

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Small Cap Equities

It was an up and down ride through much of the third quarter. Despite global equity indices grinding out further gains, under the surface it has been quite volatile. Market breadth has deteriorated substantially with U.S. benchmarks being buoyed by a handful of AI-exposed names. In Canada, large cap tech rebounded during the period and across the cap spectrum materials and energy sectors continued to lead.

It was a strong period for the small cap portfolio with energy holdings providing a nice offset to conflict-related inflationary pressures and copper-exposed names continuing to benefit from the forecasted supply-demand tightness ahead. Correspondingly, materials and energy were the strongest contributors to absolute performance for the Portfolio. On a relative basis, technology (no exposure to weaker sector), staples (strong performance for Jamieson Wellness, which was subject to a takeout) and real estate (positive security selection in weaker sector) were the standouts. This was partially offset by energy (lower beta stock selection to strong sector) and health care (Extendicare weaker after strong run in H1/26).

Most importantly, over the last year we have leaned into “Build Canada” tailwinds across the portfolio –

most significantly in the industrials sector – which has delivered positive returns in the face of persistent inflation and higher interest rates. Construction holdings, Bird and Aecon, are seeing record backlog growth. Newly added, Mullen Group provides trucking and related services with large exposure to Western Canada and major project development. Westshore Terminals owns and operates an irreplaceable port asset on the west coast, which offers exposure to non-U.S. commodity exports. Finally, Black Diamond Group is positioned in the centre of some of these positive themes as demand for remote housing is expected to ramp significantly with earnings and cash flow along with it.

With strong returns through the first nine months of the year, we remain cautiously optimistic. As breadth has weakened, it remains a “stock picker’s market” with pockets of economics stress, areas of market froth, and underappreciated small cap names starting to be uncovered.

BUYS

None.

SELLS

Jamieson Wellness

Jamieson entered agreement to be acquired by Kirin Holdings. This takeout closes in October/November; currently trading at a very tight spread to \$45.75 cash offer (~\$45.45).

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