



Barrantagh Small Cap Canadian Equity Fund

Interim Management Report of Fund Performance

Period ended June 30, 2024

Barrantagh Small Cap Canadian Equity Fund

Semi- Annual Management Discussion of Fund Performance

June 30, 2024

Investment Objectives and Strategies

The Fund's investment objective is to outperform the S&P/TSX Small Cap Canadian equity index over market cycles. The Fund primarily invests in common shares within the small cap area of the Canadian market. The Manager pursues a disciplined fundamental approach that seeks to identify companies that can combine a dominant business profile with proven management and a financial profile that can be independently analyzed.

Risk

The risks of investing in the Fund remain as outlined in the simplified prospectus.

Results of Operations

Market Update:

The Fund underperformed its benchmark, the S&P/TSX Small Cap Index.

Positive momentum for equity markets continued into 2024, with risk appetite broadening in the first quarter. Supportive economic conditions and normalizing inflation kept sentiment towards equities strong. The path proved choppier during the second quarter for equities in increasingly narrow lead markets. Globally, AI-enthusiasm drove larger-cap tech winners to all time highs with respect to share prices and market concentration. Positive economic data points in the U.S. pushed out interest rate cut expectations and small caps lagged top-heavy large-cap benchmarks. Canadian equities also lagged during the period, outside of commodity names which were an area of strength. On both sides of the border, stock price performance was wildly differentiated depending on where you aligned on the prevailing market narratives.

Given the strength in resources during the first half of the year the combined weight to energy and materials grew to 54% in the small cap benchmark. This outsized weight in highly cyclical sectors can drive significant volatility in benchmark results. Our quality value style drives a "commodity-light" approach and provides lower risk exposure to small cap equities, which can lag during periods of resource strength. However, historically this approach has produced superior full-cycle returns by protecting capital in market drawdowns.

Taking a step back, this current "peak rate" environment has been largely supportive for Canadian small caps and Fund returns. Since markets bottomed last October, the Fund is up almost 18%, trailing the benchmark marginally over this eight-month period. This largely overcame a large relative headwind from materials, which contributed 40% of the market returns. During one three-month period (Mar-May) small cap mining stocks (which make up ~28% of the benchmark) were up 40%.

Halfway through 2024, we believe there are multiple levers for small caps to outperform. Interest rates are a big one – in a steadying/declining interest rate environment earnings and cash flows rise (lower debt service burden) and valuations lift (time-value of money). Most importantly, sentiment can shift, which we saw late in 2023 and once again in June, as market participants start to look outside the crowding in small pockets that have been driving overall market returns. Market sentiment can be summed up in valuation and, not surprisingly, valuation opportunity differentials between large caps and small caps is stark. Looking at the benchmark, outside of mining/energy, all nine sectors are trading at double-digit discounts to five year average trading multiples (avg: -17%). This margin of safety offers downside protection and optimism for future mean reversion higher. This compares to the TSX-60 (as a proxy for large caps), where there are just two sectors trading at a large discount (rate-sensitive telcos and REITs), with the remaining eight sectors trading at just a 1% discount to five-year average multiples. Markets move in cycles and the current setup looks quite attractive for smaller cap names going forward.

Key Contributors/Detractors

As alluded to above, the Fund currently has zero exposure to mining and our “commodity-light” approach has been a headwind to relative performance during the first half of 2024. The detraction from the materials sector (underweight, no mining exposure) more than offset the total shortfall in relative performance. Other areas of detraction were energy (underweight, negative selection) and consumer discretionary (negative selection). These were offset by strong performance in financials (overweight and positive selection) and information technology (positive selection). In the long run we believe focusing on quality value names with less cyclical exposure provides stronger risk-adjusted returns over the economic cycle

Assets

The Fund was relatively flat during the period as modest negative flows during the period were largely offset by the positive return.

Recent Developments

A key area of change for the Fund has been in the energy sector. ARC Resources (ARX), was sold during the period. Given strong execution on the back of the large strategic Seven Generations acquisition, ARX grew to 350,000 barrel per day producer, \$14B market cap and realized ~230% return (~40% CAGR). Alongside, the valuation multiple re-rated higher, closing the gap to large cap best-in-class peers. These proceeds were cycled into NuVista Energy (NVA), which also has a sizable position in the condensate-rich fairway of the Montney resource in Western Canada. They are less than one quarter of the size of ARX but growing faster and carry very little debt. NVA trades at a material discount to larger-cap peers (~40%) despite a de-risked 5-year plan targeting annual double digit return profile (production growth plus share buyback) within cash flow on current commodity prices.

We also added new names Headwater Exploration (oil producer) and Trican Well Service (energy services), while trimming back exposure to Tamarack Valley Energy (oil producer).

In consumer discretionary, we exited our position in MTY Group given a more challenging environment for restaurants and more modest return to target, while adding a position in Sleep Country Canada, a specialty retailer with dominant market share position in Canada.

Related Party Transactions

Manager, Trustee and Portfolio Adviser:

Barrantagh Investment Management Inc. (“BIM”) is the manager, trustee and portfolio adviser of the Fund. The Fund pays BIM an annual management fee of 1% for F-Series calculated, accrued and paid monthly as a percentage of the net asset value of the Fund. Unitholders in the O-Series pay a negotiated fee directly to BIM.

Registrar and Transfer Agent:

RBC Investory & Treasury Services is the registrar and transfer agent of the Fund, and as such maintains all unitholder records, processes purchase and redemption orders, issues investor statements and prepares annual tax reporting information on behalf of the Fund.

Buying and Selling Securities:

BIM has established an independent review committee (“IRC”) which acts as an impartial and independent committee to review and provide recommendations or, if appropriate, approval respecting any conflict of interest matters referred to it by BIM. The IRC prepares, at least annually, a report of its activities for securityholders of the Fund. The report is available on the BIM website.

There are no other related party transactions; as such, there are no relevant standing instructions requirements that securities transactions with related parties conducted by BIM (i) are free from any influence by an entity related to BIM and without taking into account any consideration relevant to an entity related to BIM; (ii) represent the business judgment of BIM uninfluenced by considerations other than the best interests of the Fund; (iii) comply with the applicable policies and procedures of BIM; and (iv) achieve a fair and reasonable result for the Fund.

Management Fees

As manager and trustee of the Fund, BIM is responsible for the overall business and affairs of the Fund, including activities related to making units of the Fund available to investors, and providing, or arranging for the provision of, investment advisory services and marketing services to the fund. In consideration for the provision of such series, each series of the Fund pays BIM a management fee.

Management fees are calculated and accrued as a percentage of the net asset value of each series of units of the Fund, as of the close of business on each business day for each series and are paid monthly to BIM.

The simplified prospectus discloses a specified annual management fee rate that BIM can charge for each series of the Fund. Of the annual management fees for F-Series, 100% of investment advisory, trustee, marketing services and others are rendered.

BARRANTAGH SMALL CAP CANADIAN EQUITY FUND**Summary of investment portfolio**

As at June 30, 2024

The summary of investment portfolio may have changed since June 30, 2024 due to ongoing portfolio transactions of the Fund.

Top 25 Holdings	Percentage of Net Asset Value (%)
Definity Financial Corp.	5.0
Trisura Group Ltd.	5.0
Boyd Group Services Inc.	4.9
EQB Inc.	4.3
Cargojet Inc.	4.2
Boralex Inc.	4.1
Headwater Exploration Inc.	4.0
Savaria Corp.	3.6
Softchoice Corp.	3.6
NuVista Energy Ltd.	3.6
Gibson Energy Inc.	3.6
Jamieson Wellness Inc.	3.6
Premium Brands Holdings Corp.	3.5
Calian Group Ltd.	3.5
Propel Holdings Inc.	3.5
Chemtrade Logistics Income Fund	3.4
Brookfield Business Corp.	3.3
Andlauer Healthcare Group Inc.	3.3
StorageVault Canada Inc.	3.2
Ag Growth International Inc.	2.9
Minto Apartment Real Estate Investment Trust	2.9
Dye & Durham Ltd.	2.7
Superior Plus Corp.	2.6
Logan Energy Corp.	2.6
Tamarack Valley Energy Ltd.	2.5
Total Net Asset Value	\$97,230,556

Portfolio by Category

Asset Type	Percentage of Net Asset Value (%)
Equities	96.7
Short-term Investments	1.6
Cash	1.4
Other Net Assets (Liabilities)	0.3
	100.0

Sector	Percentage of Net Asset Value (%)
Industrials	22.4
Energy	19.9
Financials	17.8
Real Estate	7.9
Consumer Staples	7.1
Utilities	6.7
Information Technology	6.3
Materials	3.4
Health Care	3.3
Consumer Discretionary	1.9
Short Term Investments	1.6
Cash	1.4
Other Assets (Liabilities)	0.3
	100.0

BARRANTAGH SMALL CAP CANADIAN EQUITY FUNDThe Fund's net assets attributable to holders of redeemable units per unit¹**Series A**

	2024 ⁽³⁾	2023 ⁽⁴⁾	2022 ⁽⁵⁾	2021 ⁽¹²⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 9.12	\$ 9.71	\$ 10.81	\$ 10.00
Increase (decrease) from operations:				
Total Revenue	0.21	0.53	0.21	0.17
Total Expenses	(0.13)	(0.24)	(0.26)	(0.21)
Realized gains (losses) for the period	0.03	(0.20)	0.36	0.11
Unrealized gains (losses) for the period	0.28	(0.32)	(0.71)	0.47
Total increase (decrease) from operations²	0.39	(0.32)	(0.40)	0.54
Distributions:				
From income (excluding dividends)	-	-	-	-
From dividends	-	(0.01)	-	(0.03)
From capital gains	-	(0.11)	(0.27)	(0.02)
Return of Capital	-	-	-	-
Total Annual Distributions	-	(0.12)	(0.27)	(0.05)
Net assets attributable to holders of redeemable units, end of period	\$ 9.50	\$ 9.12	\$ 9.71	\$ 10.81

Ratios and Supplemental Data:

Total net asset value	\$ 3,172,091	\$ 3,153,481	\$ 1,324,679	\$ 636,482
Number of units outstanding	334,048	345,837	136,366	58,863
Management expense ratio ³	2.47%	2.53%	2.50%	2.69%
Management expense ratio before waivers or absorptions	2.47%	2.53%	2.50%	2.69%
Trading expense ratio ⁹	0.12%	0.05%	0.07%	0.13%
Portfolio turnover rate ¹⁰	14.73%	12.14%	20.56%	27.77%
Net asset value per unit	\$ 9.50	\$ 9.12	\$ 9.71	\$ 10.81

The Fund's net assets attributable to holders of redeemable units per unit¹**Series F**

	2024 ⁽³⁾	2023 ⁽⁴⁾	2022 ⁽⁵⁾	2021 ⁽⁶⁾	2020 ⁽⁷⁾	2019 ⁽¹¹⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 12.31	\$ 13.04	\$ 14.42	\$ 12.36	\$ 10.35	\$ 10.00
Increase (decrease) from operations:						
Total Revenue	0.28	0.61	0.27	0.30	0.29	0.23
Total Expenses	(0.10)	(0.19)	(0.20)	(0.23)	(0.18)	(0.21)
Realized gains (losses) for the period	0.04	(0.19)	0.56	0.46	(0.16)	(0.16)
Unrealized gains (losses) for the period	0.37	(0.74)	(1.53)	1.46	3.47	1.32
Total increase (decrease) from operations²	0.59	(0.51)	(0.90)	1.99	3.42	1.18
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	(0.08)	(0.05)	(0.02)	(0.06)	-
From capital gains	-	(0.15)	(0.36)	(0.02)	-	-
Return of Capital	-	-	-	-	-	-
Total Annual Distributions	-	(0.23)	(0.41)	(0.04)	(0.06)	-
Net assets attributable to holders of redeemable units, end of period	\$ 12.89	\$ 12.31	\$ 13.04	\$ 14.42	\$ 12.36	\$ 10.35

Ratios and Supplemental Data:

Total net asset value	\$ 57,027,504	\$ 58,447,097	\$ 56,306,894	\$ 54,641,198	\$ 21,444,938	\$ 5,120,985
Number of units outstanding	4,425,800	4,748,396	4,316,471	3,788,129	1,734,420	494,676
Management expense ratio ⁸	1.42%	1.44%	1.46%	1.54%	1.61%	2.51%
Management expense ratio before waivers or absorptions	1.42%	1.44%	1.46%	1.54%	1.75%	2.51%
Trading expense ratio ⁹	0.12%	0.05%	0.07%	0.13%	0.08%	0.37%
Portfolio turnover rate ¹⁰	14.73%	12.14%	20.56%	27.77%	15.97%	16.54%
Net asset value per unit	\$ 12.89	\$ 12.31	\$ 13.04	\$ 14.42	\$ 12.36	\$ 10.35

The Fund's net assets attributable to holders of redeemable units per unit¹**Series O**

	2024 ⁽³⁾	2023 ⁽⁴⁾	2022 ⁽⁵⁾	2021 ⁽⁶⁾	2020 ⁽⁷⁾	2019 ⁽¹¹⁾
Net assets attributable to holders of redeemable units, beginning of period	\$ 12.46	\$ 13.21	\$ 14.61	\$ 12.50	\$ 10.42	\$ 10.00
Increase (decrease) from operations:						
Total Revenue	0.29	0.60	0.28	0.29	0.26	0.29
Total Expenses	(0.03)	(0.06)	(0.06)	(0.09)	(0.07)	(0.16)
Realized gains (losses) for the period	0.04	(0.14)	0.56	0.51	(0.28)	(0.17)
Unrealized gains (losses) for the period	0.36	(0.81)	(1.62)	1.49	2.38	0.97
Total increase (decrease) from operations²	0.66	(0.41)	(0.84)	2.20	2.29	0.93
Distributions:						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	(0.21)	(0.19)	(0.14)	(0.13)	-
From capital gains	-	(0.15)	(0.37)	(0.02)	-	-
Return of Capital	-	-	-	-	-	-
Total Annual Distributions	-	(0.36)	(0.56)	(0.16)	(0.13)	-
Net assets attributable to holders of redeemable units, end of period	\$ 13.11	\$ 12.46	\$ 13.21	\$ 14.61	\$ 12.50	\$ 10.42

Ratios and Supplemental Data:

Total net asset value	\$ 37,030,961	\$ 37,266,803	\$ 43,513,865	\$ 43,542,442	\$ 28,553,048	\$ 19,711,322
Number of units outstanding	2,825,118	2,991,920	3,293,851	2,980,627	2,284,366	1,892,241
Management expense ratio ⁸	0.37%	0.41%	0.40%	0.49%	0.60%	1.90%
Management expense ratio before waivers or absorptions	0.37%	0.41%	0.40%	0.49%	0.69%	1.90%
Trading expense ratio ⁹	0.12%	0.05%	0.07%	0.13%	0.08%	0.37%
Portfolio turnover rate ¹⁰	14.73%	12.14%	20.56%	27.77%	15.97%	16.54%
Net asset value per unit	\$ 13.11	\$ 12.46	\$ 13.21	\$ 14.61	\$ 12.50	\$ 10.42

Notes to Financial Highlights

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets attributable to holders of redeemable units and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year. This table is not intended to be a reconciliation of the net asset value per unit.

Ratios and Supplemental Data

(3) For the period ended June 30, 2024

(4) For the year ended December 31, 2023

(5) For the year ended December 31, 2022

(6) For the year ended December 31, 2021

(7) For the year ended December 31, 2020

(8) The management expense ratio is based on total expenses (excluding commissions and other portfolio costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. It is calculated by dividing the total of operating expenses (excluding commissions and portfolio transaction costs) and management fees, including applicable taxes, by the average net asset value of the Fund for the financial period, then multiplying the result by 100.

(9) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(10) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(11) For the period from April 15, 2019 (date of commencement of operations) to December 31, 2019

(12) For the period from April 30, 2021 (date of commencement of operations) to December 31, 2021