

# **BARRANTAGH**

Investment Management

**Update – Mar. 31, 2025**

- Firm Update
- Small Cap Canadian Equities
- Economic Update



**A+ Program**

# Firm Introduction

## 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

### STAFFING:

- 17 employees, no changes over the last 3 years

### ESG Integration Update:

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

### UMA/Sub-Advisory Update

- New mandate with Morgan Stanley upcoming program launch

### Evestment

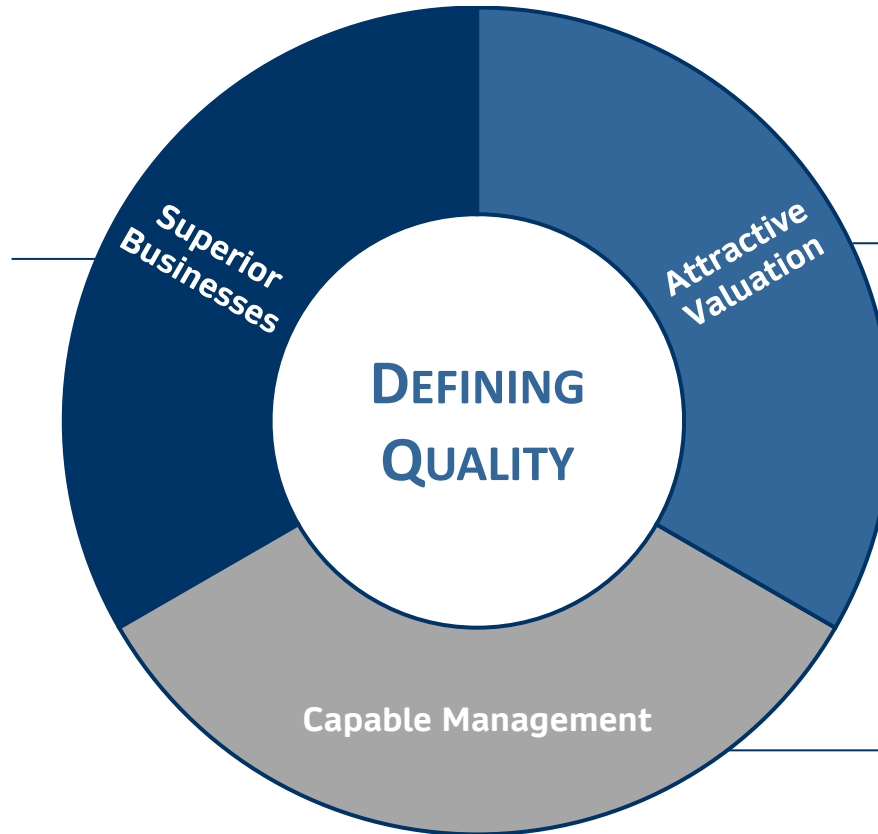
- Boutique Firms – Canada – Top 3 Brand awareness

# 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

# Recent Market Environment

## Investing in Quality

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### 1. Current market environment – uncertainty = Risk-Off

1. Large cap leadership
2. Narrow markets – Gold
3. Large cap valuations ex tech are reasonable, Small Caps are cheap
4. Cyclical-led markets are not unprecedented

### 2. Quality Value investing limits exposure to highly economically sensitive cyclical companies

1. ie Gold => unpredictable and volatile gold prices influenced by a variety of levers (inflation, central banks, retail momentum trade, fear trade) make bottom-up valuation challenging & can be at odds with long-term investing & a 3-5 year holding period
2. Consumer deep cyclicals – discretionary spending – ie car parts, manufacturers
3. Industrial deep cyclicals – ie aerospace

### 3. 2023 & 2024 were challenging years vs. the market

1. 2023 – cyclical led market, growth technology stocks ran
2. 2024 – all that glittered was gold – gold rally added 6% to the index return!

### 4. Why do we bias away from deep cyclicals?

1. Allows for greater confidence in long-term DCF models & longer holding periods to allow company strategies to play out – less guess-work & valuation matters
2. Delivers very low risk portfolios (std. dev., beta, risk-adjusted returns) with supporting dividend yield

# Small Cap Canadian Equity

Performance at March 31, 2025

For Periods Ending Mar. 31, 2025	Q1/25	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>	<b>-7.6%</b>	<b>-2.8%</b>	<b>1.0%</b>	<b>-1.4%</b>	<b>2.0%</b>	<b>12.7%</b>	<b>6.7%</b>	<b>6.2%</b>	<b>5.6%</b>	<b>7.0%</b>	<b>5.8%</b>	<b>10.9%</b>
<b>S&amp;P/TSX Small Cap Index</b>	<b>0.9%</b>	<b>11.1%</b>	<b>9.6%</b>	<b>1.7%</b>	<b>5.7%</b>	<b>20.1%</b>	<b>8.4%</b>	<b>6.8%</b>	<b>5.1%</b>	<b>7.5%</b>	<b>6.1%</b>	<b>4.7%</b>

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>BIM Canadian Small Cap</b>	<b>11.5%</b>	<b>-2.7%</b>	<b>-5.7%</b>	<b>18.8%<sup>1</sup></b>	<b>21.3%</b>	<b>19.0%</b>	<b>-8.9%</b>	<b>5.9%</b>	<b>19.8%<sup>1</sup></b>	<b>-5.3%</b>	<b>17.3%</b>	<b>30.9%</b>	<b>18.5%</b>	<b>15.6%</b>	<b>35.0%</b>	<b>43.8%<sup>1</sup></b>	<b>-22.9%</b>
<b>S&amp;P/TSX Small Cap Index</b>	<b>18.8%</b>	<b>4.8%</b>	<b>-9.3%</b>	<b>20.3%</b>	<b>12.9%</b>	<b>15.8%</b>	<b>-18.2%</b>	<b>2.7%</b>	<b>38.5%</b>	<b>-13.4%</b>	<b>-2.4%</b>	<b>7.6%</b>	<b>-2.2%</b>	<b>16.4%</b>	<b>35.1%</b>	<b>62.3%</b>	<b>-45.5%</b>

<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

## Perspective on Recent Performance: Commodity Volatility

### Stock Selection Positive in Non-Commodity Sectors

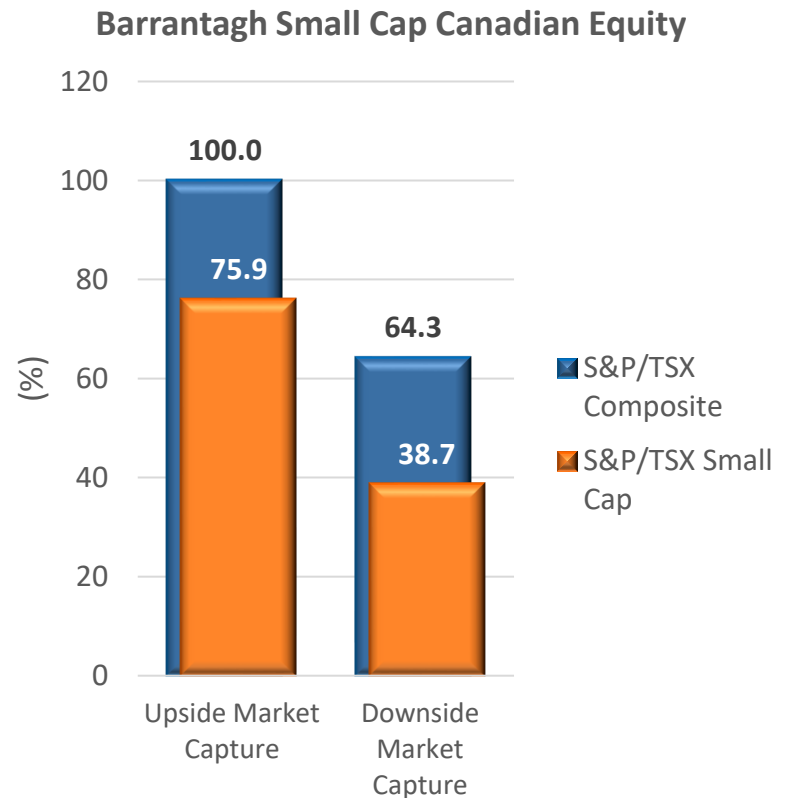
	TOTAL PERIOD Jan. 2024 – Mar. 2025
BIM Small Cap	3.4%
TSX SC	<u>19.9%</u>
Alpha (%)	-16.5%
Alpha (bps)	-1650
Materials	-1509
Energy	<u>-340</u>
Commodities	-1849
All Other Industries <sup>1</sup>	+199

<sup>1</sup> All Other Industries = GICS Industries Ex - Energy & Materials

# Small Cap Canadian Equity

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

Mar. 31, 2025	Barrantagh Small Cap Cdn. Equites <sup>1</sup>	TSX Small Cap	Median
<b>Annualized Return</b>	<b>10.5%</b>	<b>3.7%</b>	<b>7.4%</b>
Standard Deviation	13.5%	20.2%	17.3%
<i>Sharpe Ratio</i>	<i>0.7</i>	<i>0.1</i>	<i>0.35</i>



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

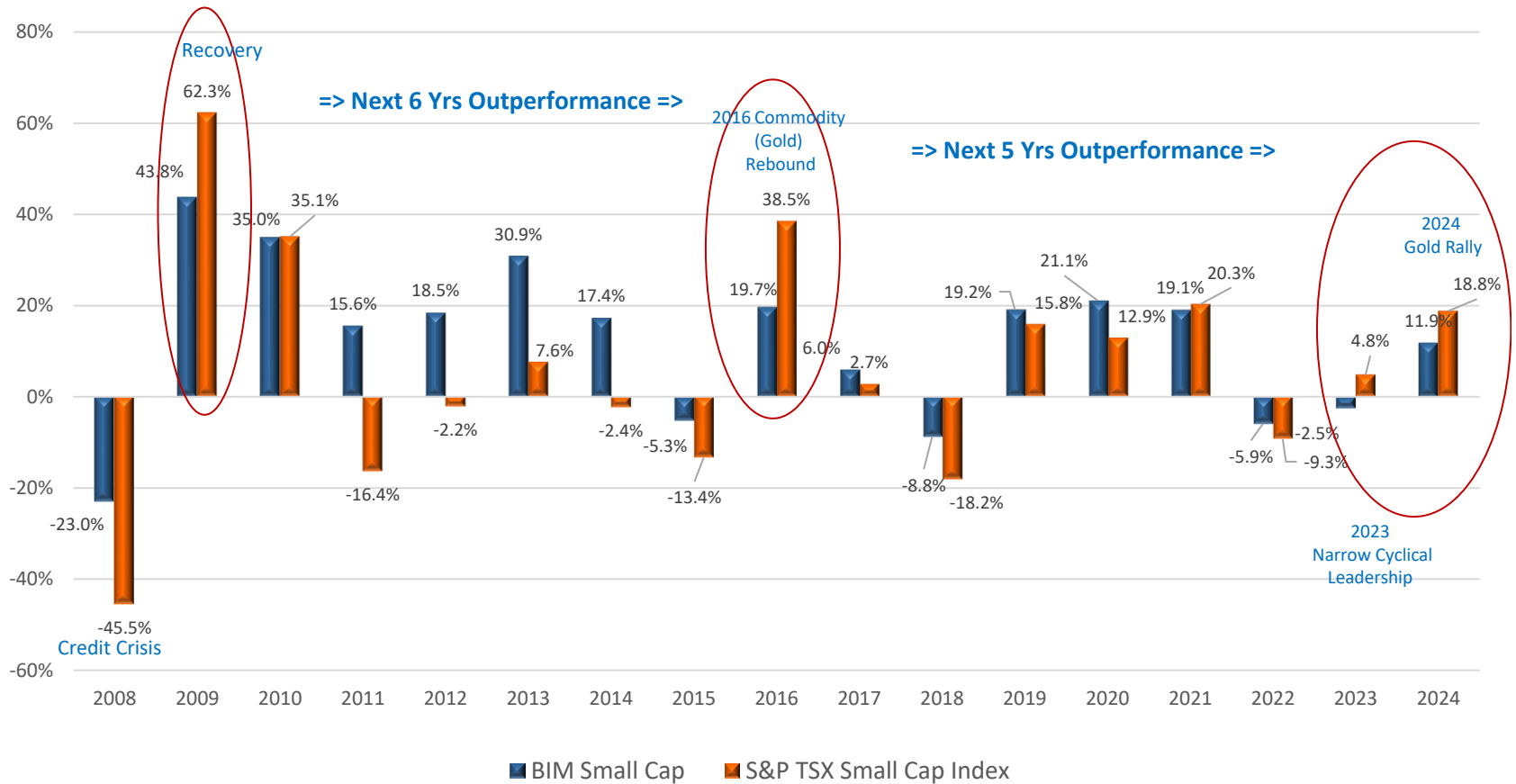
<sup>2</sup> vs. Evestment Small Cap Universe



# Performance Update

## Investing over Market Cycles | Calendar Year Returns

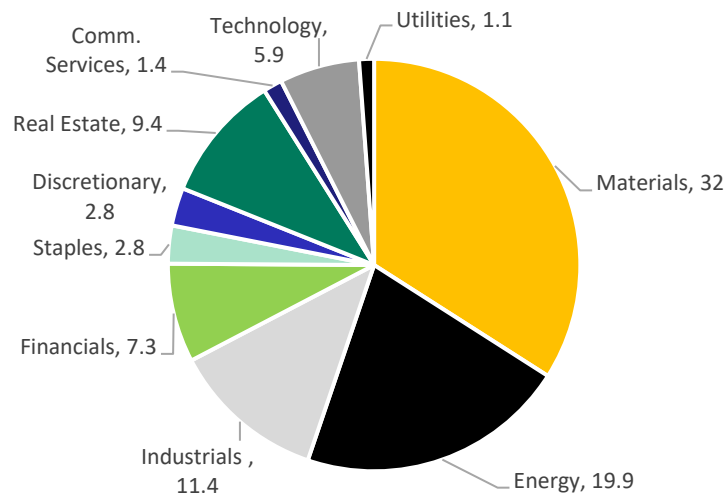
Calendar Year Performance vs. Benchmark



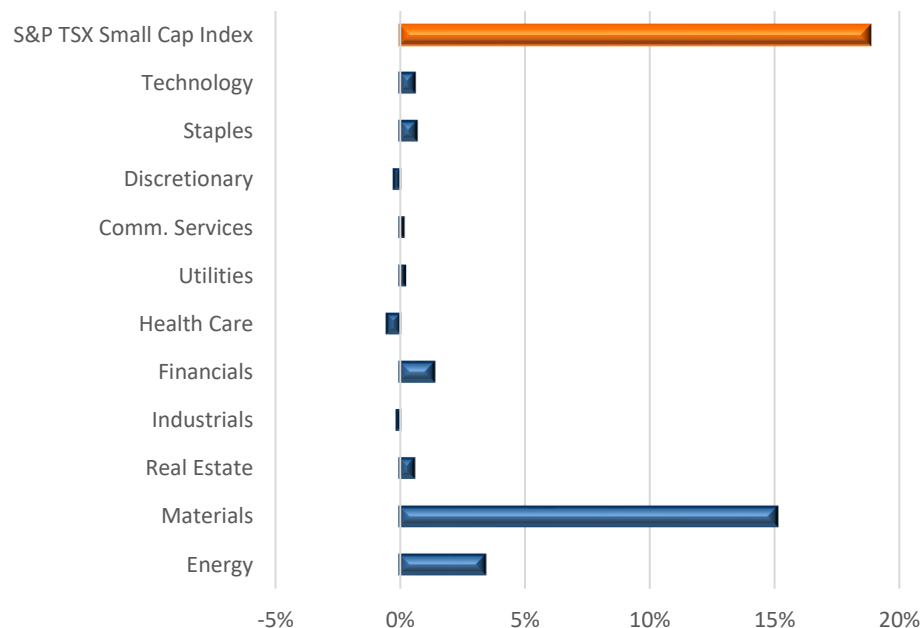
# 2024 Small Cap Investing

## 2024: Commodities Contribute 93% of the TSX Small Cap Index Return – 2024 + Q1 2025

S&P TSX Small Cap Industry Weights



2024 + Q1 2025 Small Cap Index Contribution<sup>1</sup>  
by Industry

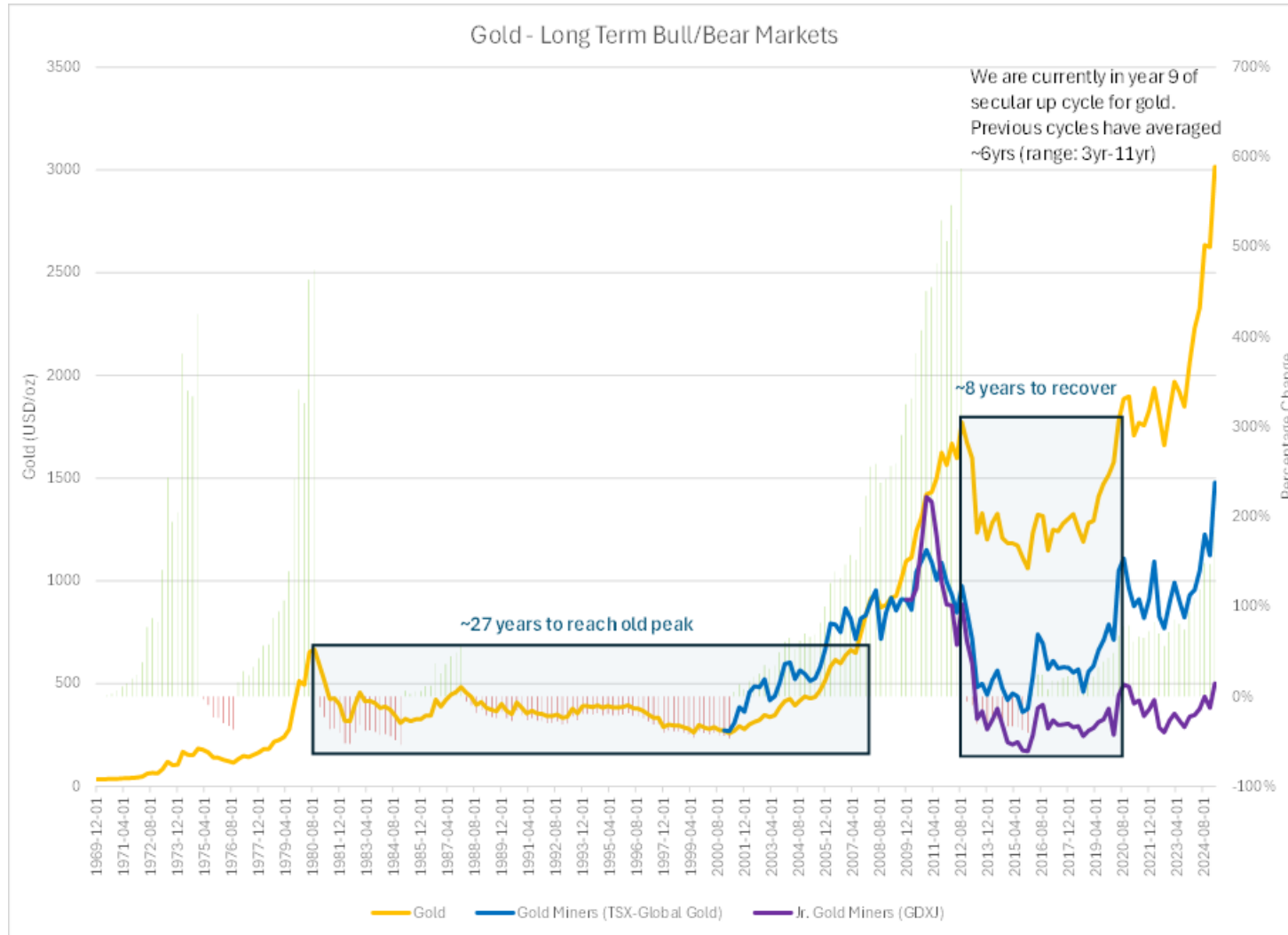


Contribution<sup>1</sup> = Return x Weight

Source: Bloomberg, Barrantagh Research

# Long-Term View on Gold Prices

## Up-Cycle is Longer than Past



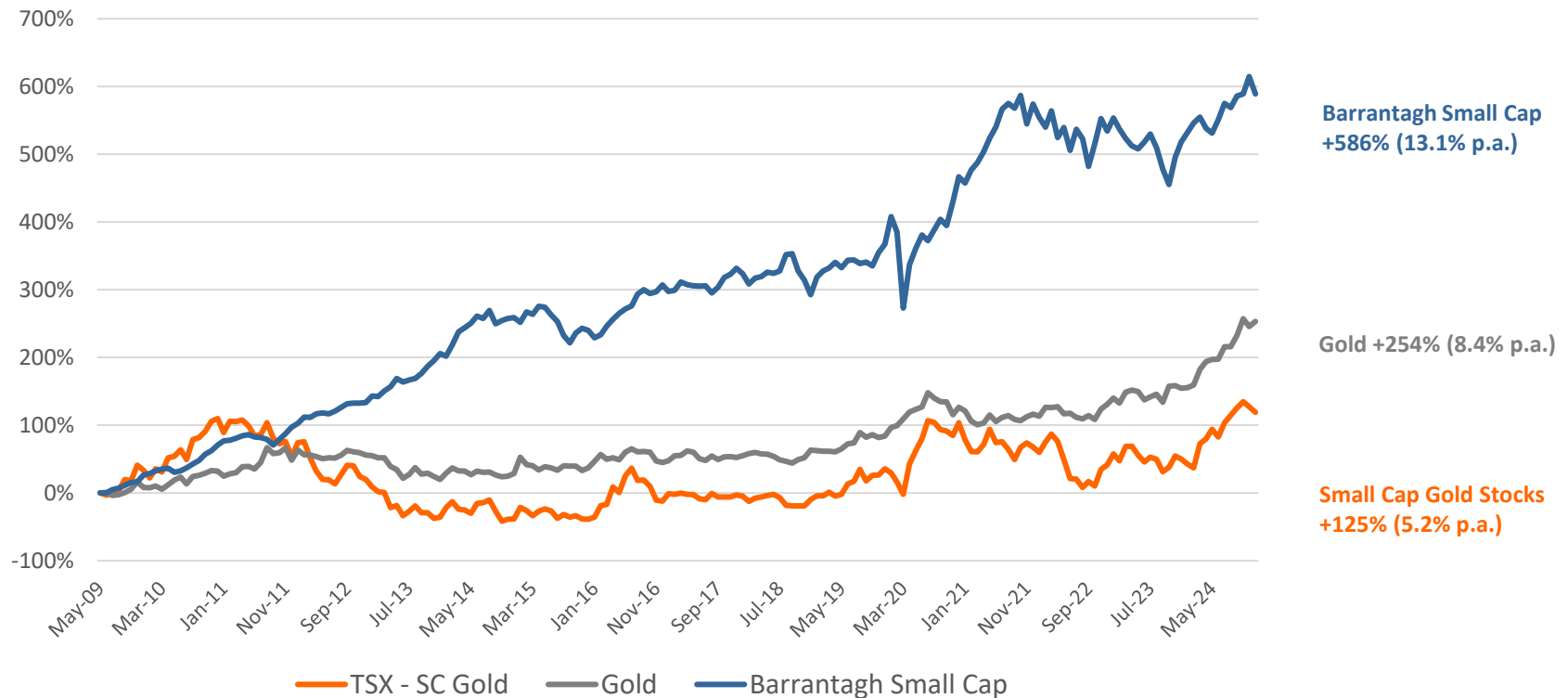
### Gold

- Inflation
- Central banks buying
- Geo-political unrest, wars
- Tariff/Trade war uncertainty
- Retail momentum demand

# Small Cap Canadian Equity Mandate

Junior Gold Miners: Underperforming/Volatile & Poor Commodity Tracking

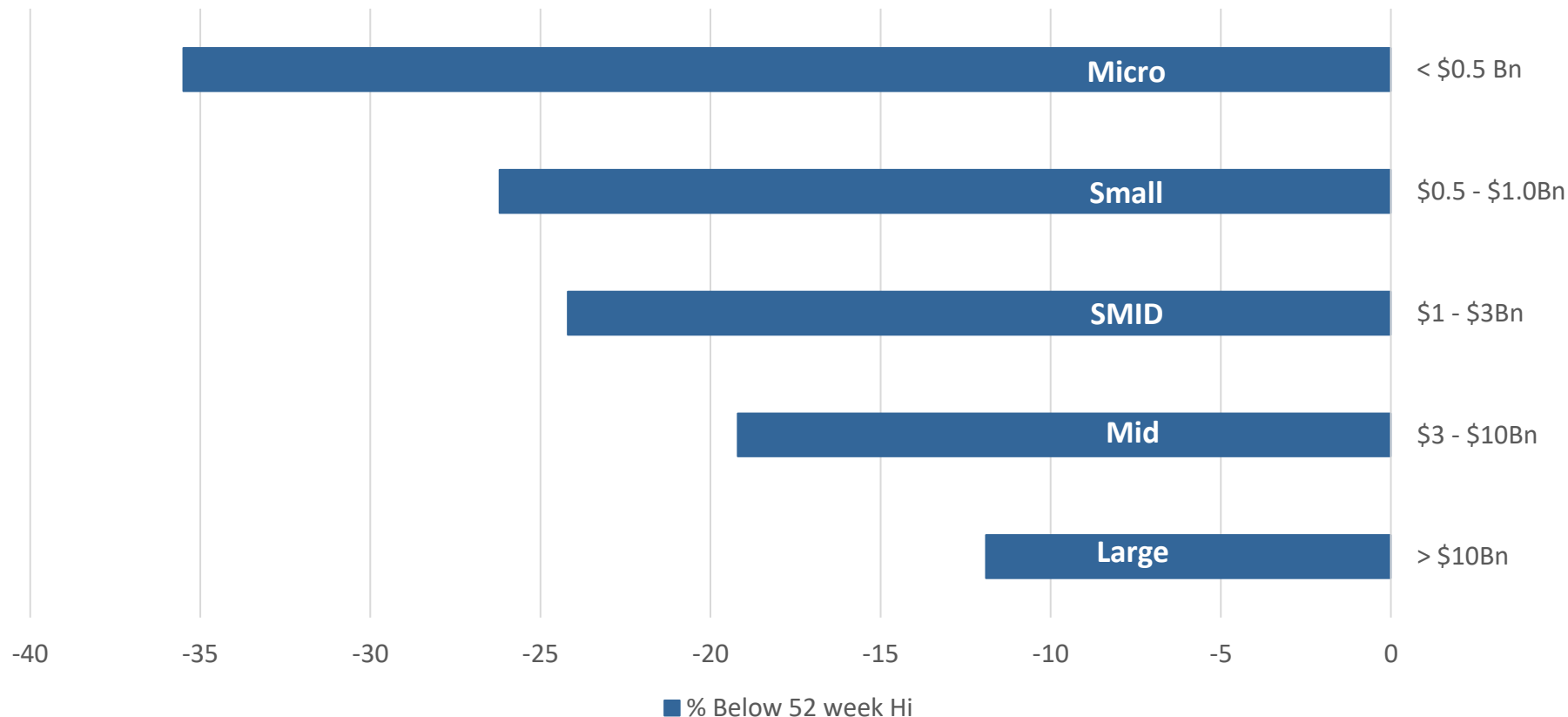
## Cumulative Returns ~ 16 Years to Dec. 31, 2024



# Canadian Market Review

Stocks Ex-Commodities by Market Cap: Risk-Off Trade is Already Embedded

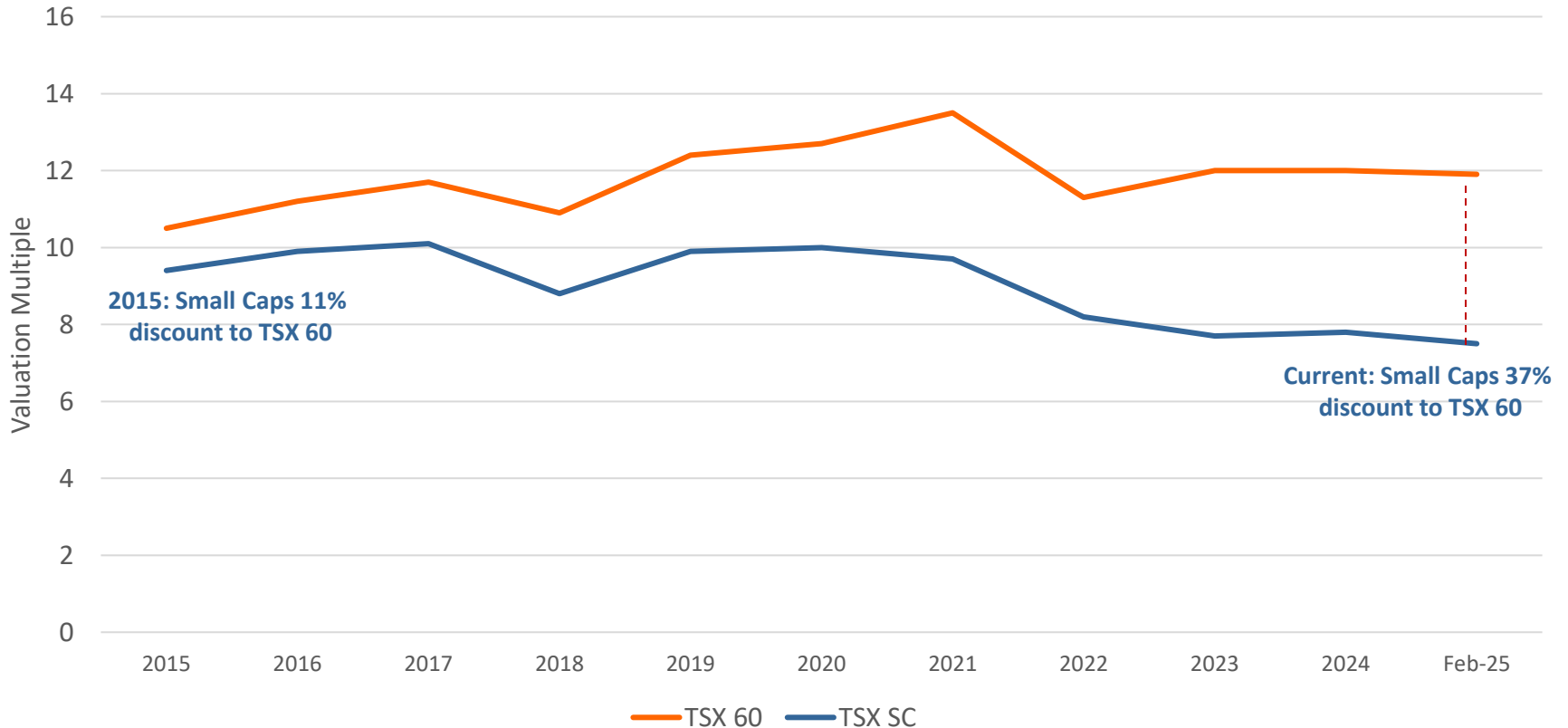
% Below 52 Week High Stock Price



# Canadian Market Review

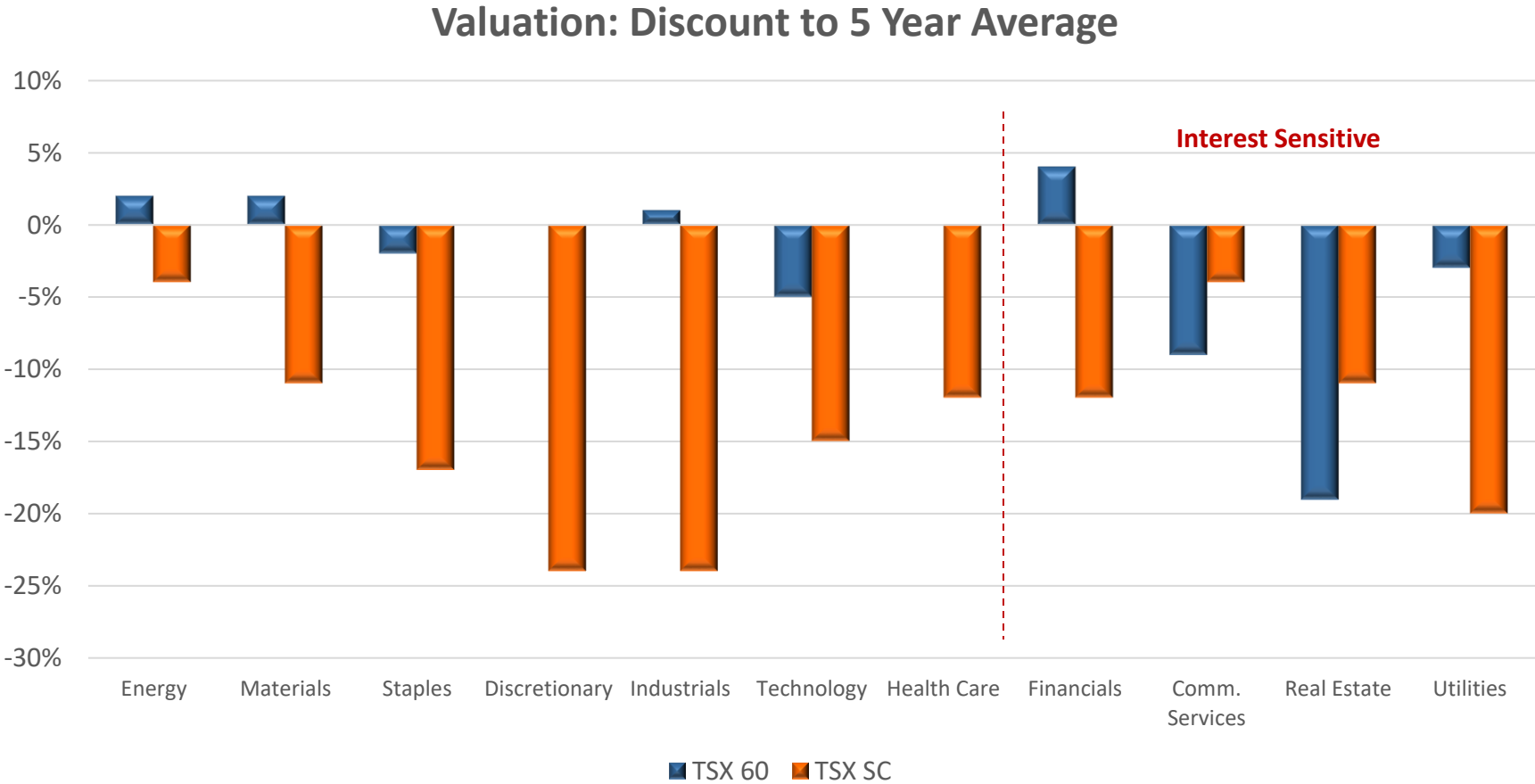
## Small Cap Markets: Broad Valuation Advantage vs Large Caps (Annual Since 2015)

### Valuation: Discount Has Widened Since 2015



# Canadian Market Review

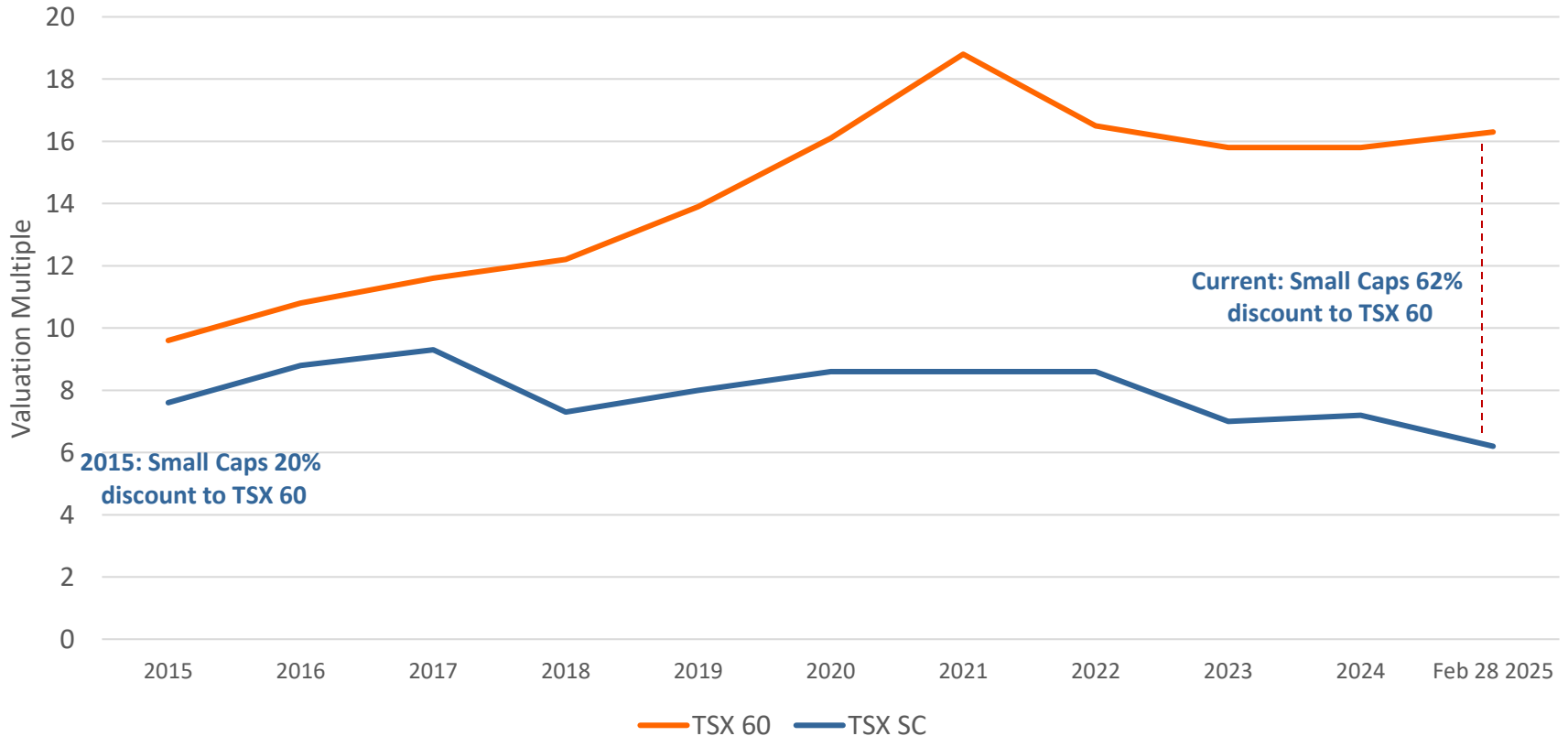
Small Cap Markets: Broad Valuation Advantage vs Large Caps (at Feb. 28<sup>th</sup>, 2025)



# Canadian Market Review

Small Cap Markets: Industrial Sector Valuation Gap is Very Wide (Annual Since 2015)

## Industrials: Discount Has Widened Since 2015

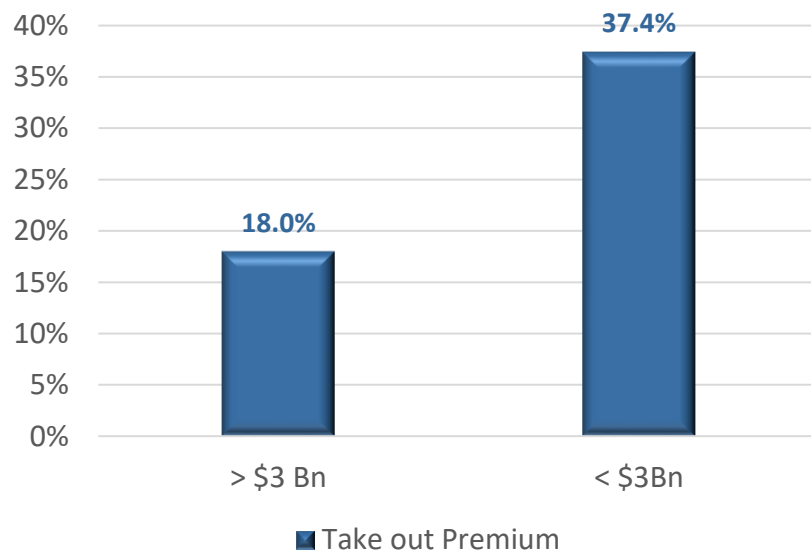




# Small Cap Investing

## Lower Rates: Support 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

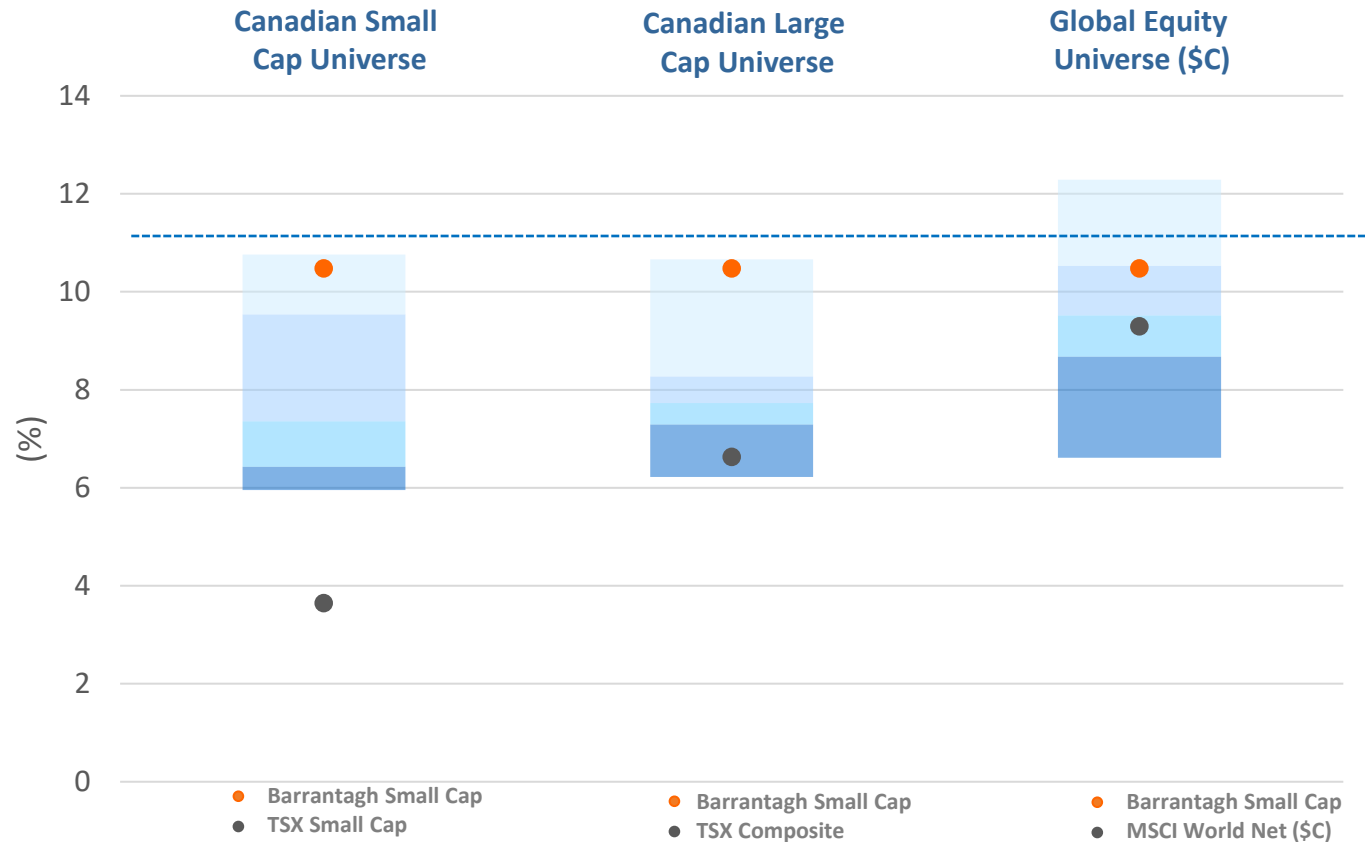
Barrantagh Positions Targeted

	Announce Date	Premium <sup>1</sup>
Softchoice	12/2024	14%
Sleep Country	7/2024	28%
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

# RETURNS: Small Cap Canadian Equities

Strong Performance vs. Large Cap Cdn & Global Equities (for Periods Ending Mar. 31, 2025)



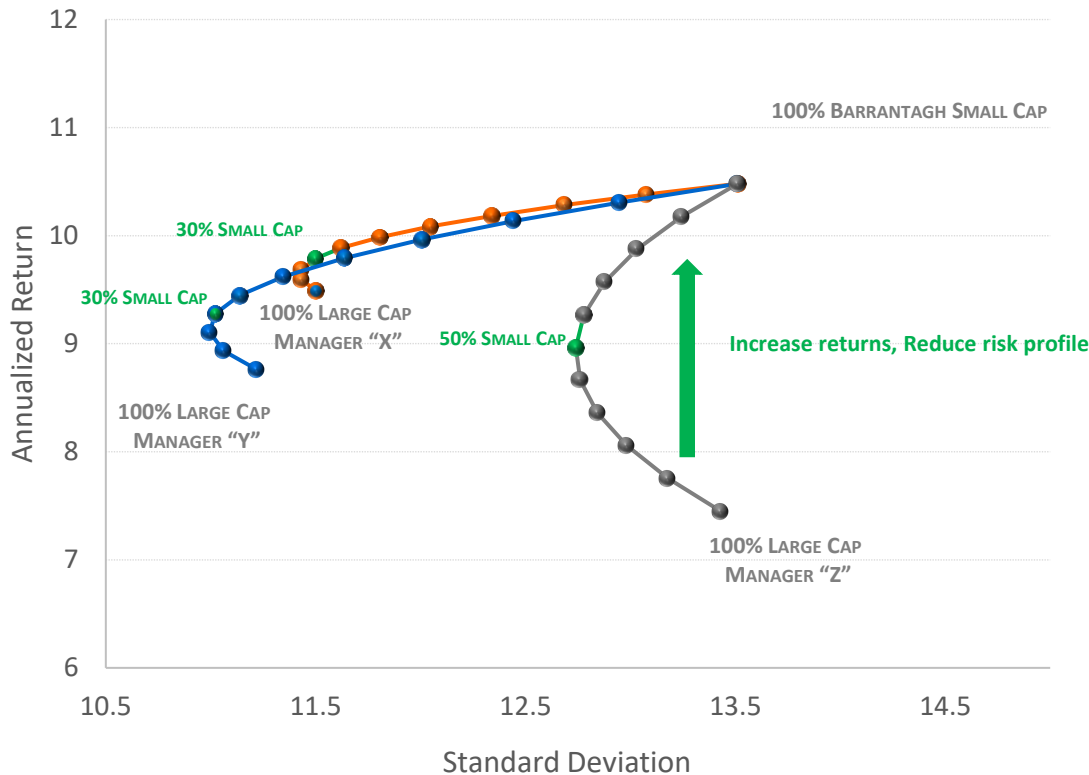
Strategy Inception Date: Jan. 1, 2008

# 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, 2025



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( $\sigma_p$ )

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

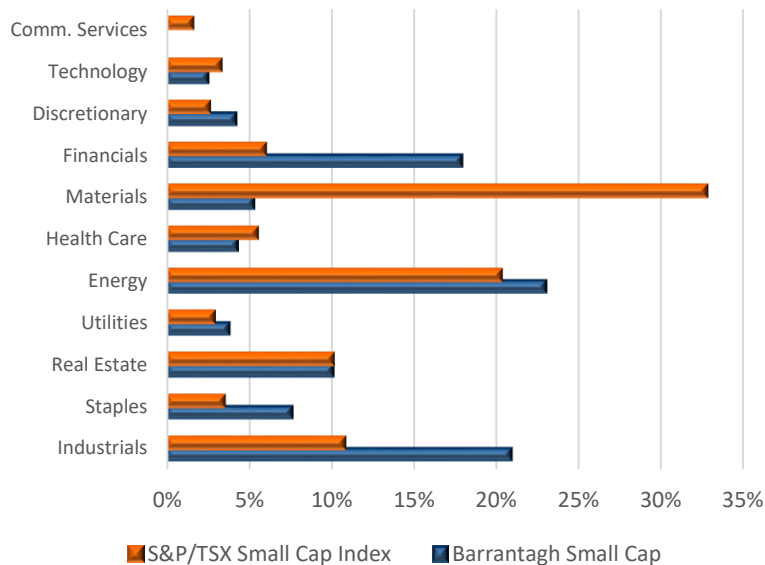
# Profile: Small Cap Canadian Equities

Portfolio at March 31, 2025

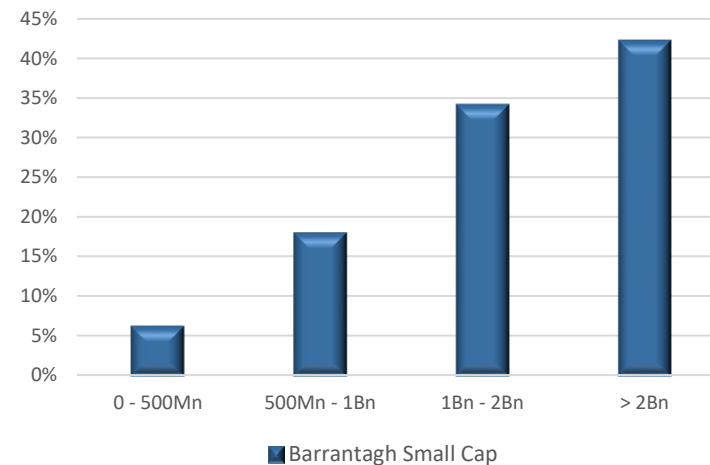
## CHARACTERISTICS

Number of Holdings	27
Avg. Market Cap	\$2.3 Bn
# Industry Sectors	10
Dividend Yield	2.6%

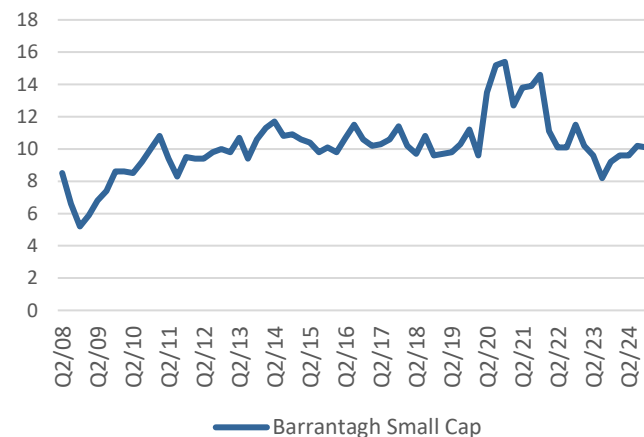
## Barrantagh Small Cap Industry Weight vs. Index



## Market Cap Exposure



## Historic P/CF



# Canadian Small Cap Equity Portfolio

Portfolio at March 31, 2025 | Q1 Transactions

	Portfolio Weight		Portfolio Weight		Portfolio Weight
<b>Consumer Discretionary</b>		<b>Industrials</b>		<b>Utilities</b>	
Pet Value (+)	3.9%	AG Growth	2.0%	Boralex	3.7%
	3.9%	Boyd Group (-)	3.4%		3.7%
<b>Consumer Staples</b>		Brookfield Business (-)	4.1%	<b>Materials</b>	
Jamieson Wellness	3.8%	Cargojet (+)	3.2%	Chemtrade Logistics	3.7%
North West Co. (NEW)	3.3%	Calian Group (+)	3.7%	Major Drilling (NEW)	1.0%
	7.1%	Savaria	3.3%		4.7%
<b>Energy</b>			19.7%	<b>Cash &amp; Equivalent</b>	
Headwater Exploration	4.3%	<b>Real Estate</b>		6.5%	
Gibson Energy	3.6%	First Capital REIT	4.2%	<b>Total</b>	
Logan Energy	1.9%	Mainstreet Equity	2.5%	100.0%	
Nuvista Ener	4.4%	Storagevault Canada	2.8%	<b>Sold</b>	
Topaz Energy (NEW)	3.0%		9.5%	<b>Softchoice</b>	
Trican Well Service	4.2%	<b>Health Care</b>		<b>TRIM = (-)</b>	
	21.4%	Andlauer Healthcare	4.1%	<b>ADD = (+)</b>	
<b>Financials</b>			4.1%		
Definity Financial	5.2%	<b>Information Technology</b>			
EQB Group	4.5%	Dye & Durham	2.4%		
Propel Holdings (-)	3.2%		2.4%		
Trisura Group	4.1%				
	17.0%				

# Canadian Small Cap Equity Portfolio

## Tariff Exposure Analysis

DIRECT EXPOSURE									
Weight	Ticker	Name	Description	Percent Revenue	Exposure	Mitigating Factors	Portfolio Revenue Risk	Potential Tariff?	Portfolio Cashflow Impact
3.3%	SIS	Savaria	Provider of accessibility solutions (elevators, stair lifts, ceiling lifts, etc.)	30%	Accessibility equipment manufactured in Canada sold into the U.S.	Existing U.S. manufacturing footprint can be expanded, niche leader for many products with pricing power	1.0%	25.0%	0.2%
2.0%	AFN	Ag Growth	Manufacturer of grain handling and storage solutions	15%	Grain handling equipment and on- farm storage ("bins") manufactured in Canada and sold in the U.S.	2/3 of this is "portables" (i.e. augers) where AFN leading market share and next major competitors also produce in Canada (Brandt, Meridian); for bins any reciprocal tariffs will benefit their Canadian operations	0.3%	25.0%	0.1%
3.8%	CHE-U	Chemtrade	Specialty chemicals producer	30%	Specialty chemicals produced in Canada and sold in the U.S.	Captive local markets for many of CHE products; no significant domestically produced alternatives for imports	1.1%	25.0%	0.3%
13.7%	NVA, HWX LGN, TPZ	Energy producers	Canadian producers of oil & gas	73%	Proposed 10% tariff on Canadian oil and gas imports into the U.S.	Weaker CAD, tighter differentials (heavy oil), and condensate production materially offset the 10% proposed tariff	9.9%	10.0%	1.0%
<b>22.8%</b>									<b>1.6%</b>

REMAINING PORTFOLIO				
Weight	Ticker	Category	Description	Exposure
14.9%	JWEL, BBUC NWC, BLX	Local production /sourcing	These are businesses with U.S. customers/subsidiaries but any goods produced locally	Vitamin/mineral/supplement producer, diversified industrial services, staples retailing in North and Caribbean, renewable energy producer
20.4%	PET, CGY CJT, REITs	Domestic exposure	These are almost entirely Canadian based businesses, with Canadian operations	Pet food retailer, domestic defense contractor, domestic air freight, Canadian real estate owners
35.8%	BYD, AND MDI, TCW GEI, DND Financials	Services	These are almost exclusively service-based businesses with no goods crossing border	Collision repair, healthcare transportation and logistics, hard rock drilling, pressure pumping, oil storage and transportation, real estate software, financial services
<b>71.1%</b>				

# Summary

## Current Small Cap Opportunity

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### Catalysts:

1. Small Cap valuations are low vs. large cap – company fundamentals remain good (earnings, balance sheets)
2. A pullback in Gold prices will have a significant positive impact on relative performance
  1. Global uncertainty, wars led central banks to increase gold reserves
  2. Retail momentum buying ensued
  3. Peace agreements can serve to lessen the demand for gold & unwind the momentum trade
3. Risk-Off trading on tariff-risks began in Nov. following the U.S. Election
  1. Smaller cap companies have already pulled back considerably further than large caps
  2. Any moderation in the extent and/or duration of how the tariff threat plays out will close the small-large cap valuation gap
4. Rate moderation will benefit small caps (greater use of floating rate debt, M&A activity, dividend payers)
5. Lower global GDP growth + stagflation risk – this benefits small caps that are more capable of growing at much higher than GDP rates

# Canadian Small Cap Equity Portfolio

## Select Holdings – Brand Recognition

### JAMIESON WELLNESS (JWEL)



### CARGOJET (CJT)



Amazon optional  
ownership stake ~15%



### BORALEX (BLX)



### PET VALUE(PET)



### BOYD GROUP (BYD)



### STORAGEVAULT (SVI)







## ECONOMIC OUTLOOK

# Market Turns Up Long Before Economic Data Bottoms

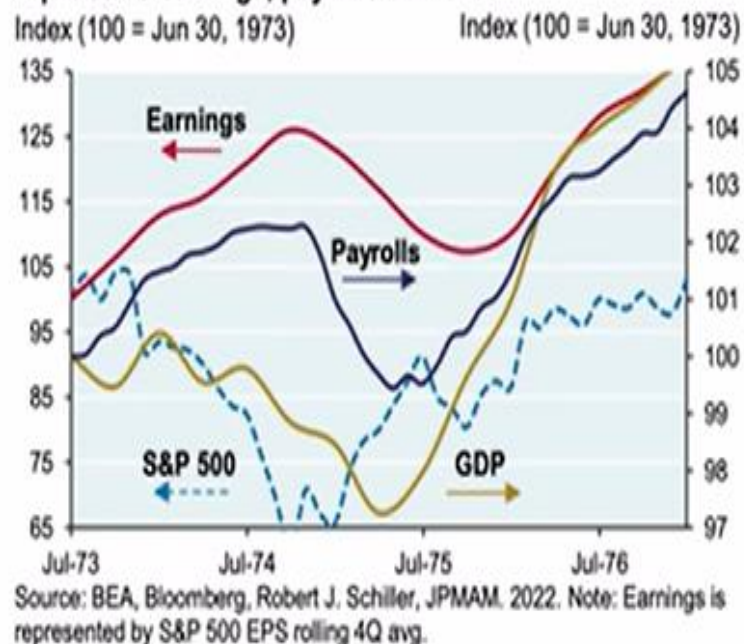
## Global Financial Crisis

### Equities vs earnings, payrolls and GDP



## Stagflation of the 1970's

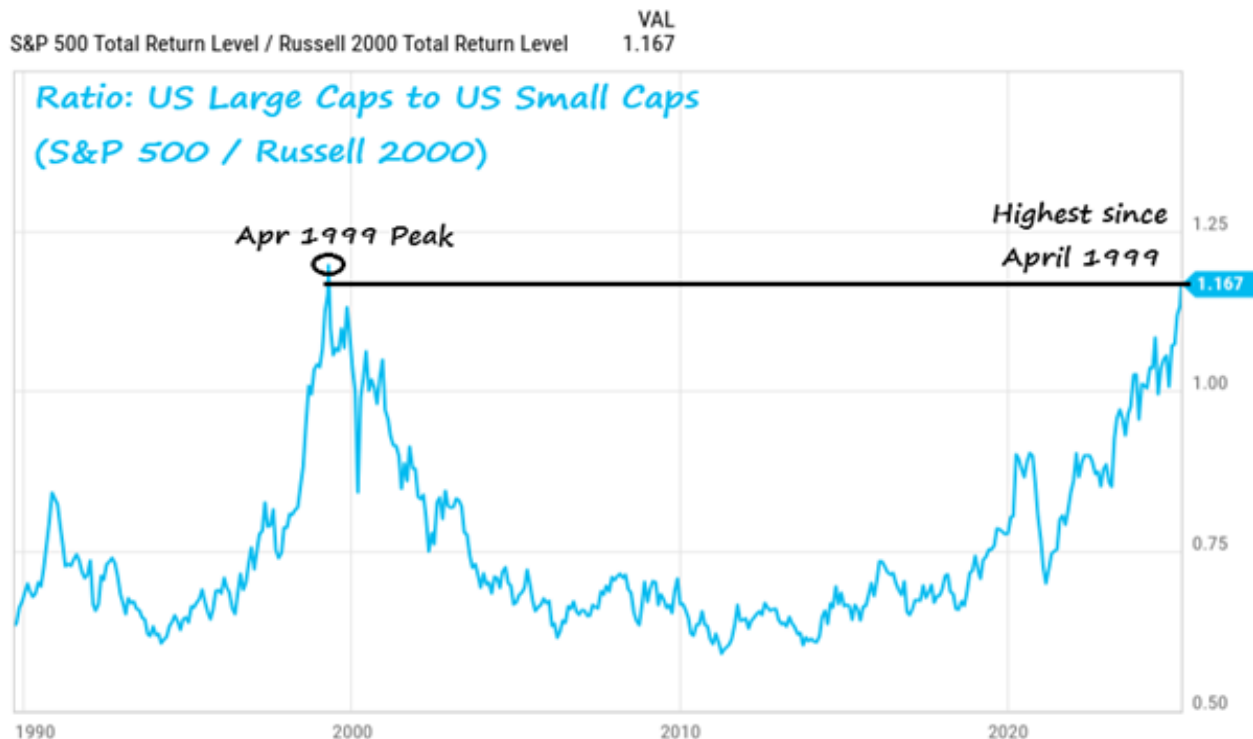
### Equities vs earnings, payrolls and GDP



Source: J.P. Morgan

# Small Cap to Large Cap Valuation Gap

Three Standard Deviations Above Historical Mean



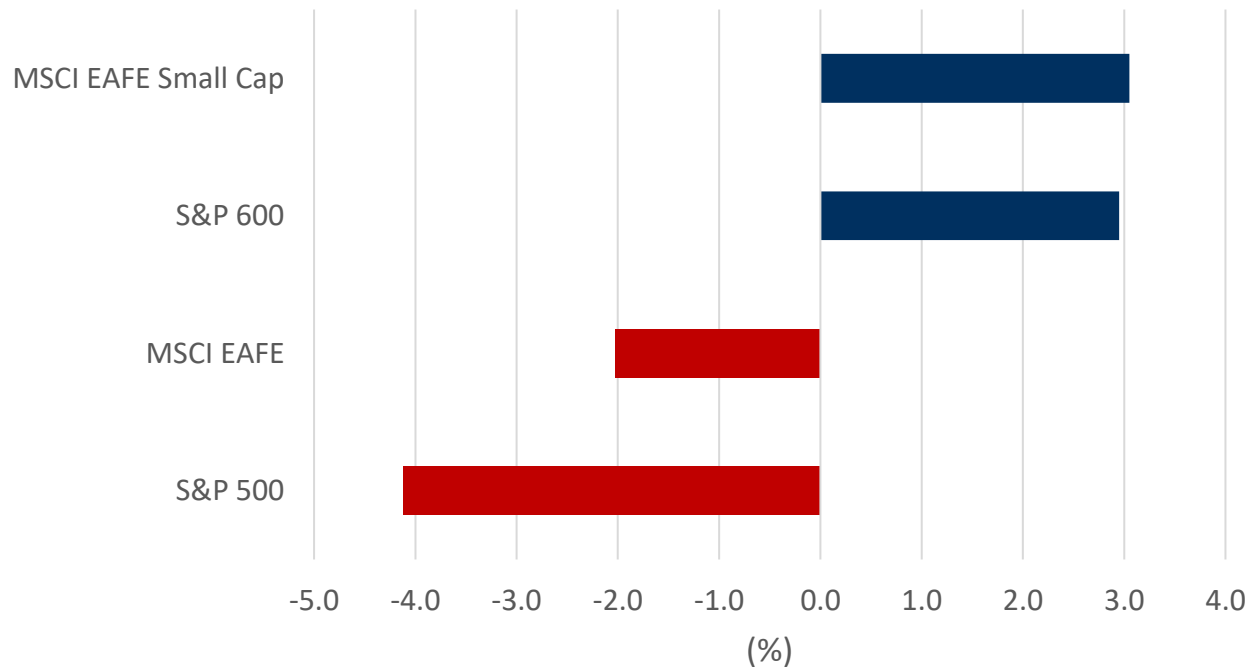
CREATIVE PLANNING® @CharlieBilello

Apr 15, 2025, 1:25 PM EDT Powered by YCHARTS

# Canadian Small Caps

## Past Period of Narrow Large Cap Leadership

**The 2000's: Large Caps Lag**  
Annualized Total Returns 2000 - 2009



# 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

## Contact (Toronto):

Alan Daxner, Senior Vice President  
[adaxner@barrantagh.com](mailto:adaxner@barrantagh.com)  
(416) 864-7958

## Contact (Vancouver):

Robin Ferguson, Vice President  
[rferguson@barrantagh.com](mailto:rferguson@barrantagh.com)  
(778) 990-3445

# BARRANTAGH

## Investment Management

100 Yonge Street, Suite 1700  
Toronto, Ontario M5C 2W1  
(416) 868-6295  
[www.barrantagh.com](http://www.barrantagh.com)