BARRANTAGH Investment Management 1995 | 2020 25 Years

Q1 2026

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT
Canadian Small Cap Equities

Positive momentum from 2025 continued into the new year, with a broadening of returns and strength in small caps and value. The tech/AI sell-down or "SaaS-pocalypse" had investment flows shifting from some areas of the market that had seen sustained gains, into other areas of the market that were under appreciated. We had highlighted through the last two years the valuation opportunity in small caps and our enthusiasm for appreciation, this has started playing out over the last six months.

At the same time, the overwhelming driver for relative Canadian small-cap performance continued to be the massive rally in junior mining companies, most materially golds. The materials sector rose 36% in the first two months of the year and grew to ~45% of the benchmark weight. However, with March came open conflict between the U.S. and Iran and markets shifted firmly to risk off. Counterintuitively, gold sold off aggressively sending the junior mining complex sharply lower, showing just how much momentum was in the trade and how overbought the sector was (conflict risk normally good for gold). The unwinding of a crowded trade is very positive for the small cap portfolio as we manage a diversified basket of quality-value companies versus chasing any one hot sector. Further, our oil-weighted energy holdings (Headwater Exploration, new addition Spartan Delta) provided positive benefit from the disruption in energy markets and conflict in the Middle East.

During the period, the industrials sector was the greatest area of absolute and relative returns. Portfolio holdings in construction (Aecon Group, Bird Construction), aerospace and defence (Calian Group, Exchange Income, MDA Space) and critical infrastructure (Westshore Terminals) all delivered strong performance with underlying earnings acceleration. Health care was another large positive where senior-housing exposed holding Extendicare continued to deliver accretive growth and garner more appreciation in the market for its positive transformation. This was offset with detractions in materials (underweight mining), energy (underweight uranium), and financials (negative security selection).

Entering the second quarter volatility remains high. Markets sit in "limbo" mode with underlying positive economic momentum to start the year, competing against the uncertainty of increased global conflict and the impact to energy prices, inflation, interest rates and risk appetite. As markets gyrate daily around every Trump tweet and Middle East headline, we believe the Portfolio is well positioned to weather the noise and take advantage of the larger trend – broadening of market returns and more recognition of the unique and attractive value proposition that Canadian small caps provide.

BUYS

Spartan Delta (SDE)

Spartan Delta is an intermediate Canadian producer, with large exposure to the Duvernay play. Strong management team and history of exploration success. Strong production and cash flow growth expected as they build out Duvernay.

Enerflex (EFX)

Enerflex is a natural gas compression and processing provider. New management in place, de-levered balance sheet, improved execution. Strong demand tailwinds, including newer power/data centre applications.

Taseko Mines (UDM)

Taseko Mines is an intermediate producer with assets in BC and Arizona. Florance (Arizona) just starting production driving strong growth in 2026 and beyond. Scarcity factor of U.S. asset, advantaged given tariffs, critical mineral stockpiling.

ERO Copper (ERO)

ERO Copper is an intermediate producer with assets in Brazil. Low cash cost, high margin production in established mining region. Reset on 2026 guidance provided attractive entry point.

SELLS

GoEasy (GSY)

Very challenging update on inadequate provisioning, cessation of guidance, dividend and buyback. Fair value significantly impacted and all credibility lost with management team.

Logan Energy (LGN)

Disappointing exploration results and execution; prefer the SDE exposure.

Boralex (BLX)

More weather headwinds expected and lower power price resets to hurt free cash flow in 2026; higher leverage increases risk around future project funding; Disappointing execution

NuVista

Sold out as takeover bid from Ovintiv was finalizing.

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