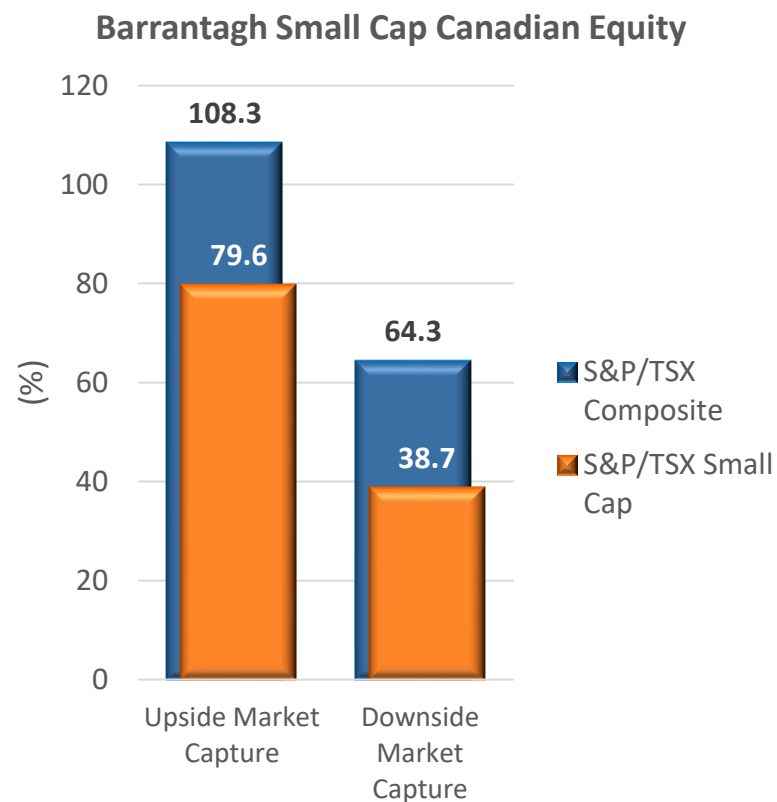
Green indicates periods that Barrantagh Small Cap outperformed

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

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

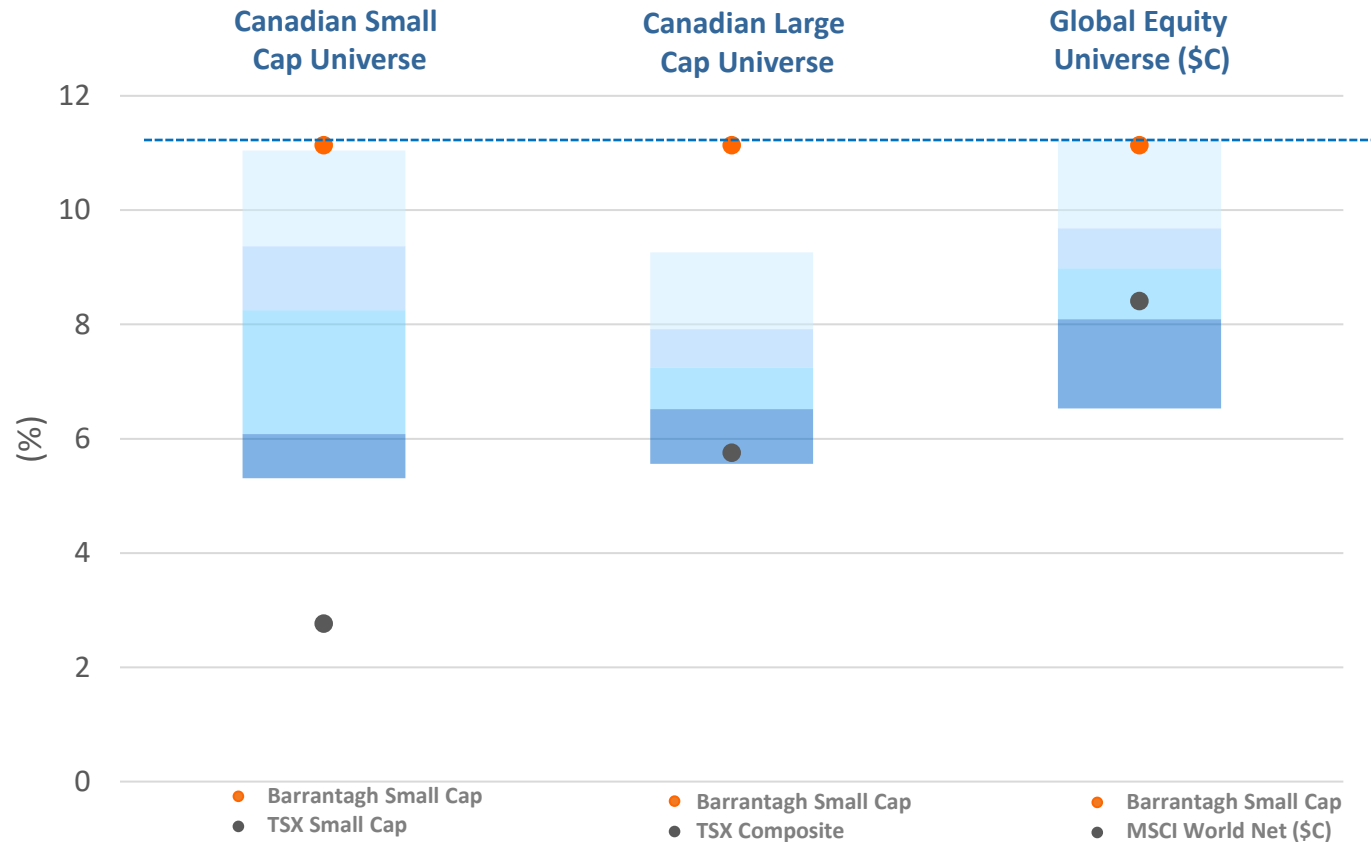


¹ Since Inception Jan. 1, 2008

² vs. Evestment Small Cap Universe

RETURNS: Small Cap Canadian Equities

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



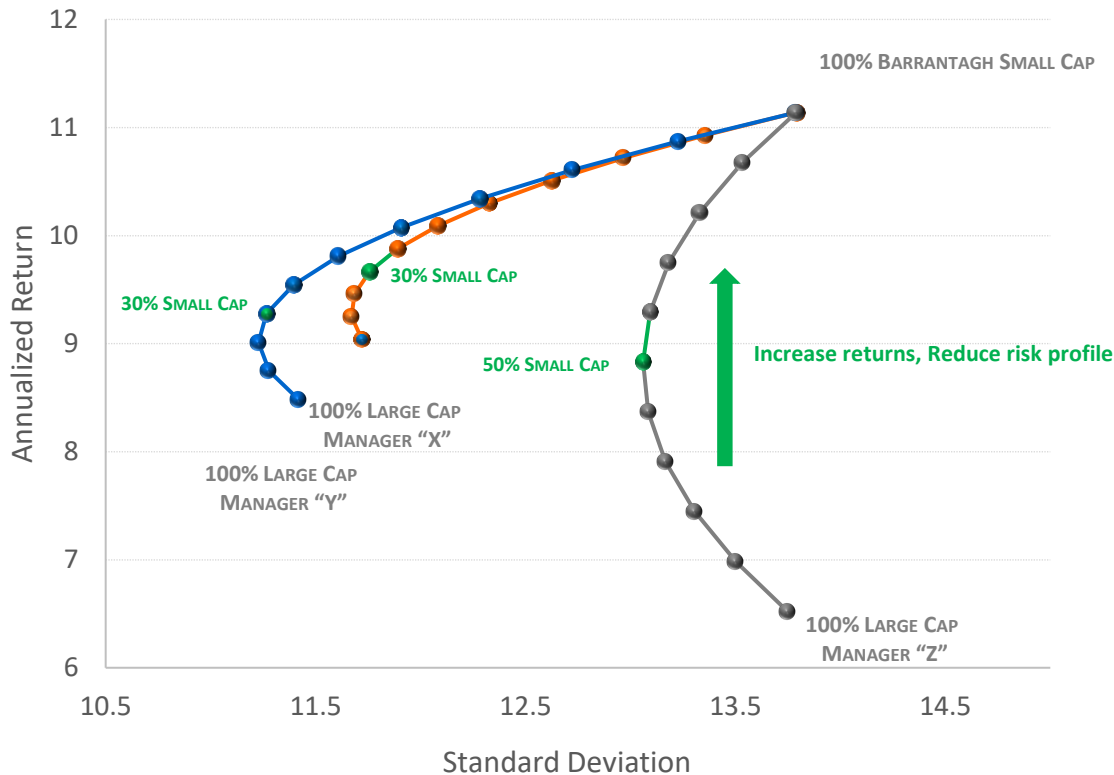
Strategy Inception Date: Jan. 1, 2008

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:

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

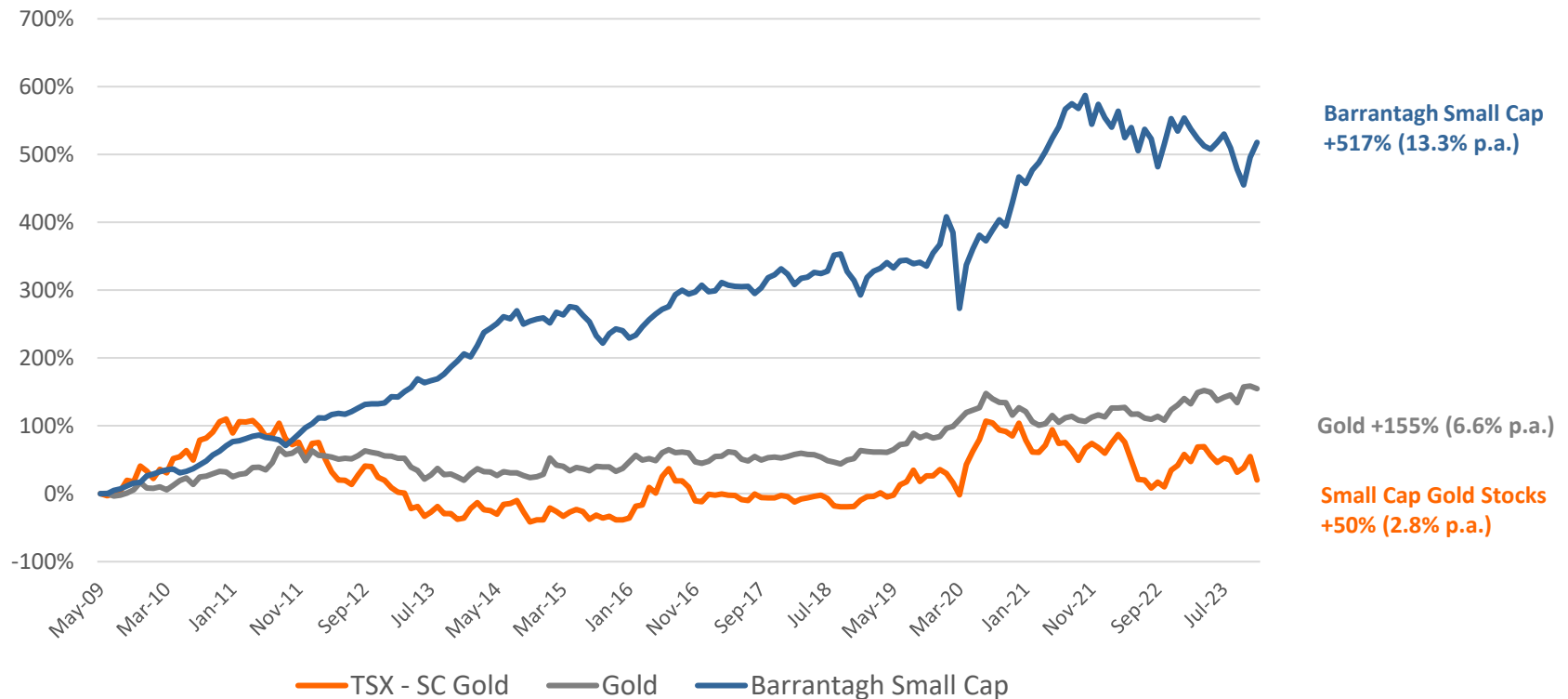
Portfolio Standard Deviation(σ_p)

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

Small Cap Canadian Equity Mandate

Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

Cumulative Returns ~ 14 Years to December 31, 2023



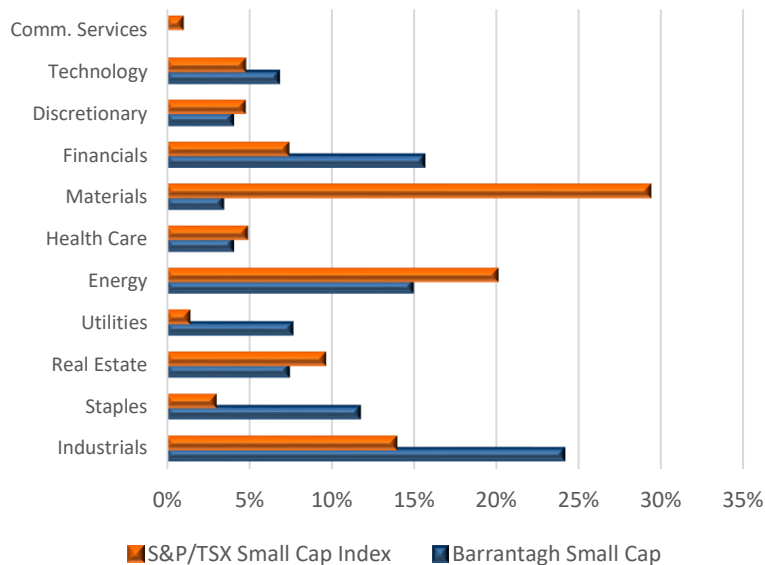
Profile: Small Cap Canadian Equities

Portfolio at December 31, 2023

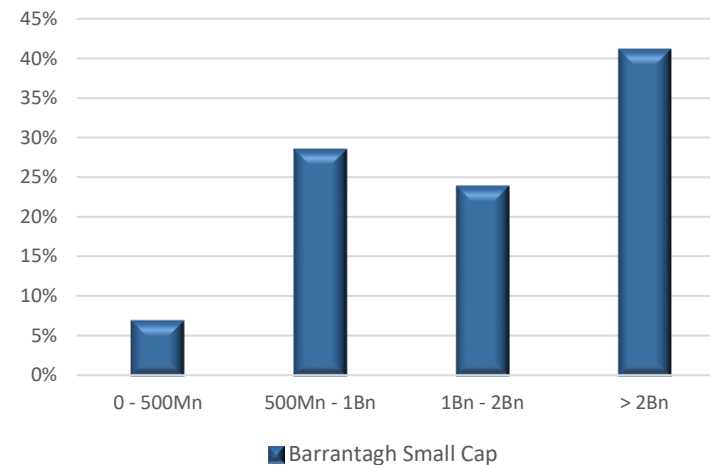
CHARACTERISTICS

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

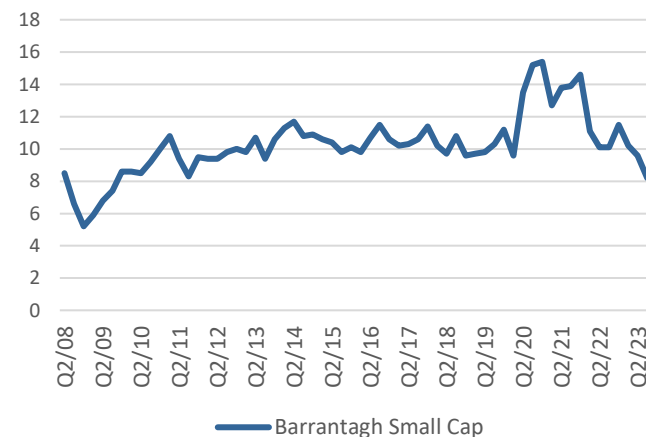
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



Canadian Small Cap Equity Portfolio

Portfolio at December 31, 2023 | Q4 Transactions

| | Portfolio Weight | | Portfolio Weight | | Portfolio Weight |
|-------------------------------|------------------|-------------------------------|------------------|---------------------|------------------|
| Consumer Discretionary | | Industrials | | Utilities | |
| MTY Food Group | 3.9% | AG Growth (+) | 2.9% | Boralex (+) | 4.3% |
| | 3.9% | Boyd Group | 5.6% | Superior Plus (+) | 3.1% |
| Consumer Staples | | Brookfield Business | 3.8% | | 7.4% |
| Jamieson Wellness (+) | 4.1% | Cargojet (+) | 3.8% | Materials | |
| 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% | | |
| Energy | | Real Estate | | 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% | Sold | |
| Tamarack Valley (+) | 3.4% | Health Care | | Enflex | |
| Tidewater Midstream | 3.0% | Andlauer Healthcare | 3.9% | Dentalcorp | |
| | 14.3% | | 3.9% | | |
| Financials | | Information Technology | | | |
| 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%



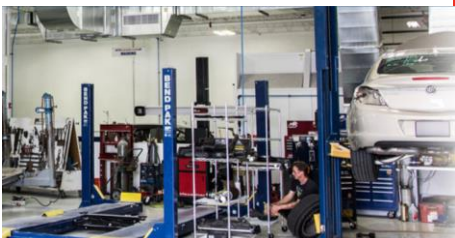
BORALEX (BLX)



PREMIUM BRANDS (PBH)



BOYD GROUP (BYD)



STORAGEVAULT (SVI)





ECONOMIC OUTLOOK

Outlook

World:

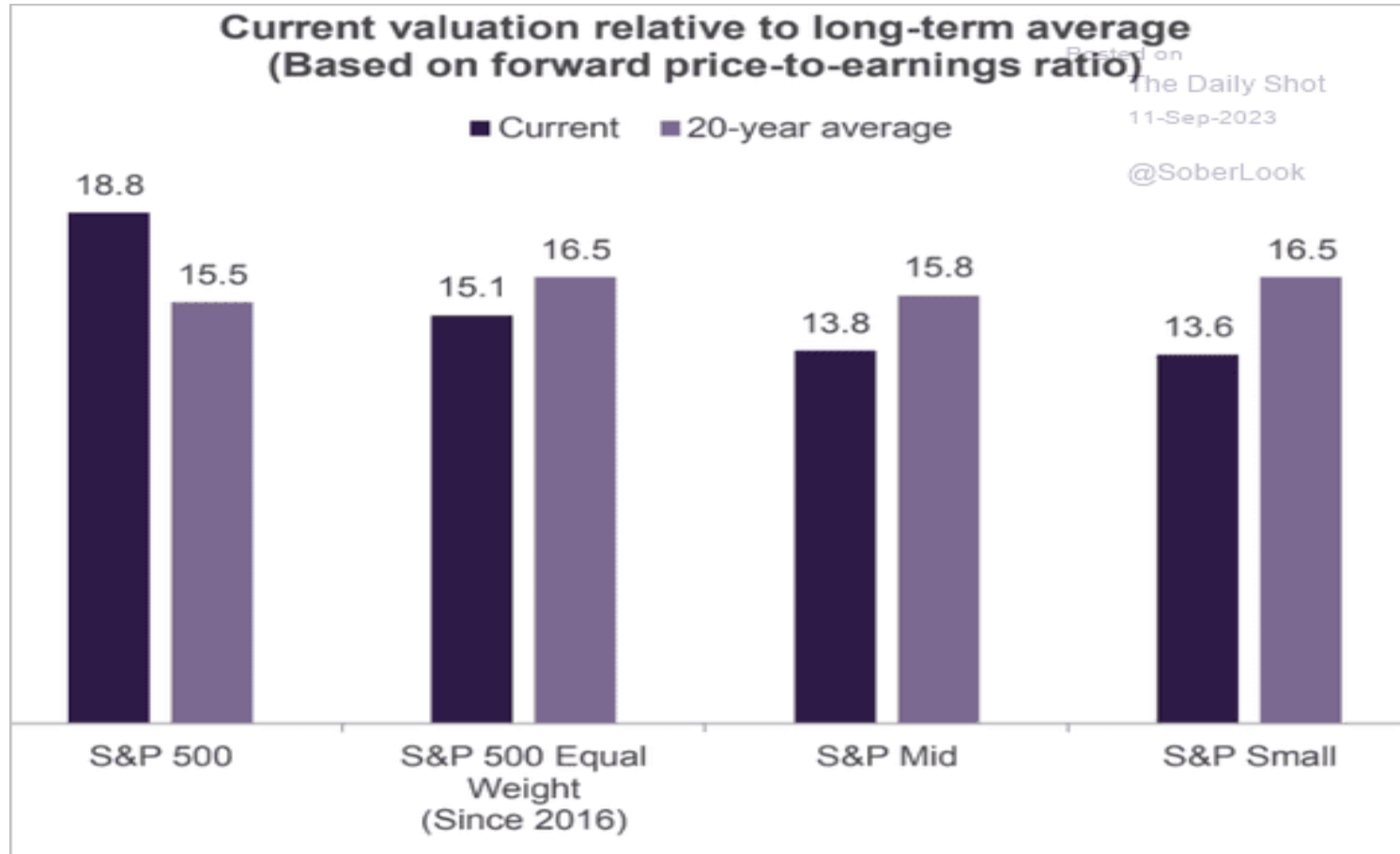
- Higher rates reduce consumer & manufacturing activity
- Soft landing/moderate recession
 - Employment & wage increases remain resilient
 - Inflation is moderating off multi-decade peak
- Narrow leadership in equity markets (Global – Technology, Canada - Cyclical)
 - Growth indices remain expensive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

Small Cap – Widest Valuation Gap Since Tech Bubble



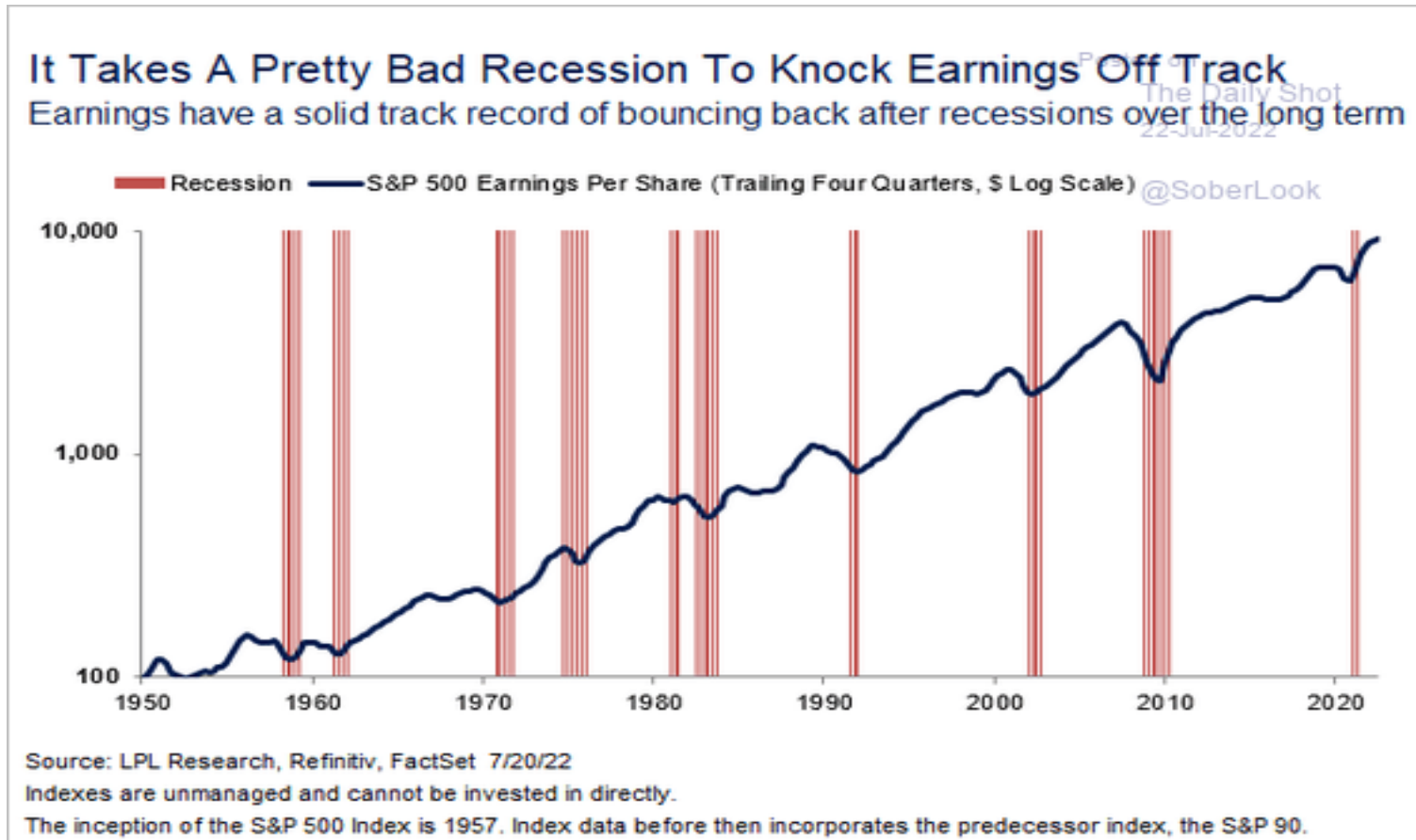
Source: The Daily Shot

Market Valuations



Source: The Daily Shot

Take a Long Term View – Earnings are Resilient



Source: The Daily Shot

Working with You

- 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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