Q3 2025

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT
Canadian Small Cap Equities

Small caps continued higher during Q3, led by surging gold mining equities. The combination of USD weakness, eroding trust in longstanding institutions and alliances, expectations for rate cuts, and geopolitical conflict have all worked in tandem to drive sentiment on gold to record highs. These more capricious factors that buoy sentiment to the sector is what makes it so challenging to value the underlying equities on a fundamental basis. Momentum has taken over and when the winds change, they will change quickly.

On a relative basis, our overweight position in industrials and positive selection in real estate were positive contributors. This was more than offset by the significant underweight in materials – which overwhelmingly led the market contributing 65% of the overall Q3 index return. Similarly, the YTD shortfall is 100% attributable to the absence of mining and gold exposure. Momentum has taken over and when the winds change, they will change quickly.

Outside of mining, we have seen big bifurcation in performance this year between companies attached to a popular theme (AI, power, infrastructure, defence) and those without the same direct narrative. We have picked our spots and have grown exposure this year to areas seeing outsized industry growth. Newer additions like Bird Construction (Canada nation building projects), Exchange Income (defence and development in Canada's North), and Major Drilling (mining services) are all positioned very well to deliver strong earnings and cash flow growth while still trading at very attractive valuations. Overall solid resilience amongst companies to the uncertain macro and earnings growth is driving small cap stocks higher.

Looking ahead, we are positioned for improving sentiment to small caps, while owning a diversified portfolio of quality companies that can weather any economic storm clouds given our focus on valuation rather than momentum.

BUYS

GOEasy Ltd. (GSY)
GOEasy is a diversified Canadian non-prime lender which has been a long-term earnings compounder. They have grown EPS by 18% CAGR the last 5 years; average 25% ROE. Strong underwriting track record to growing population of Canadians needing access to credit. Increased confidence in delivery on plan. Decreased rate cap regulation, CEO transition, and slower growth put pressure on shares early in the year. Q2 demonstrated yield resilience, credit improvement and increased confidence in the strategic plan. Attractive valuation given the strong growth ahead. Attractive entry point given strengthening fundamentals and the sell off to start

2025. Its trading at an attractive discount to larger cap financials/banks despite stronger growth and returns.

SELLS

EQB Inc. (EQB)

EQB, a Canadian challenger bank, was trimmed in the portfolio twice prior to exiting the position. We have less confidence in the strategic direction under the new management team along with some challenges emerging from their mortgage book.

Andlauer Healthcare Group (AND)

Andlauer, a healthcare transportation and logistics company, was taken private by UPS. Upon announcing the deal, we opted to sell out position to fund other investments.

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