

**BARRANTAGH**

Investment Management

## Update – Dec. 31, 2023

- Firm Update
- Key Mandate Review
  - Small Cap Canadian Equities
  - Global All Cap Equities
- Economic Update

**RICHARDSON**  
**Wealth**

Small Cap Canadian Equities  
Global All Cap Equities

# 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:

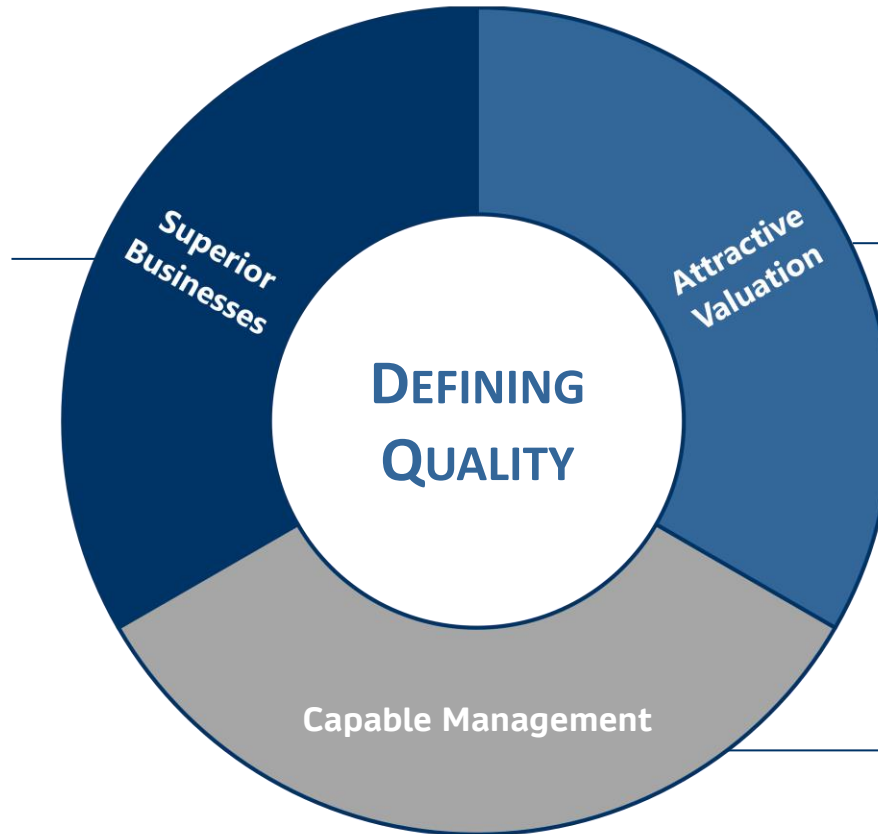
- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy
- 2021 – subscribed to ISS ESG Global database (ESG company data, Controversies, Portfolio Analysis)

# 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

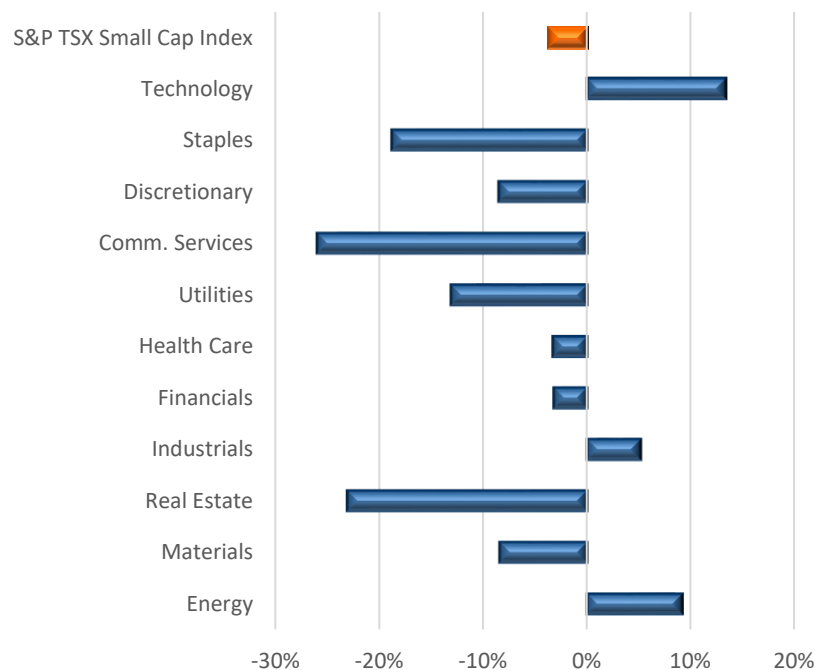


Source: The Daily Shot

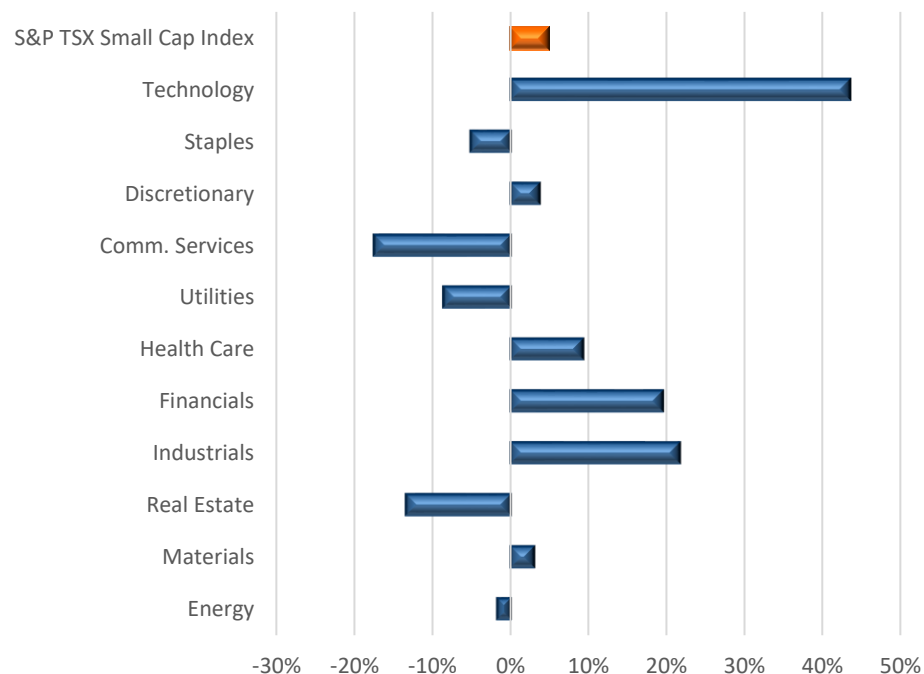
# Small Cap Investing

## 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

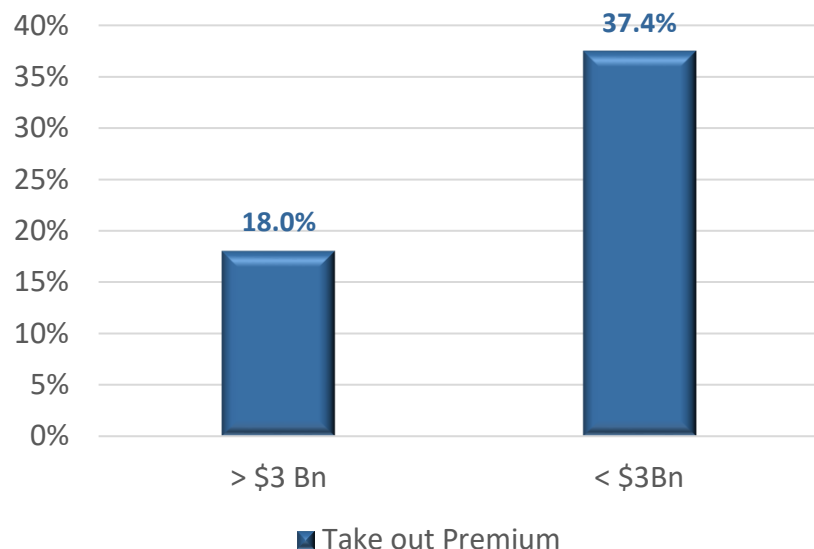
Q4 2023 Earnings Cycle: **Fundamentals Reconnect**

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

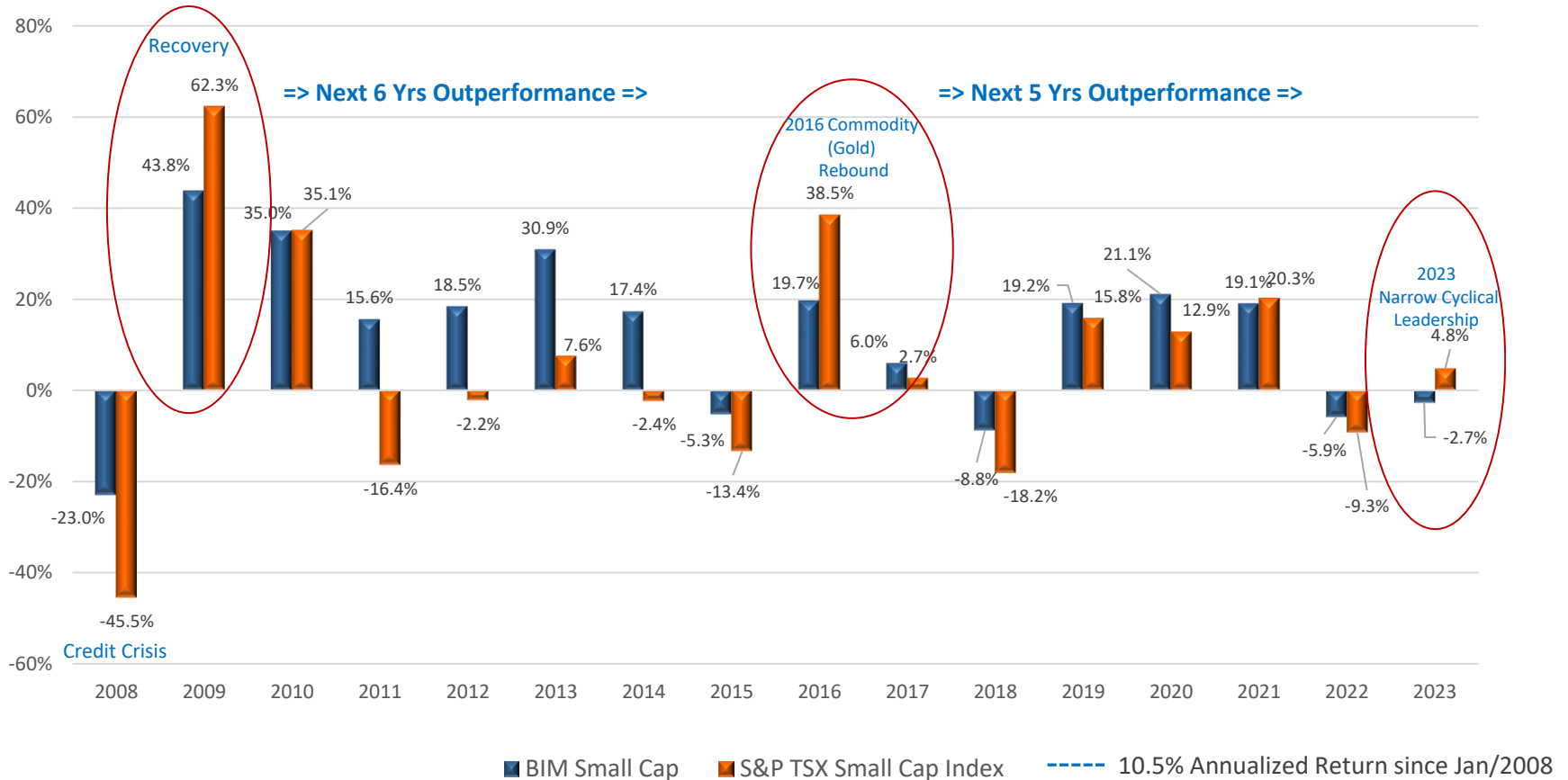
	Announce Date	Premium <sup>1</sup>
Neighbourly Pharma	10/2023	55%
Summit Industrial	04/2022	31%
Lifeworks	Q2/2022	88%
Intertape Polymer	Q1/2022	67%
People Corp.	Q4/2020	75%
Enercare	Q3/2018	64%
Spartan Energy	Q2/2018	5%
Pure Industrial	Q1/2018	21%

<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 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)

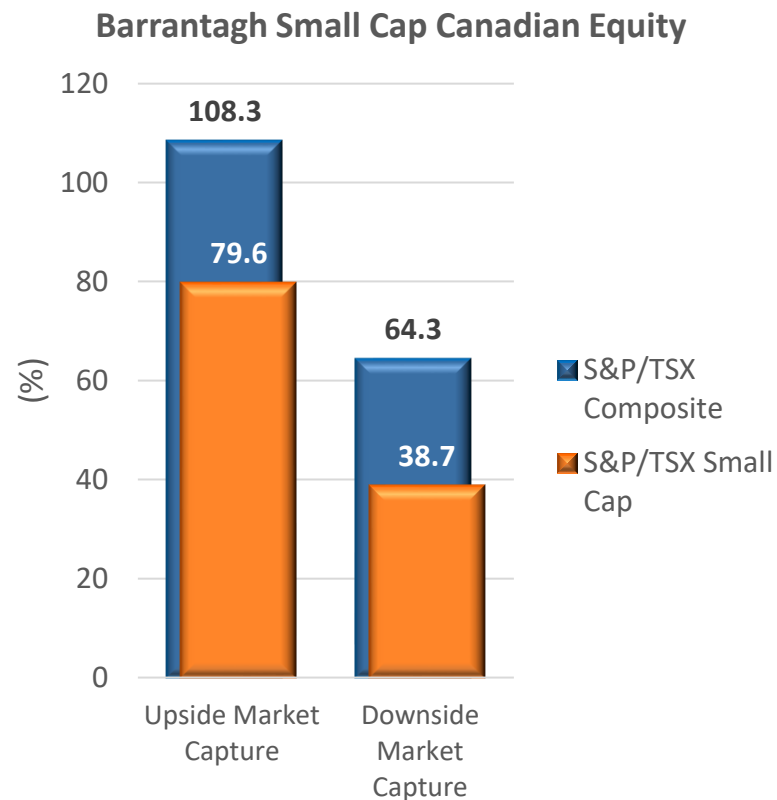
Green indicates periods that Barrantagh Small Cap outperformed

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 Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
Annualized Return	11.1%	2.8%	8.2%
Standard Deviation	13.8%	20.8%	17.6%
Sharpe Ratio	0.7	0.1	0.4

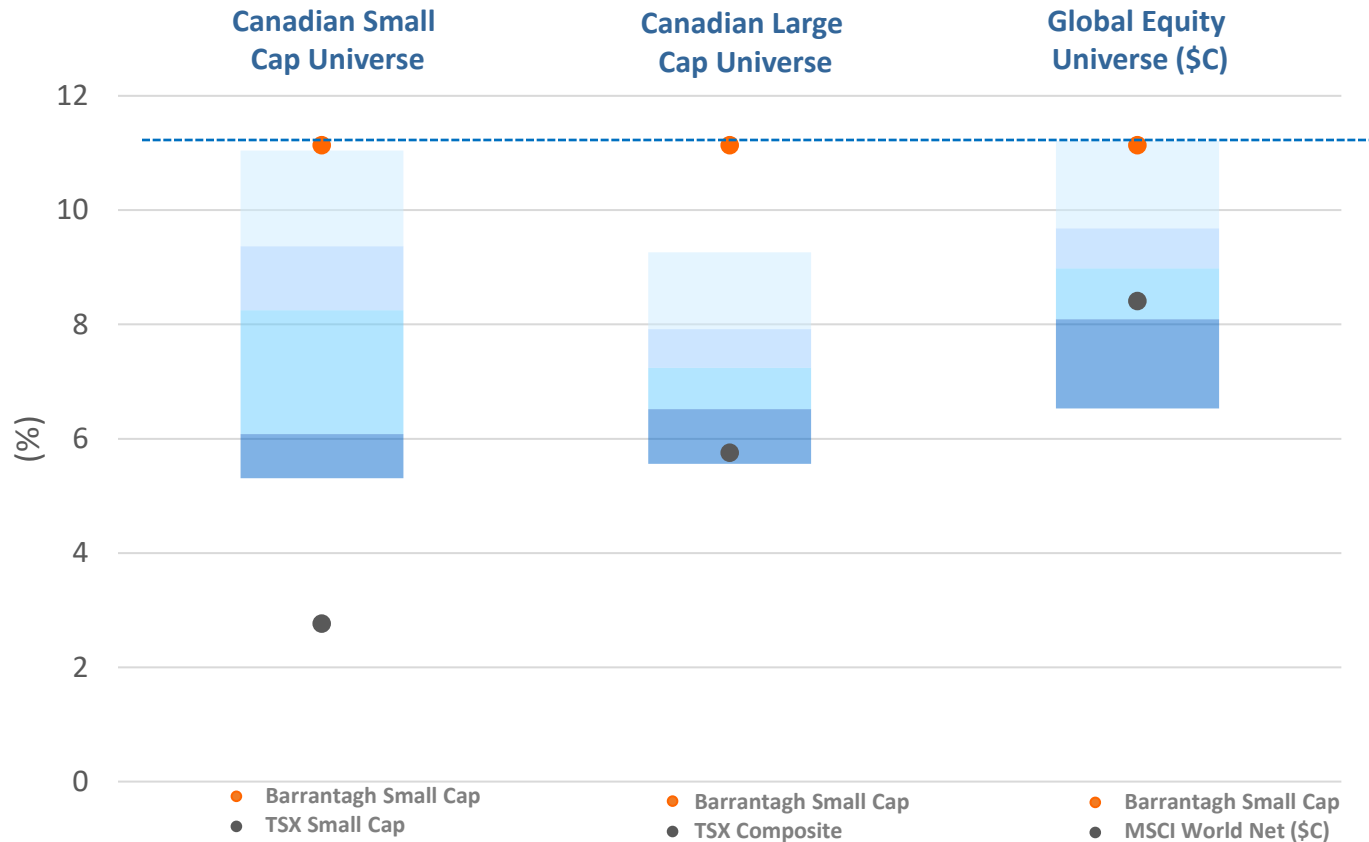


<sup>1</sup> Since Inception Jan. 1, 2008

<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)



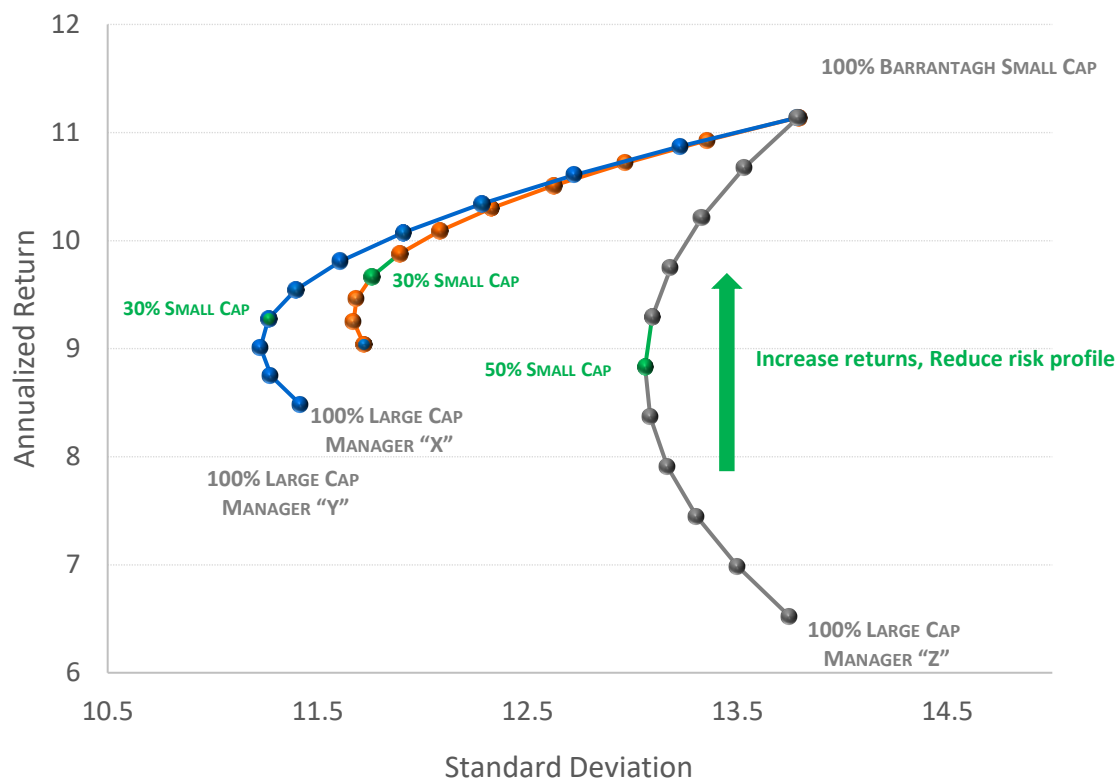
Strategy Inception Date: Jan. 1, 2008

# 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:

- Weights ( $\omega$ ) of underlying components
- Risk ( $\sigma$ ) of underlying components
- Correlation ( $\rho$ ) of components

Portfolio Standard Deviation( $\sigma_p$ )

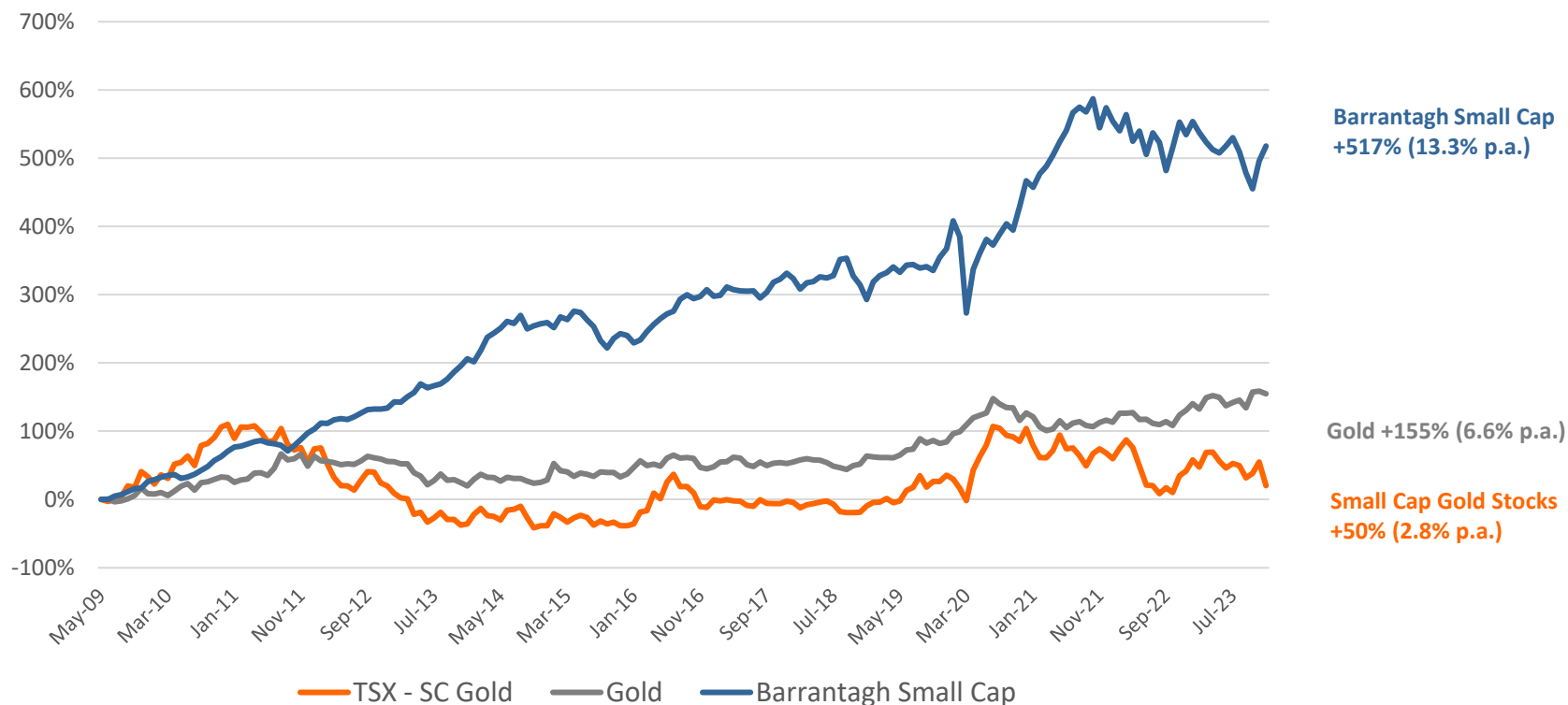
$$= \sqrt{\omega_A^2 \sigma_A^2 + \omega_B^2 \sigma_B^2 + 2\omega_A \sigma_A \omega_B \sigma_B \cdot \rho_{AB}}$$



# Small Cap Canadian Equity Mandate

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

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



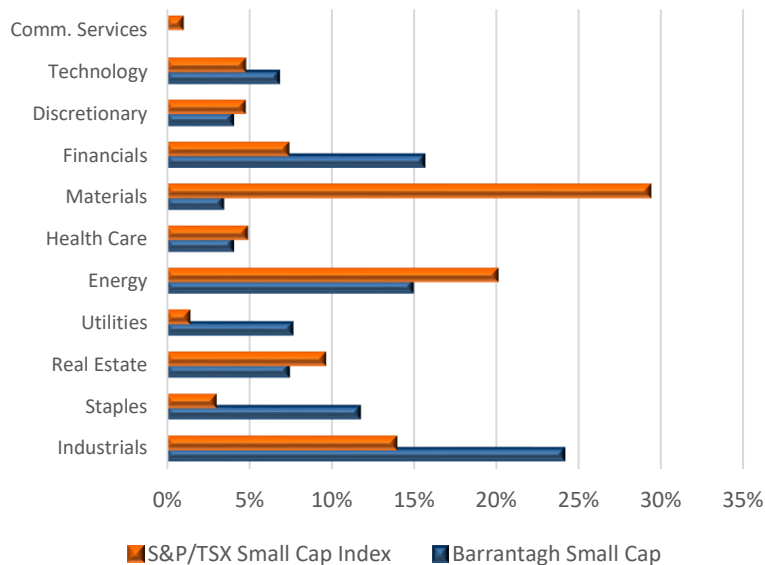
# Profile: Small Cap Canadian Equities

Portfolio at December 31, 2023

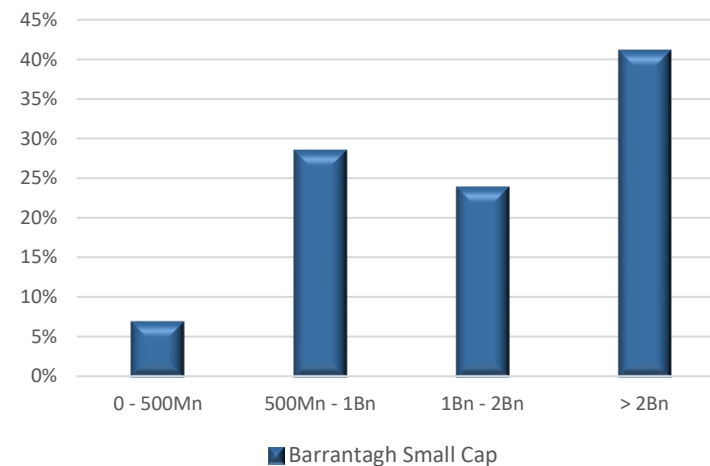
## CHARACTERISTICS

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

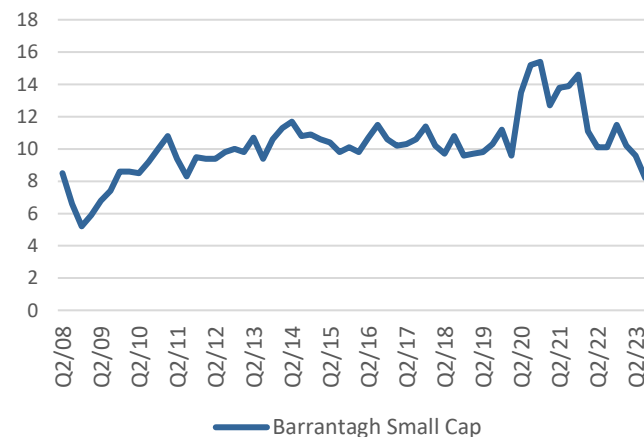
## Barrantagh Small Cap Industry Weight vs. Index



## 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)



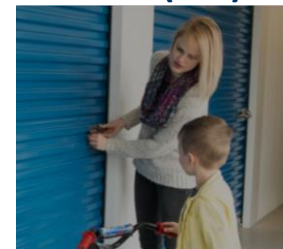
### PREMIUM BRANDS (PBH)



### BOYD GROUP (BYD)



### STORAGEVAULT (SVI)





## MANDATE REVIEW

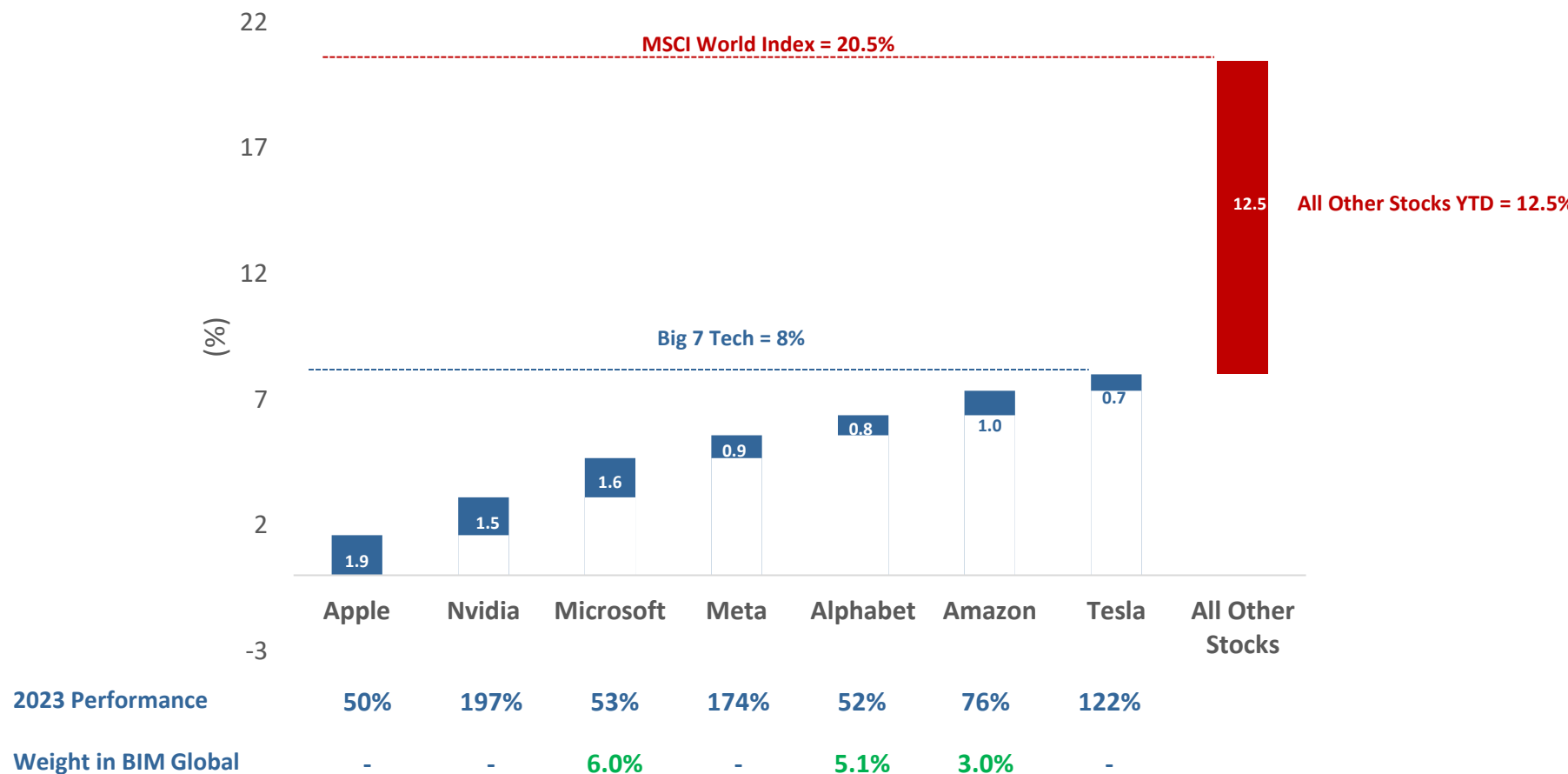
### ALL CAP GLOBAL EQUITIES

# Global Market Performance

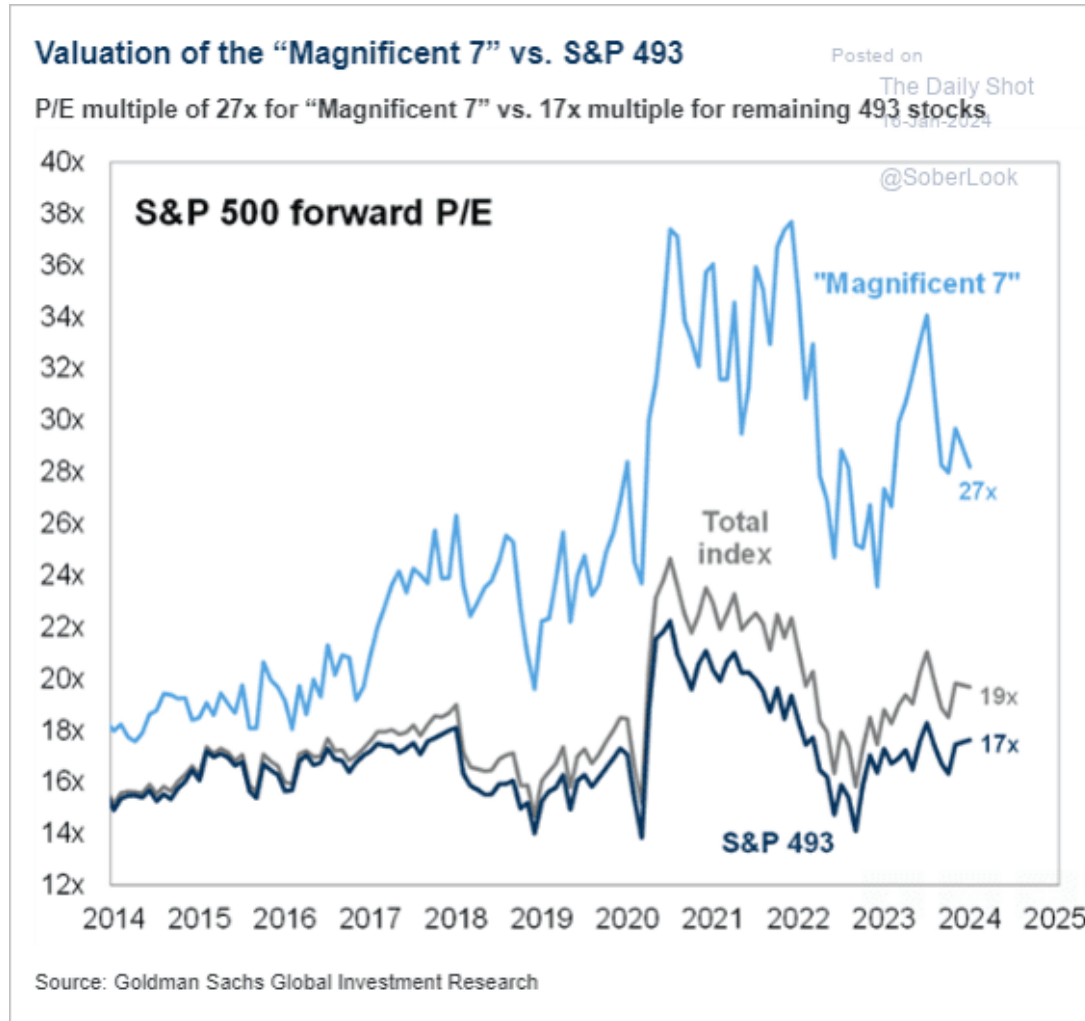
## Narrow Market: 7 Mega Cap Tech Stocks Dominate

### MSCI World Return Attribution

YTD as of Dec. 31, 2023



# Tech Valuations Are Elevated



Source: The Daily Shot

# All Cap Global Equity Mandate

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
<b>BIM Global Equities</b>	<b>11.0%</b>	<b>18.4%</b>	<b>5.4%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>13.9%</b>	<b>11.5%</b>	<b>11.8%</b>	<b>11.2%</b>	<b>11.5%</b>	<b>11.7%</b>
MSCI World (Net)	8.7%	20.5%	2.8%	8.5%	9.8%	12.0%	9.8%	10.5%	9.6%	10.6%	11.0%

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>BIM Global Equities</b>	<b>18.4%</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)	20.5%	-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

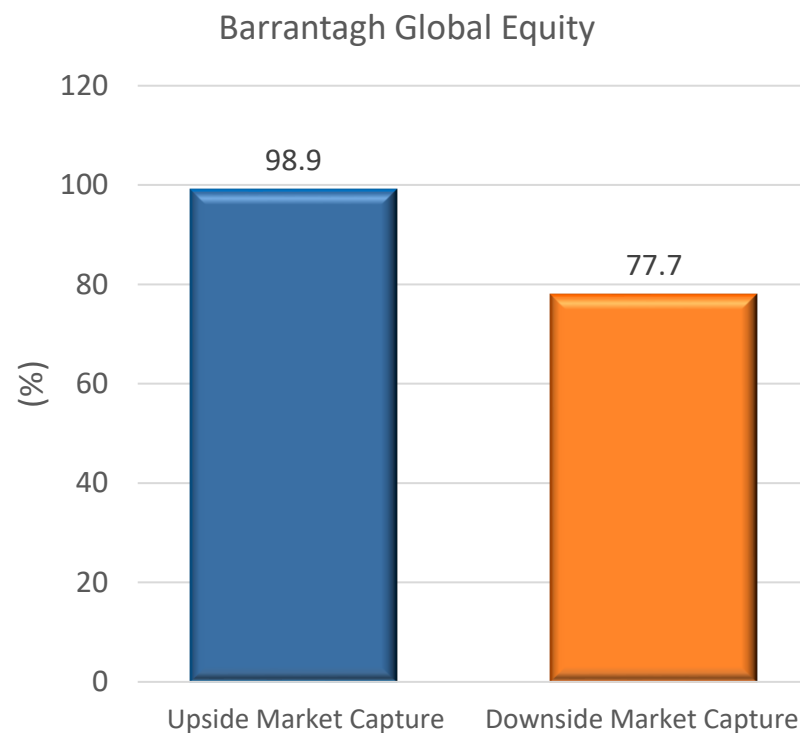
Returns are gross of fees. Composites include actual accounts managed by Barrantagh. Past performance is no guarantee of future returns.



# All Cap Global Equities

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

	Barrantagh Global Equities <sup>1</sup>	Percentile Rank <sup>2</sup>	
<b>Annualized Return</b>	<b>14.2%</b>	<b>8</b>	<b>1<sup>st</sup> Quartile</b>
Standard Deviation	11.3%	34	Lower Volatility than Median
<i>Sharpe Ratio</i>	<i>1.2</i>	<i>7</i>	<i>High risk-adjusted return</i>
Beta	0.92	56	Low risk vs. market
<i>Treynor Ratio</i>	<i>14.1</i>	<i>13</i>	<i>High risk-adjusted return</i>

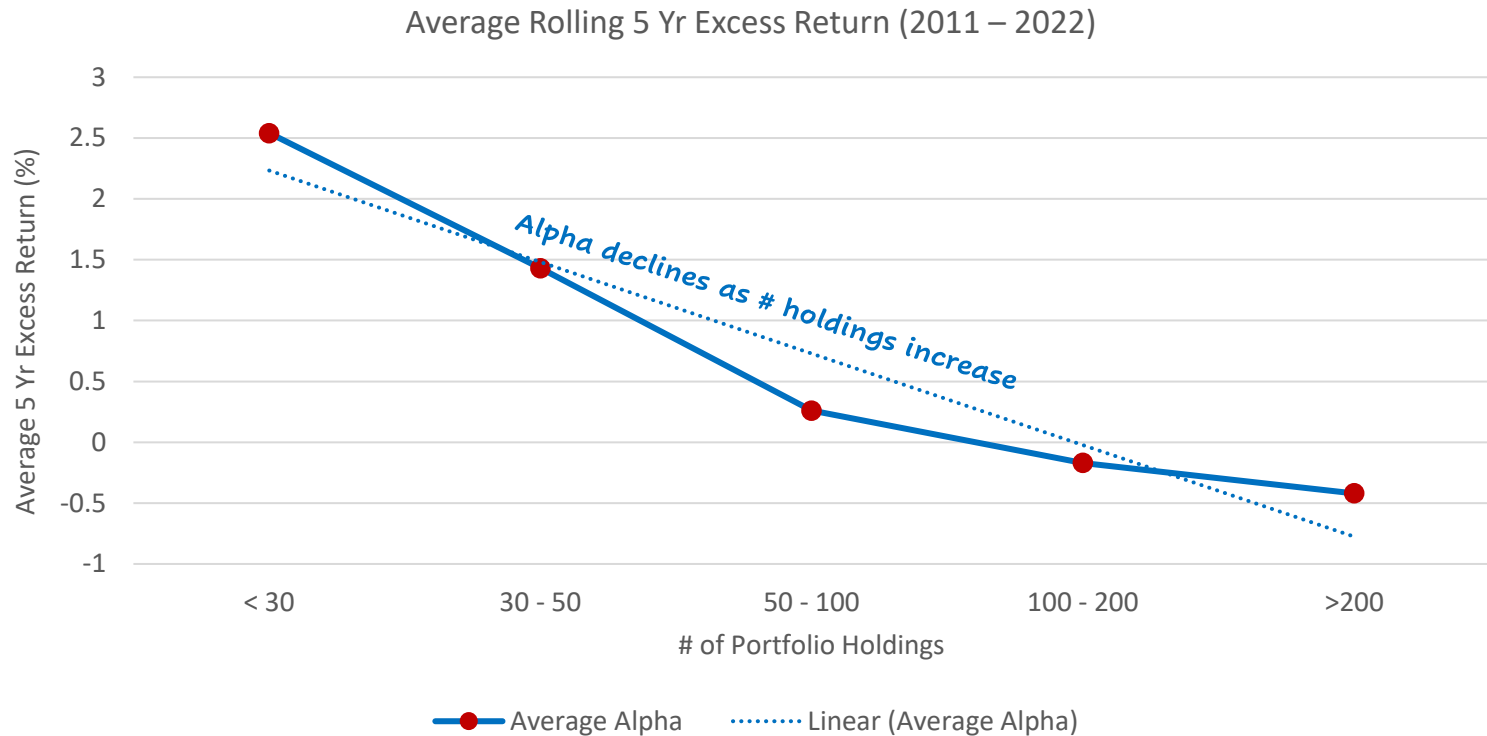


<sup>1</sup> Since Inception Jan. 1, 2012

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

# Concentrated Global Equity Advantages

## # Holdings & Alpha Generation



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

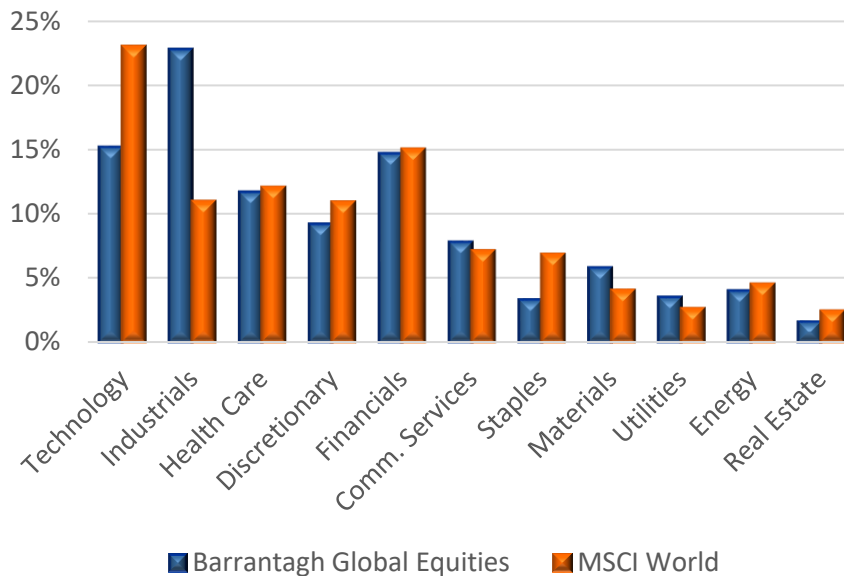
# All Cap Global Equities

## at December 31, 2023

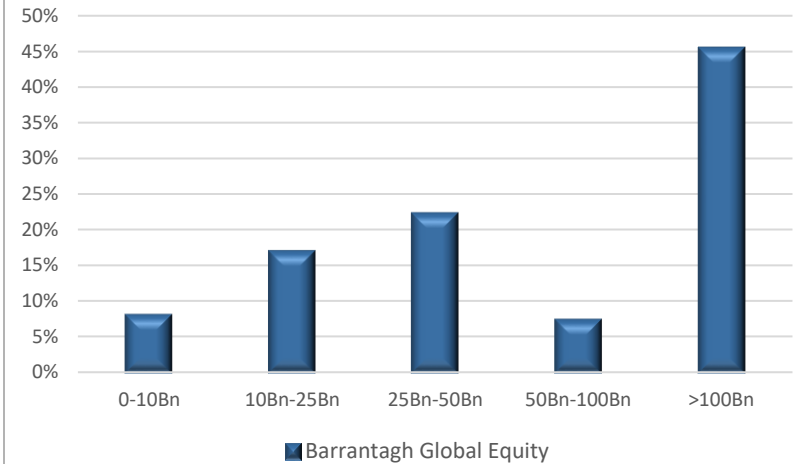
### CHARACTERISTICS

Number of Holdings	32
# Industry Sectors	11
Average Market Cap	\$553.8Bn
P/CF	14.3X
Dividend Yield	1.5%

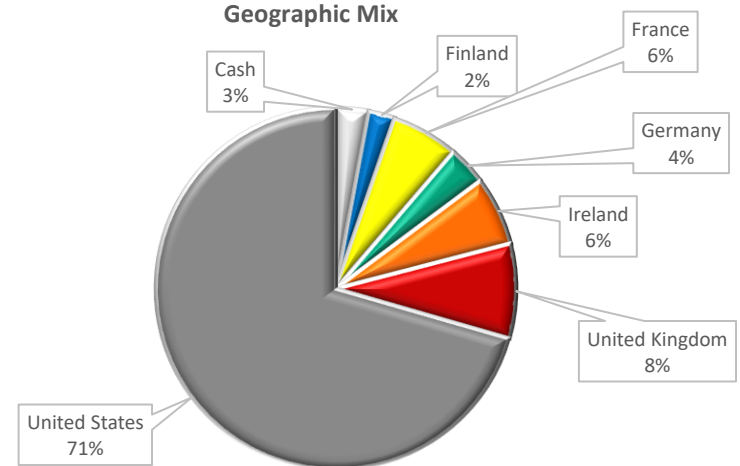
Barrantagh Global Equities Industry Weight vs Index



Market Cap Exposure



Geographic Mix



# All Cap Global Equities

Portfolio at December 31, 2023 | Q4 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Financials</b>	
Amazon	3.0%	Leidos Holdings	2.3%	Bank of America	2.9%
Compass Group	3.3%	Metso Outotec	2.4%	Wells Fargo	2.6%
Intercontinental Hotels (-)	2.6%	Vinci S.A.	2.8%	JP Morgan Chase	2.5%
	8.9%	Quanta Services (-)	2.6%	Mastercard	3.2%
<b>Consumer Staples</b>		Regal Rexnord	2.8%	Willis Towers Watson (+)	3.0%
Constellation Brands	3.2%	Schneider Electric (-)	3.2%		14.2%
	3.2%	Union Pacific	3.2%	<b>Information Technology</b>	
<b>Materials</b>		Wabtec	3.0%	Dynatrace	3.2%
CRH	3.2%		22.3%	Itron	2.6%
International Flavours & Frag.	2.4%	<b>Health Care</b>		Microchip Technology (-)	3.0%
	5.6%	Astrazeneca (NEW)	2.5%	Microsoft	6.0%
<b>Utilities</b>		Boston Scientific	3.2%		14.8%
RWE Aktiengesellschaft	3.5%	Thermo Fisher Scientific	3.0%	<b>Communication Services</b>	
	3.5%	United Health Group (-)	2.7%	T-Mobile (+)	2.5%
<b>Real Estate</b>			11.4%	Alphabet	5.1%
American Tower	1.6%	<b>Energy</b>			7.6%
	1.6%	EOG Resources	3.9%	Cash & Equivalents	3.0%
			3.9%	Total	100.0%
<b>Sold</b>		<b>TRIM = (-)</b>			
Baxter Int'l		<b>ADD = (+)</b>			



## ECONOMIC REVIEW

# Outlook

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## World:

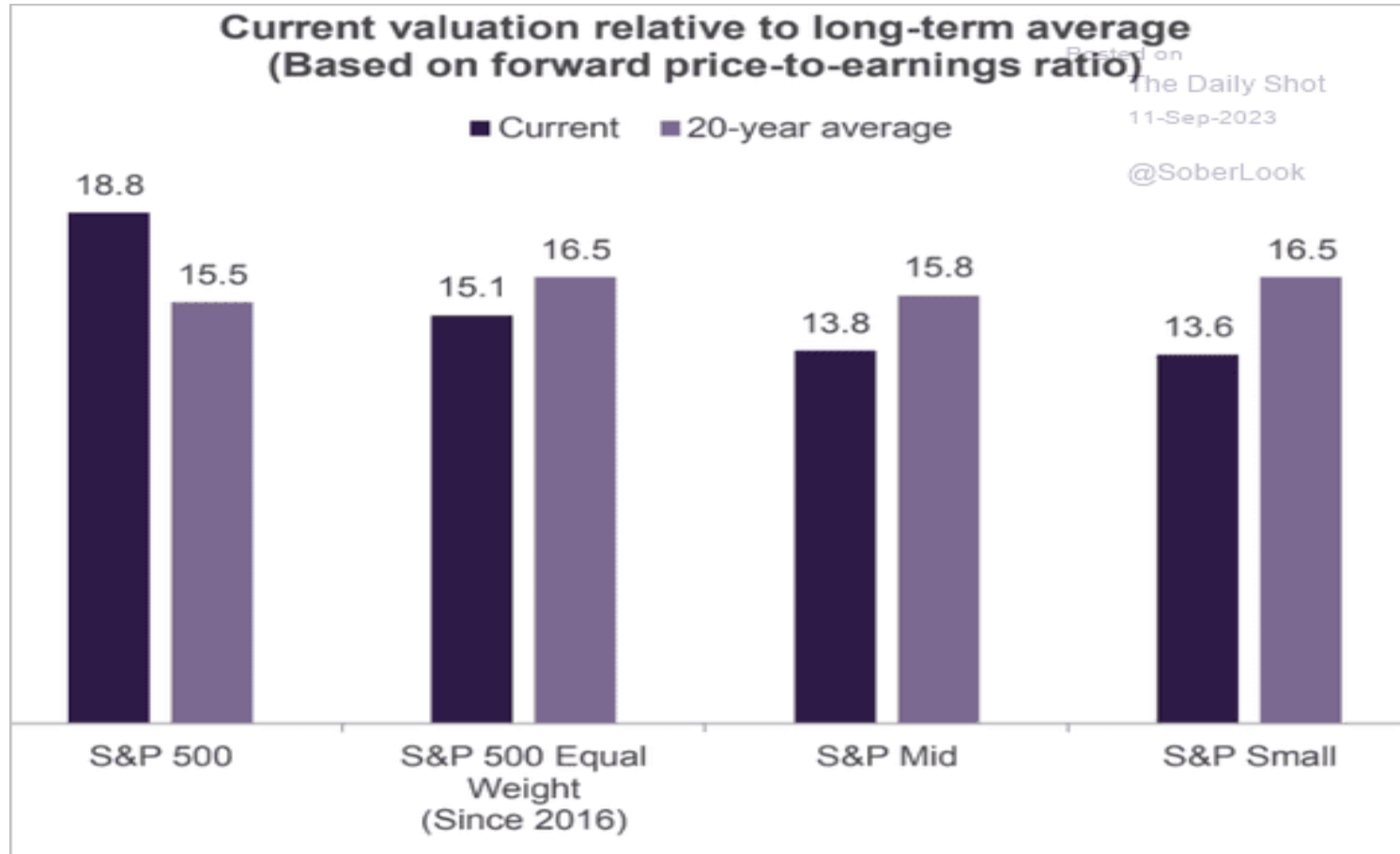
- Higher rates reduce consumer & manufacturing activity
- Soft landing/moderate recession
  - Employment & wage increases remain resilient
  - Inflation is moderating off multi-decade peak
- Narrow leadership in equity markets (Global – Technology, Canada - Cyclical)
  - Growth indices remain expensive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

# Small Cap – Widest Valuation Gap Since Tech Bubble



Source: The Daily Shot

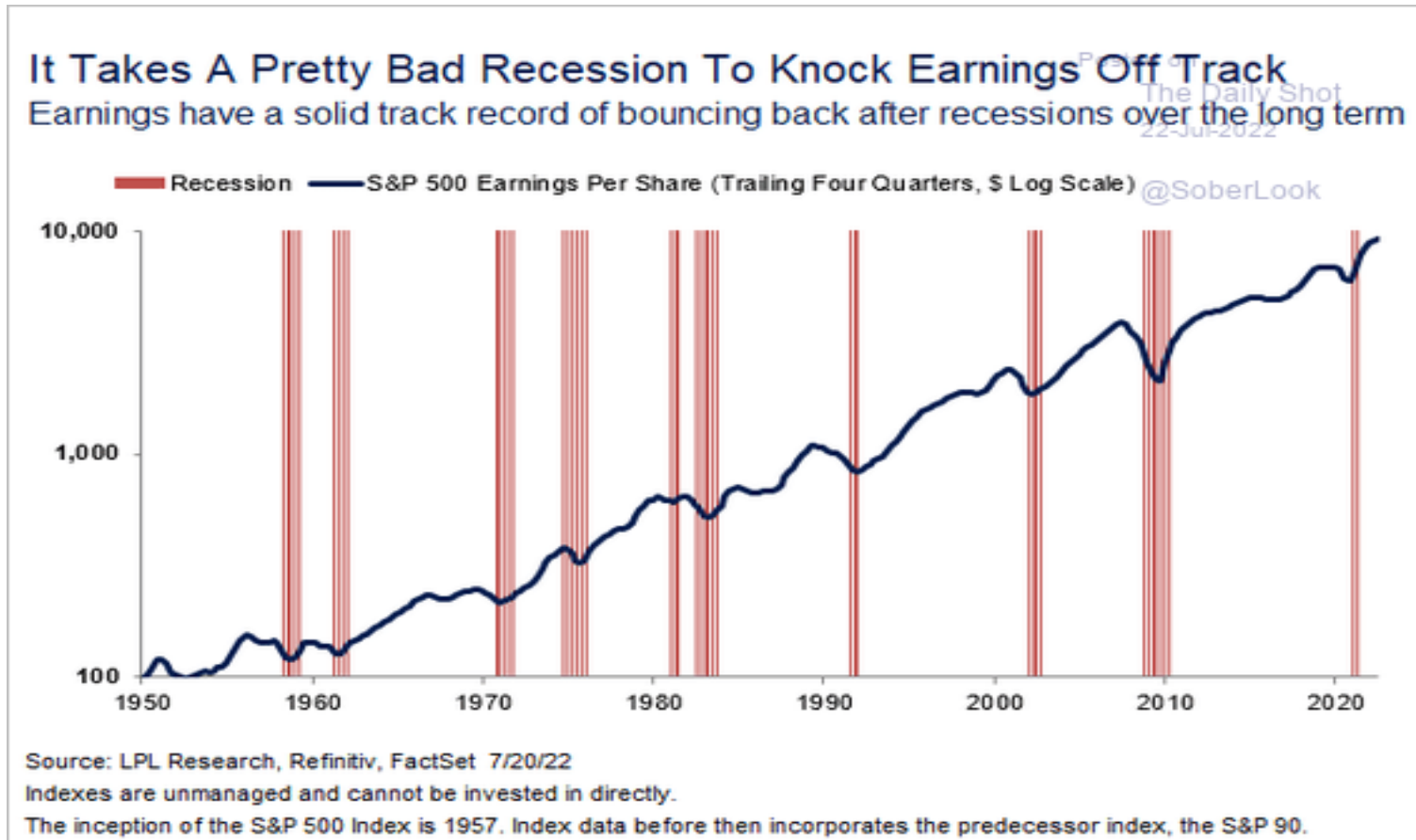
# Market Valuations



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)
- Barrantagh Small Cap Canadian Equity Fund
  - **F Class** Fund Code: BMI105, 1% MER, Minimum: \$1,000
  - **A Class** Fund Code: BMI110, 2% MER, Minimum: \$1,000
- SMA Minimum Account: \$100K(Small Cap), \$150K (Global All Cap Equities)
- Advisor Portal (barrantagh.com) password: Richardson4

## Contact (Toronto):

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