BARRANTAGH Investment Management | 1995 2020 25 Years

Q2 2026

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT

Canadian Small Cap Equities

The strong start to 2026 continued into the second quarter. Despite geopolitical upheaval and commodity volatility Canadian equity benchmarks marched higher. Global oil prices spiked as the conflict intensified (with energy companies performing well in April after a strong Q1), before giving up all the Iran-related gains by the end of June with the MOU (energy equities down in aggregate for Q2). Oil markets swung from intense optimism to unbridled pessimism, all within the three-month period.

Another key commodity given its weight in Canada – gold – also had a bumpy ride. After peaking in January (related equities peaked in Feb), gold has come under considerable pressure. With higher energy prices, inflation expectations have moved higher and the likelihood for interest rate hikes has increased. This supported the U.S. dollar and was a blow to the "debasement" trade that was propelling gold higher. Now the driving force of the small cap market benchmark over the last few years looks fallible and this positively has investors looking to other areas of the market.

One persistent theme that continues to work in 2026 is enthusiasm for companies exposed to the "Build Canada" opportunity, which looks to have multiple years of runway. Construction, defence, power generation, data centre, space economy/capability, arctic development, etc. are all driving investment flows and growing major project backlogs. Many small cap industrial names that we own are directly in the sweet spot of these secular tailwinds and have been generating strong returns for the portfolio. This overweight in industrials, as well as stock selection in energy and financials were the largest areas of outperformance in the quarter. This was partially offset by underweight technology and selection in materials, which continues to be the largest weight in the benchmark.

Two new names added during Q2 have direct exposure to these positive tailwinds. Mullen Group (MTL), and Transalta (TA), see detailed comments below.

Halfway through 2026, there has not been a lack of narratives and headlines moving markets. It's our job to separate the signal from the noise, identifying durable trends and most importantly, the high-quality businesses poised to benefit over the coming years. Valuation remains extremely important to this discipline as paying too high a price can make even the best business a poor stock. Fortunately, hunting in small cap land affords us the opportunity of finding good investment ideas before they are fully appreciated in the market.

BUYS

Mullen Group (MTL)

Mullen Group (MTL), and a Canadian-focused transportation and logistics provider is well positioned at the nexus of 1) freight market recovery, 2) nation building, and 3) energy activity. Strong execution and guidance growth; early days in earnings and cash flow upgrade cycle.

Transalta (TA)

Transalta is an owner, operator and developer of a diverse power generation portfolio in North America, well positioned to benefit from data centre development in Alberta and the call on power more broadly from the AI infrastructure buildout. Attractive entry point post Colorado gas acquisition, equity raise drove share price pullback.

SELLS

Boyd Group (BYD)

Boyd Group experienced continued tepid organic growth amid challenging industry backdrop (lower propensity to repair; higher gas prices/lower miles driven) combined with poor management communication hurt sentiment on the stock and lowered our assessment of intrinsic value; we exited the position to reallocate proceeds into better opportunities.

Pet Value (PETV)

Pet Value has a challenging consumer back drop in Canada, combined with increasingly competitive environment in pet category, lowered our earnings expectations and timeline for turnaround; we exited the position to reallocate proceeds into better opportunities.

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