

# **BARRANTAGH**

Investment Management

## Update – Mar. 31, 2024

- 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% Mgmt Fee, 15 yr composite track-record
  - ‘A’ Class – 2.0% Mgmt Fee launched in Q2/2021

### ESG Integration Update:

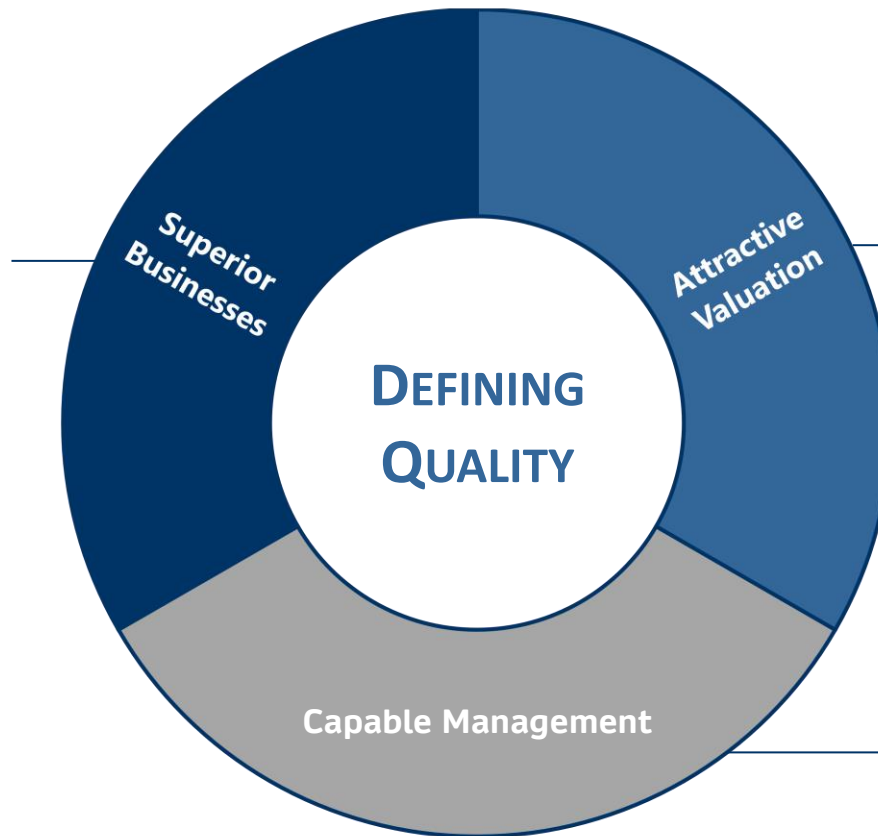
- Completed UN PRI signatory process (2019) & formalized BIM Responsible Investing Policy

# 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

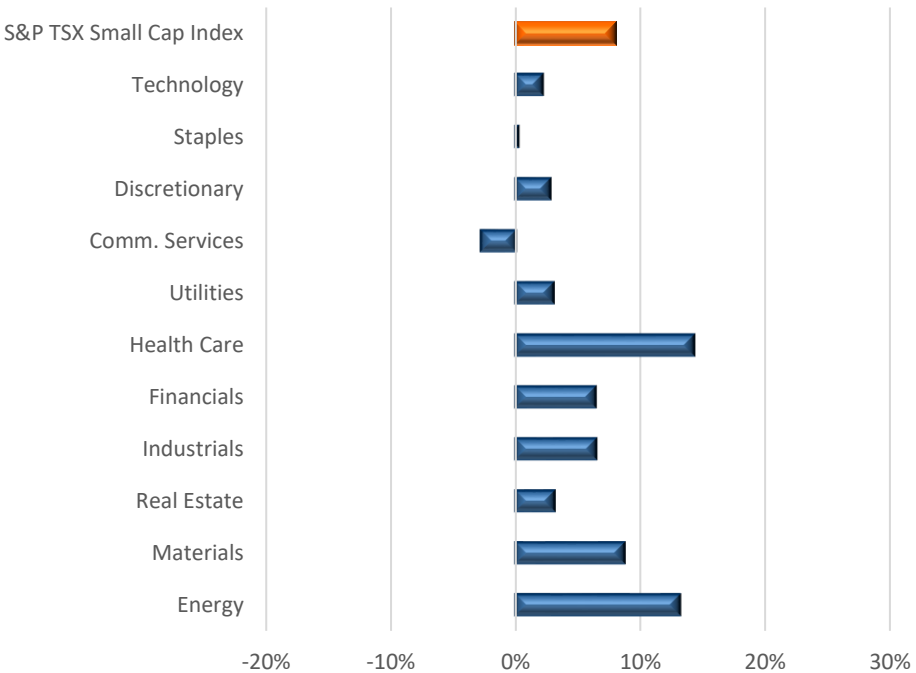
Company Market Cap		Market Cap Range (\$Bn's)	2023 Median Return (%)	Upside to Normal Valuation <sup>1</sup> (%)
LARGEST	1 <sup>ST</sup> Quartile	188 – 4	11.7	5
	2 <sup>nd</sup> Quartile	4 - 1.3	2.8	17
	3 <sup>rd</sup> Quartile	1.3 – 0.4	1.5	20
SMALLEST	4 <sup>th</sup> Quartile	< 0.4	-12.8	32

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

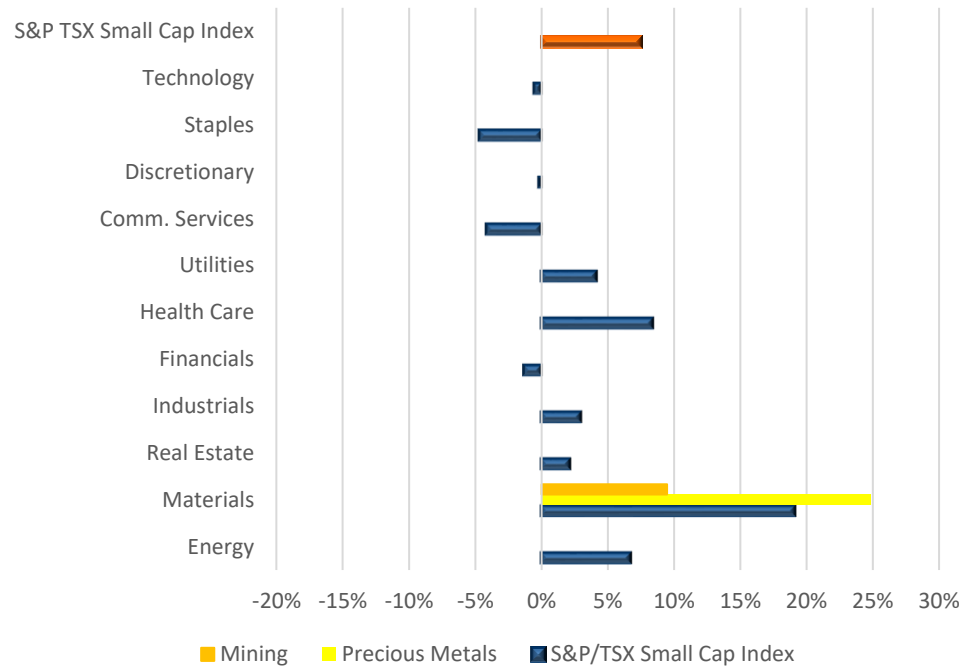
# Small Cap Investing

## 2024: March Cyclical Rally Defines Q1

### Q1 2024 Small Cap Index Returns by Industry



### March 2024 Small Cap Index Returns by Industry

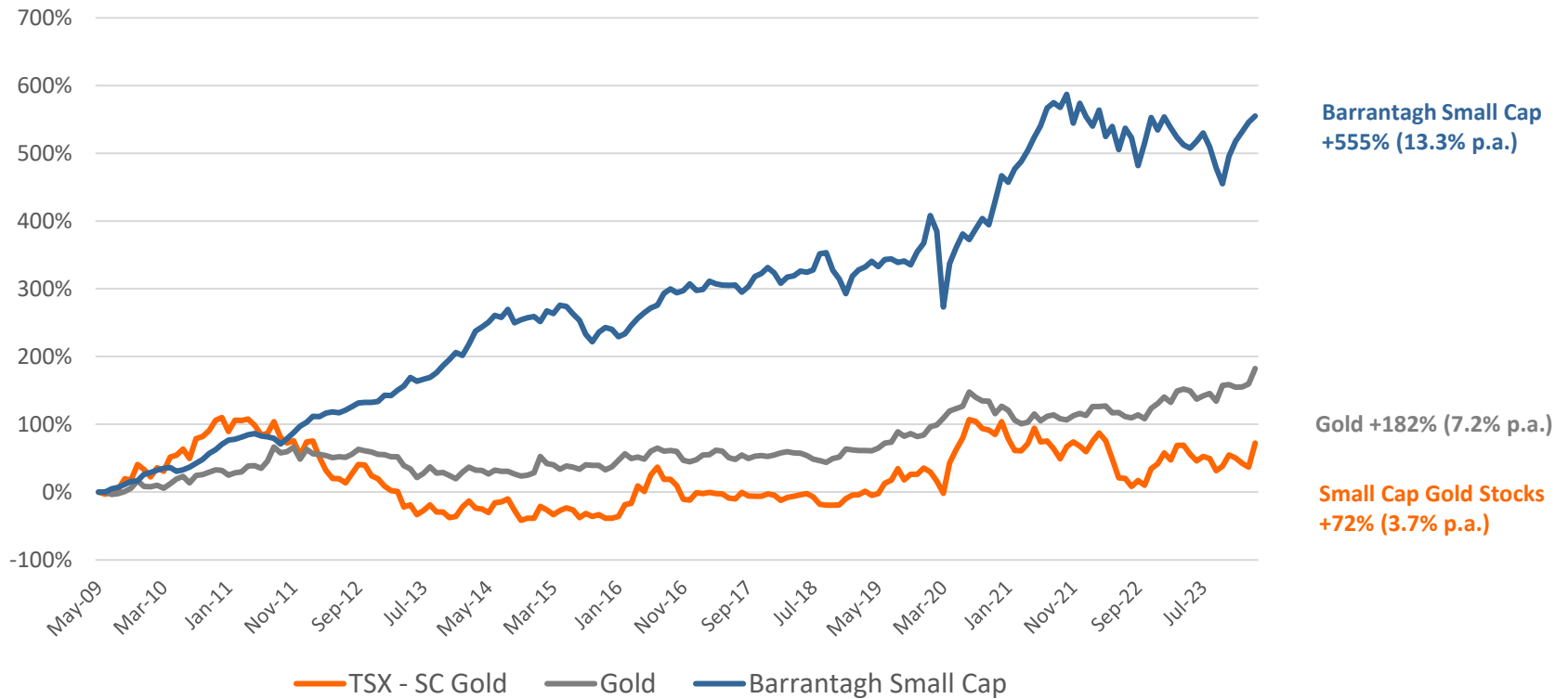


Source: Bloomberg, Barrantagh Research

# Small Cap Canadian Equity Mandate

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

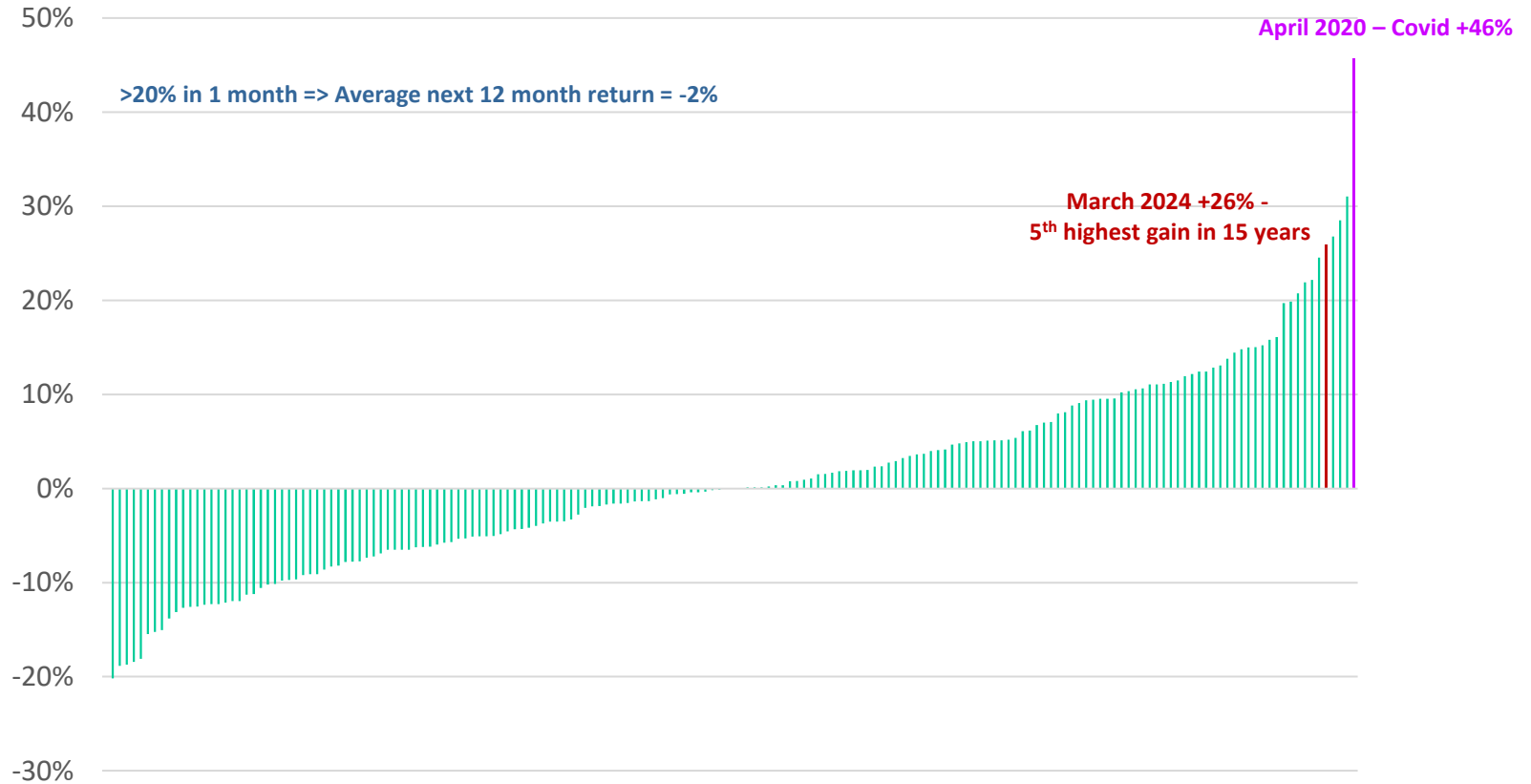
### Cumulative Returns ~ 15 Years to March 31, 2024



# Small Cap Canadian Equity Mandate

## March Rise in Gold Prices was Unusually High

### 15 Years - Monthly Gold Prices Worst to Best Month





# Small Cap Canadian Equity

## Perspective on Recent Performance: 2022 – Q1 2024

	BIM SC Performance	S&P TSX Small Cap Index	Environment	Comment
2022	-5.7%	-9.3%	• Broad Market Sell Off	• Value is defensive
Jan. – Oct. 2023	-12.6%	-3.7%	• Narrow Cyclical Leadership	• Quality underweights cyclicals
Nov. 2023 – Feb. 2024	16.5%	9.2%	• Broad Market Rally	• Quality-Value valuations recover
	<b>-1.8%</b>	<b>-2.1%</b>		
March 2024	1.3%	7.5%	• Jr Gold/Silver deliver 63% of the index return	• Quality underperforms
Total Period	<b>-1.2%</b>	<b>1.1%</b>		

# Canadian Small Cap Equity Portfolio

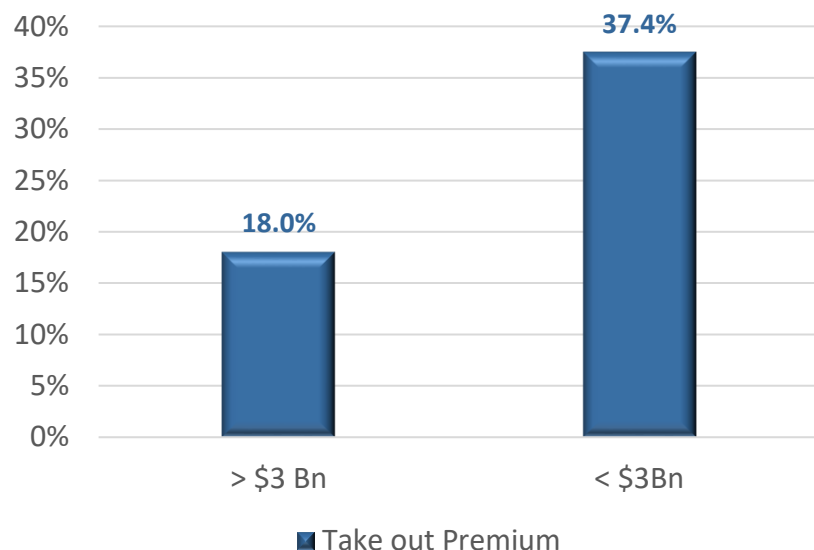
## Fundamental Reconnect Rally Continues

Portfolio Holding		Top 10: Stock Reaction
		Nov 2023 – March 2024
Financials	Propel Holdings	+106%
Technology	Dye & Durham	+95%
Industrial	Brookfield Business	+66%
Industrials	Cargojet	+43%
Industrials	Savaria	+37%
Financials	Trisura	+37%
Technology	Softchoice	+33%
Industrials	AG Growth	+27%
Financials	EQB	+25%
Real Estate	Minto Apartment	+23%
<b>BIM Small Cap Portfolio</b>		<b>+17.9%</b>
<b>S&amp;P TSX Small Cap</b>		<b>+17.4%</b>
<b>S&amp;P TSX Small Cap Ex Mining</b>		<b>+11.7%</b>

# 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>
<b>Neighbourly Pharma</b>	<b>10/2023</b>	<b>55%</b>
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

## Performance at March 31, 2024

For Periods Ending Mar. 31, 2024	Q1/24	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>	6.0%	5.0%	-0.7%	3.7%	17.0%	8.7%	7.8%	6.9%	8.3%	6.7%	6.8%	14.3%
S&P/TSX Small Cap Index	7.9%	8.2%	-2.7%	4.0%	22.5%	7.8%	6.1%	4.2%	7.1%	5.6%	3.9%	8.0%
S&P/TSX Composite Index	6.6%	14.0%	3.9%	9.1%	17.0%	10.0%	9.6%	8.5%	9.7%	7.8%	7.7%	9.6%

	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%
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%

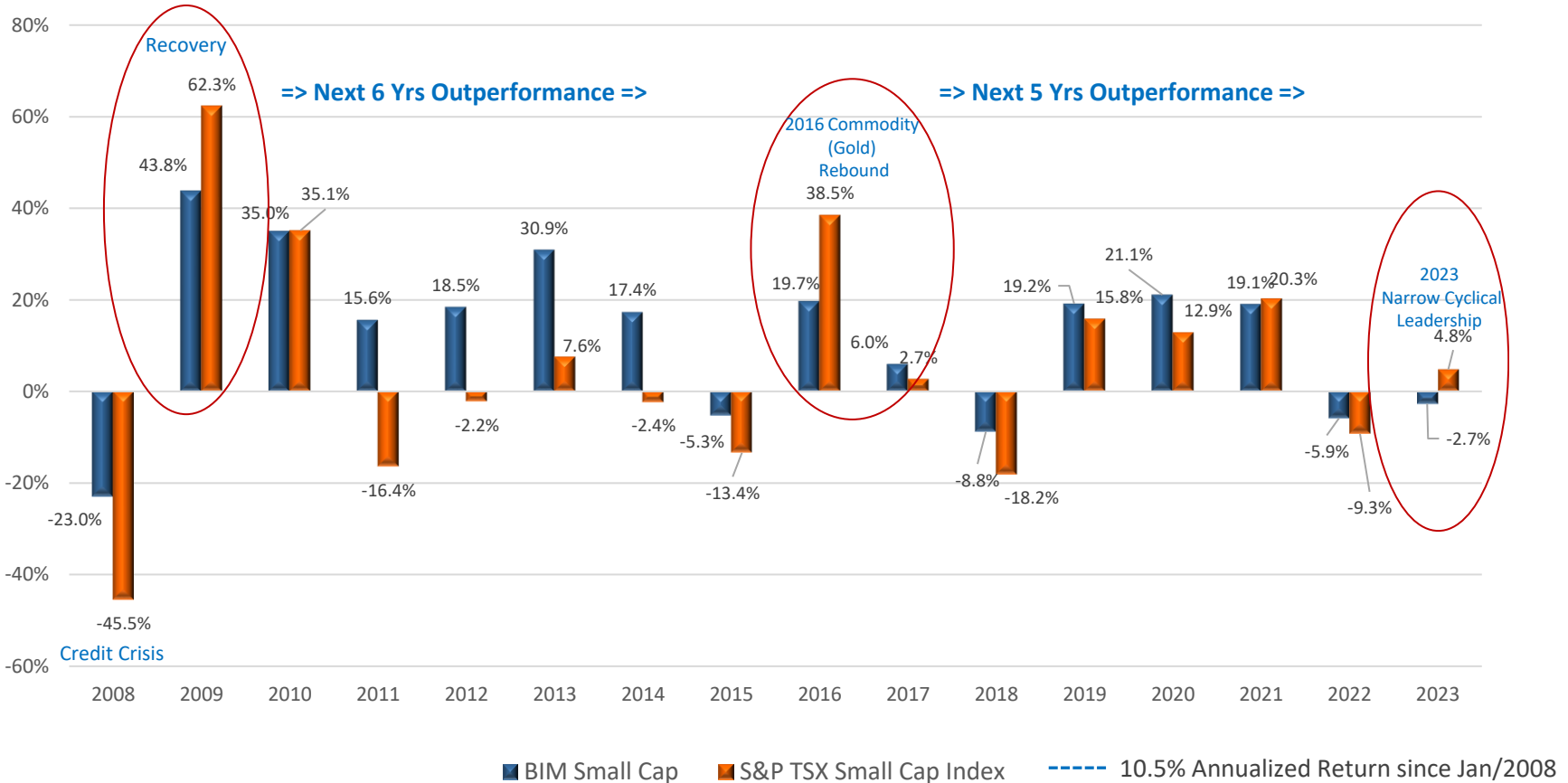
<sup>1</sup> Periods where index performance was driven by commodity rallies (Mining & Oil Exploration & Production)  
Green indicates periods that Barrantagh Small Cap outperformed

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

# Performance Update

## Investing over Market Cycles | Calendar Year Returns

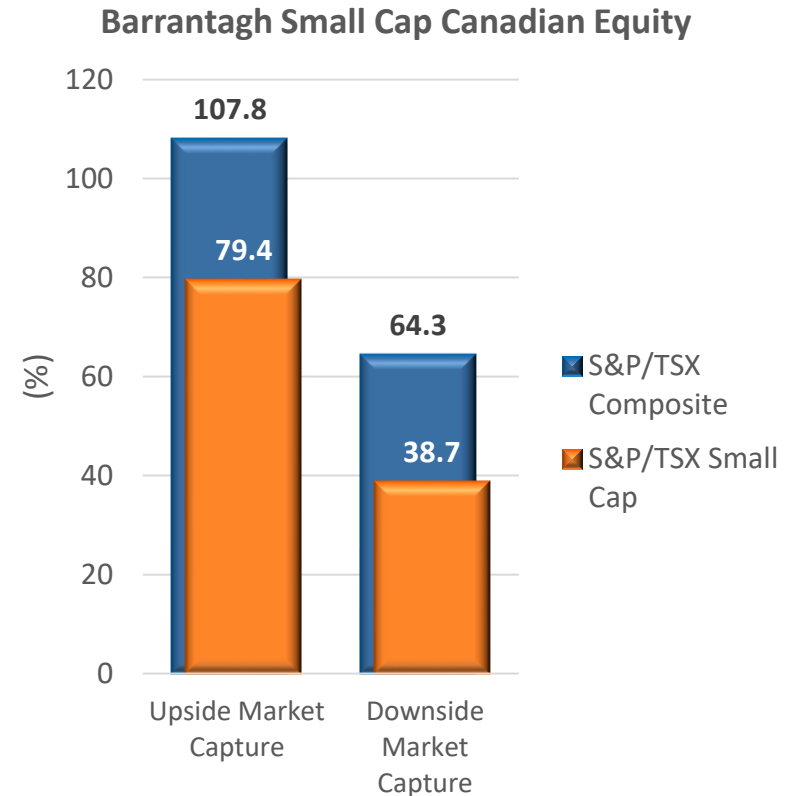
Calendar Year Performance vs. Benchmark



# Small Cap Canadian Equity

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

Mar. 31, 2024	Barrantagh Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
<b>Annualized Return</b>	<b>11.4%</b>	<b>3.2%</b>	<b>7.4%</b>
Standard Deviation	13.7%	20.7%	17.7%
<i>Sharpe Ratio</i>	<i>0.7</i>	<i>0.1</i>	<i>0.35</i>

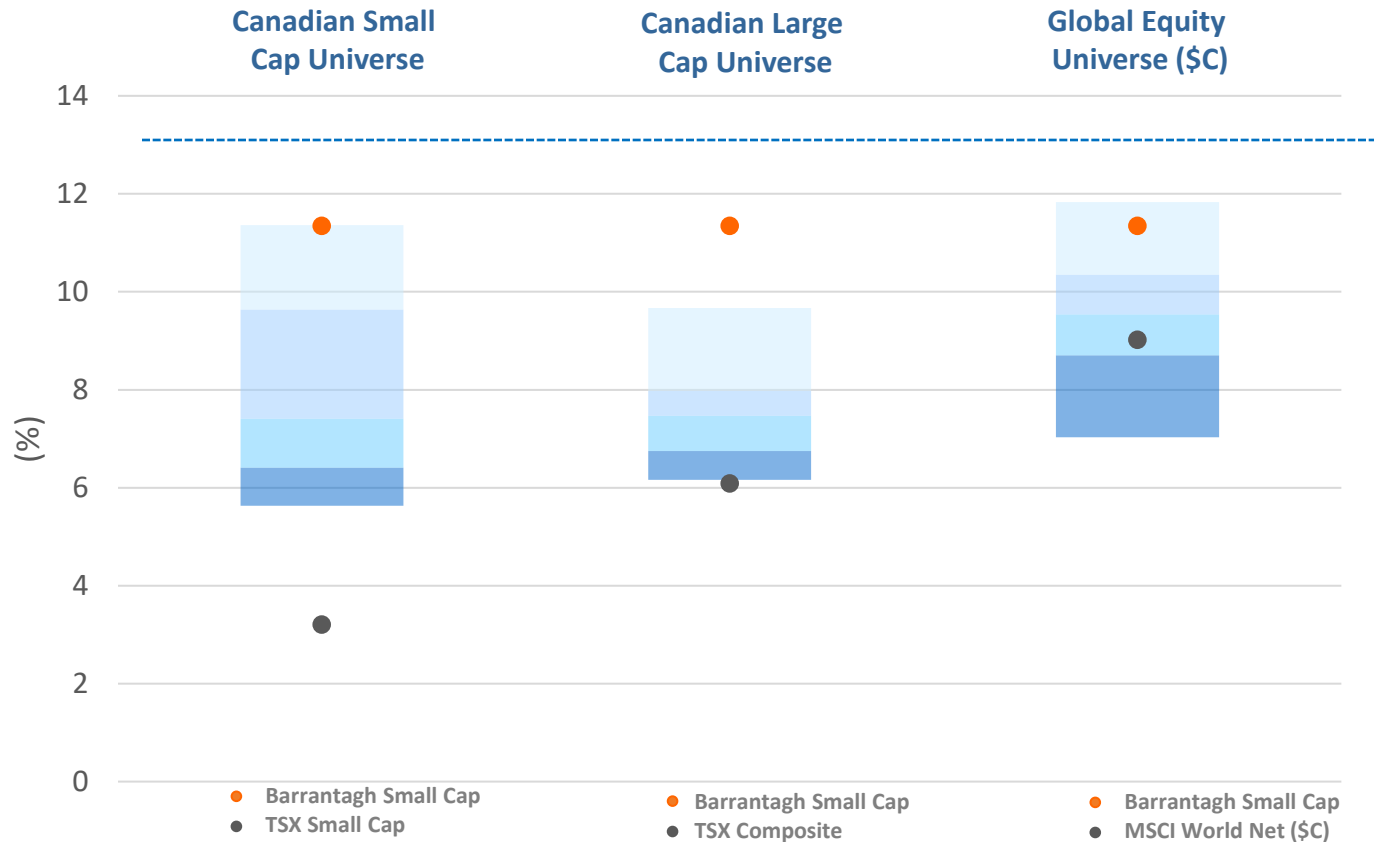


<sup>1</sup> Since Inception Jan. 1, 2008

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

# RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Mar. 31, 2024)



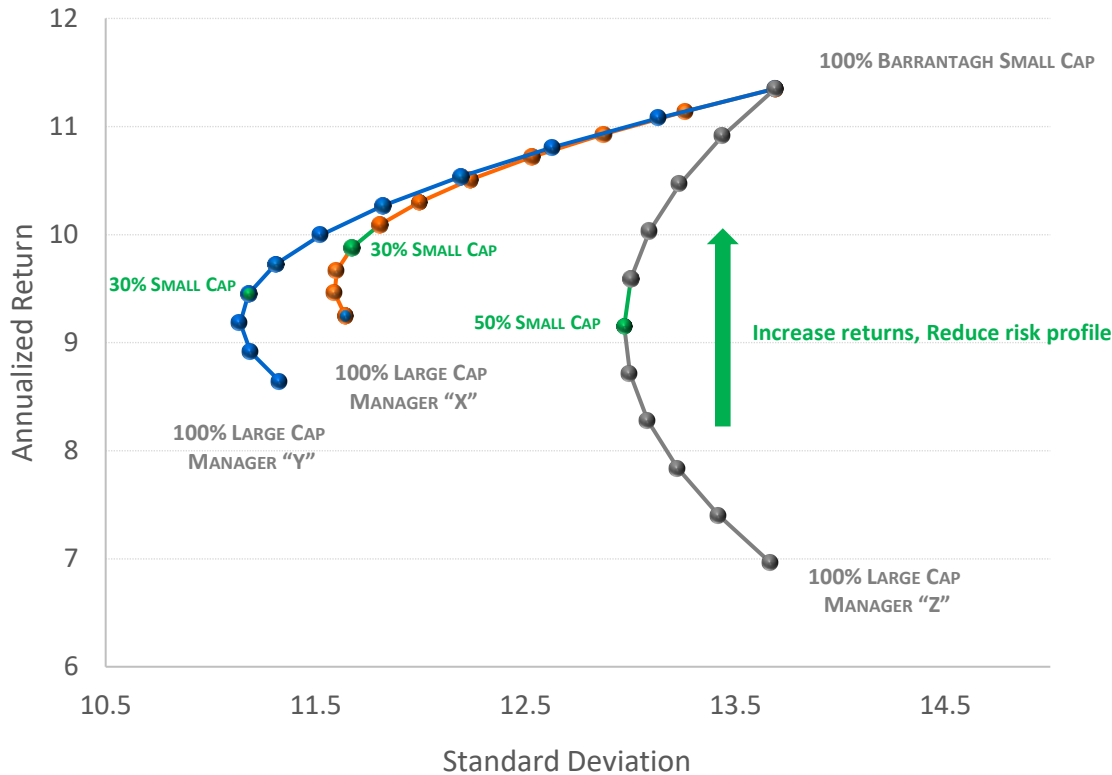
Strategy Inception Date: Jan. 1, 2008

# 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, 2024



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( $\sigma_p$ )

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



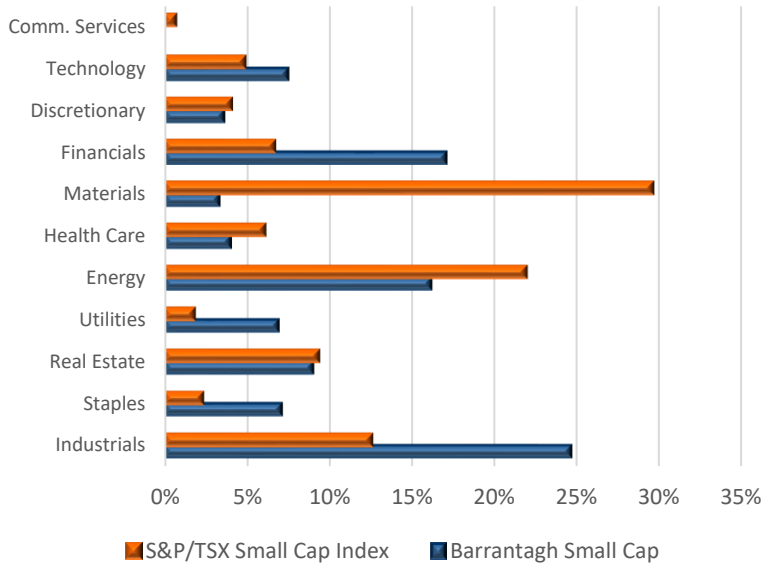
# Profile: Small Cap Canadian Equities

Portfolio at March 31, 2024

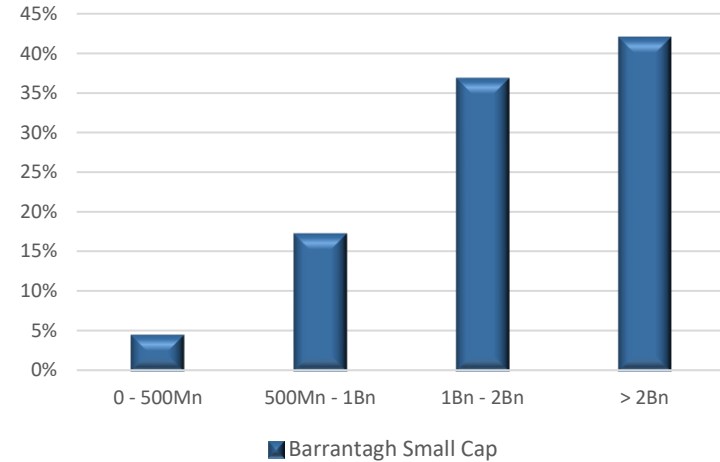
## CHARACTERISTICS

Number of Holdings	27
Avg. Market Cap	\$2.6 Bn
# Industry Sectors	10
Dividend Yield	2.1%

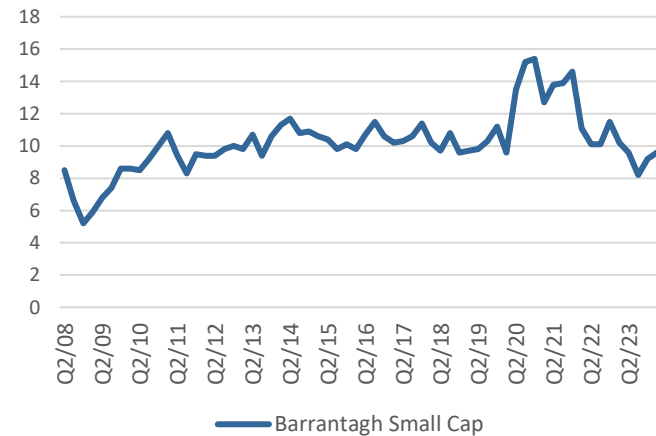
Barrantagh Small Cap Industry Weight vs. Index



Market Cap Exposure



Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at March 31, 2024 | Q1 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Utilities</b>	
MTY Food Group	3.4%	AG Growth	3.4%	Boralex	3.5%
	<u>3.4%</u>	Boyd Group	5.5%	Superior Plus	<u>3.0%</u>
<b>Consumer Staples</b>		Brookfield Business	3.8%		6.5%
Jamieson Wellness	3.3%	Cargojet	3.4%	<b>Materials</b>	
Premium Brands	<u>3.3%</u>	Calian Group	3.5%	Chemtrade Logistics	<u>3.1%</u>
	6.6%	Savaria	<u>3.4%</u>		3.1%
<b>Energy</b>			23.0%	Cash & Equivalent	
Arc Resources	3.6%	<b>Real Estate</b>			7.4%
Gibson Energy	3.5%	Mainstreet Equity (NEW)	1.3%	Total	100.0%
Logan Energy	1.7%	Minto Apartment REIT	3.1%		
Tamarack Valley	4.0%	Storagevault Canada	<u>3.6%</u>	<b>Sold</b>	
Tidewater Midstream	<u>2.3%</u>		8.0%	<b>Neighbourly Pharma</b>	
	15.1%	<b>Health Care</b>			
<b>Financials</b>		Andlauer Healthcare	<u>3.8%</u>		
Definity Financial	4.8%		3.8%		
EQB Group	3.9%	<b>Information Technology</b>			
Propel Holdings	2.3%	Dye & Durham	3.4%		
Trisura Group	<u>5.0%</u>	Softchoice	<u>3.7%</u>		
	16.0%		7.1%	<b>TRIM = (-)</b>	
				<b>ADD = (+)</b>	

# 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

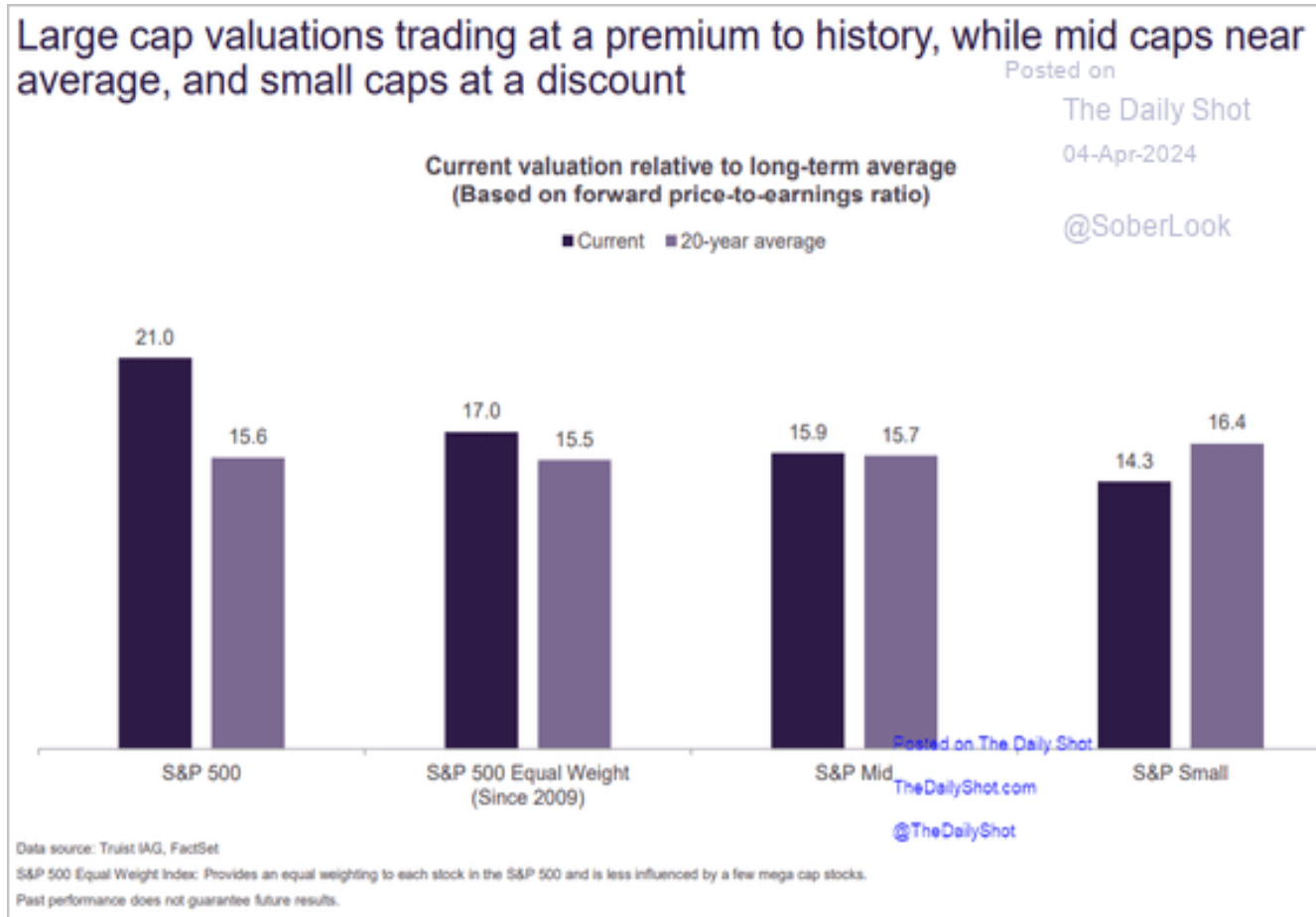
# Outlook

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## World:

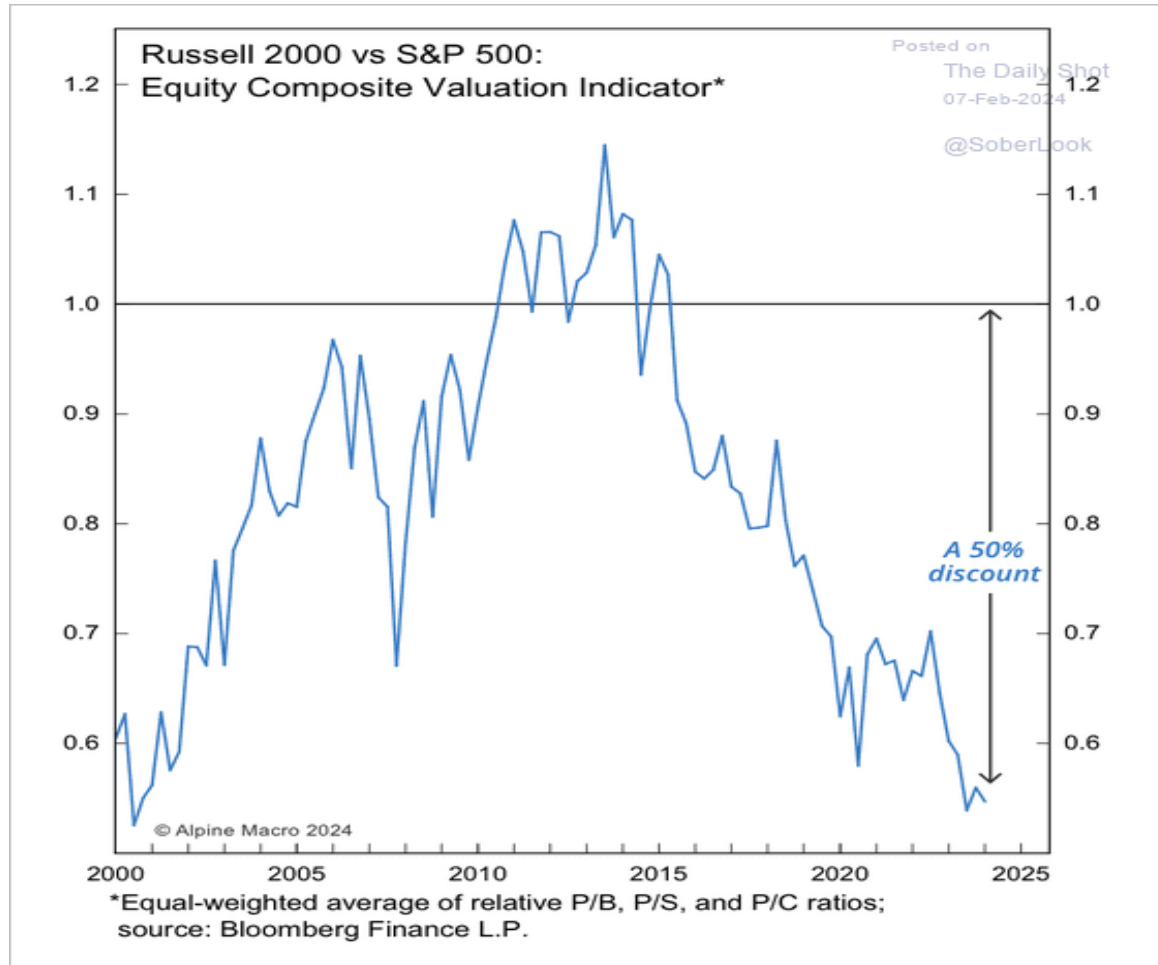
- Economic growth remains positive
  - Employment & wage increases are supportive
  - Manufacturing PMI's rebound
  - Inflation remains elevated
- Narrow leadership in equity markets (Global – Technology, Canada - Cyclical)
  - Growth indices remain expensive vs. Value
  - Small cap and Income stocks are supported by current valuations

# Market Valuations



Source: The Daily Shot

# Small Cap – Widest Valuation Gap Since Tech Bubble



Source: The Daily Shot

# Small Cap – Leadership

## Post Concentrated Large Cap Markets

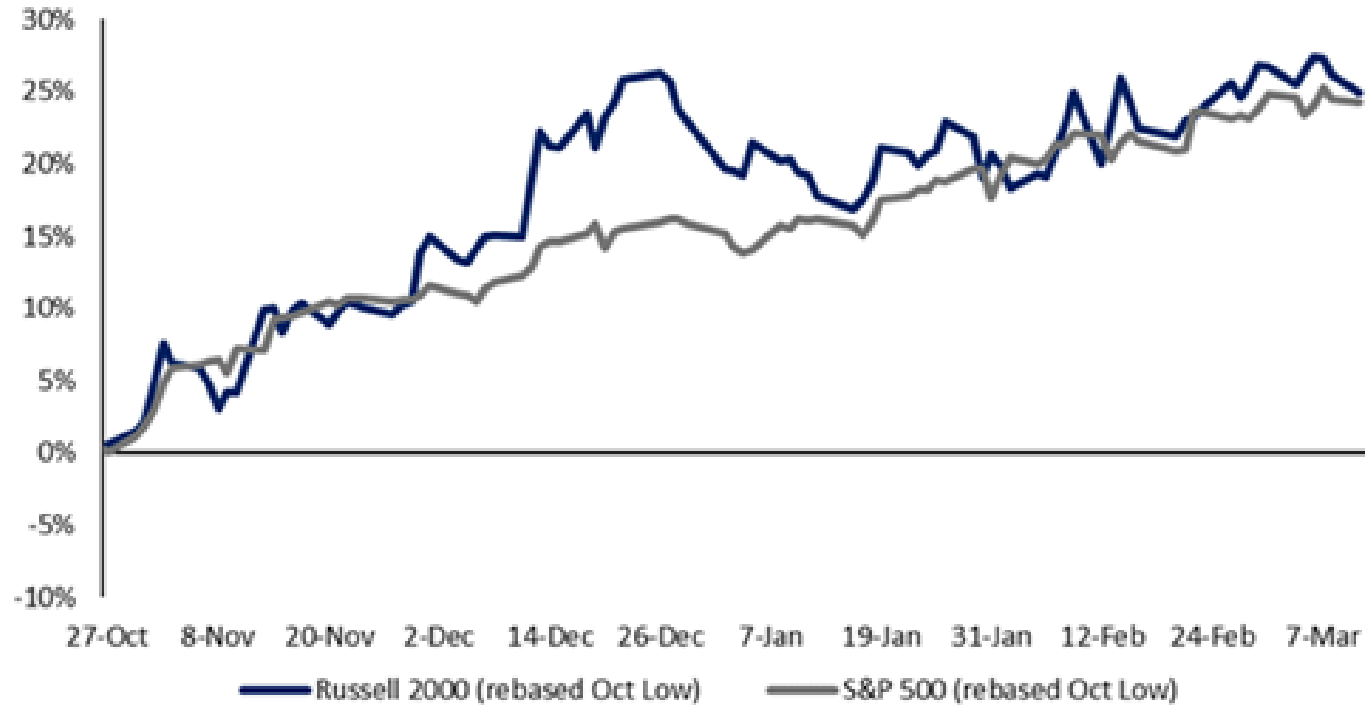
2000 - 15 Year + Hot Streak for Small Caps



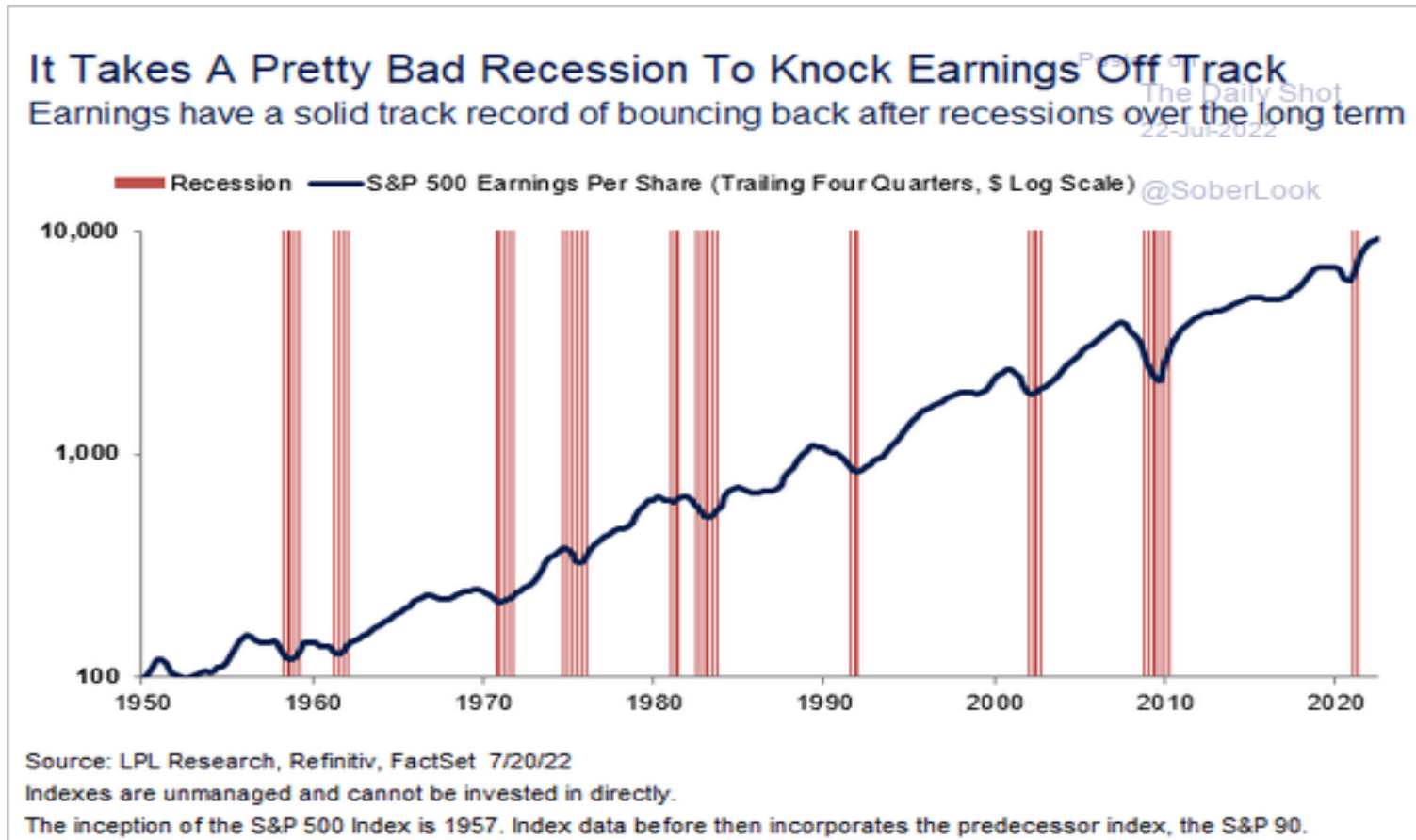


# Small Cap – Widest Valuation Gap Since Tech Bubble

Russell Has Actually Outperformed from Oct. Lows



# 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% 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](http://www.barrantagh.com) Password: RBC2

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