



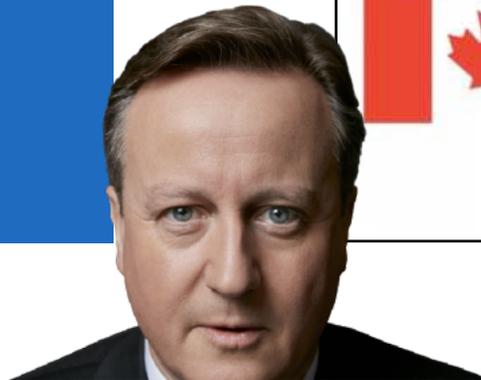
**DAVID CAMERON**  
BRINGING A LITTLE  
LIGHT RELIEF TO  
AMERICA

**BALLARD**  
MOTORING ON

**BARRETT**  
AIDING SMALL  
BUSINESS GROWTH

# Morgan Meighen Special Situations Newsletter





## David Cameron

### Bringing a Little Light Relief to America

David Cameron – boyish, British, admitted failure as Prime Minister of the United Kingdom – entertained fund managers at a recent Cantor Global Healthcare Conference in New York. This is a major event in health technologies, a field in which U.S. companies spend billions to ensure that U.S. excellence prevails.

Former politician Cameron brought healthcare into his talk with a depiction of the National Health Service (NHS) as the inheritance of all Brits, enshrined regardless of class or politics and part of the island character. Cameron led the country to the triggering of Brexit, the onset of which he regarded as his personal failure! He called for the referendum, and was defeated when the vote to leave the European Union side, narrowly won. Actually, the U.K. was blocked from joining the European bloc twice in the 1960s by France's Charles de Gaulle. I recall thinking in those times that it was better for Britain to stay outside.

More careful as an ex-politician, Cameron balanced most of his conference remarks and did not run down U.S. healthcare and its confusion of squabbles in comparison with the NHS. He simply made interesting remarks on the value of the NHS in building, through the decades, an unrivalled big data bank on health that was open to all institutions throughout the world. He talked of the attention he got for severe health problems in his own family. He talked with pride about the presence of chief scientific officers in all or most departments of the British government.

*Continued on page 4.*



# Ballard

## Motoring On

China has a plan to carve out a sizeable chunk of the Yangtze River Basin as a hydrogen-powered transportation region by 2030. This I learned from **Ballard Power Systems (BLDP-TSX/US)** at an annual Gateway conference, used by about 65 mainly small cap companies, who got together with investment managers in San Francisco a few weeks ago.

China, with its clean environment leanings, is the most advanced country in hydrogen propulsion, so far mainly for truck and passenger fleets for which hydrogen refuelling at the depot can be ideal. Hydrogen over there got a major boost earlier this year when China's pioneer of electric battery transportation, Wan Gang, retired Minister of Science and Technology, created a stir at a Hong Kong conference by pushing for accelerating the application of hydrogen as a fuel.

Ballard, enjoying a long awaited breakout in its stock price, appreciated enough to justify inclusion in the S&P/TSX Composite Index, recently. This was effective September 23 and is a qualification that will stimulate visibility. In the thick of the peripheral, but likely permanent, fight for a switch from the internal combustion engine, Ballard is

strongly linked with fuel cell development in China and is seriously partnered with and 19.9% owned by Weichai Power Co. Ltd., a diesel engine company. Ballard has other relationships in China and also works with enterprises globally, including Audi, which plans to have hydrogen cars on the road by 2022. Ballard is a member of a European consortium with a program for bus propulsion and it has made deliveries to clients in Europe. Bosch of Germany appears to be active in the space and has forecast 20% of electric vehicles will be powered by hydrogen cells by 2030. There are advances in many countries and The Hydrogen Council, an international body, was formed in 2017. It has 65 companies in membership and the object of promoting "the hydrogen economy".

Canada has always been at the forefront in hydrogen and in the proliferation of events that got Ballard's stock moving; an obvious catalyst was the taking out of Hydrogenics Technologies of Mississauga, Ontario, the other major Canadian specialist in the hydrogen space. The buyer was **Cummins Inc. (CMI-US)** of the U.S. at quite a premium to a long-depressed stock price. I now know that Cummins had extended discussions with Ballard prior to making its

move. It looks as though in Hydrogenics they get a more diversified player, which is also pioneering installation of hydrogen refuelling stations.

Ballard sees itself as a global leader in PEM (proton-exchange membrane) technology, which is central to the industry. Also, it claims to have more field experience than others, covering more than 25 million kilometres with its fuel cell power. It also has well above \$100 million in cash, reduced expenses and seems close to being cash positive. The company eliminated its debt some time ago, mainly raising funds by share sales. In short, it has distanced itself from years of struggles, which caused its stock to collapse from excessive heights, built on the romance of discovery and experimentation that took the stock to well above \$100 back in 2000.

Ballard's revenues in the second quarter this year were \$23.7 million, down 11% year-over-year and the net loss increased to \$7 million. Undoubtedly, believers are outnumbered by naysayers but the Morgan Meighen Special Situations Pooled Fund is making money in its holding in current widely bearish stock market conditions. ♦



**Barrett Business Services, Inc. (BBSI-US)** lives in the HR space, but does not characterize itself as a recruiter or search company. In close to 70 years, it has evolved into addressing costs and complexities that are problematic for thousands of firms. Barrett is a seasoned veteran working to smooth the way forward for a mostly small-size clientele, striving to grow and burdened 25% of the time by administrative pressures. Barrett’s services can become very sticky.

Barrett has only one modest number on paper and that is 7.6 million in issued shares. Billings should reach toward \$6.5 billion this year. Note that this includes payroll costs and other administrative expenses of clients. Barrett loves the billings number as an expression of volume and value as well as aiding analysis of its own business. Its revenues for 2018 were \$940.7 million, income from operations \$48.9 million and a diluted EPS of \$6.00. The stock is trading above \$85, up from a year’s low of \$51 and the strength of the small business economy is one of the key determinants of the share price.

The business was founded in 1951. It was run for many years by William W. Sheretz, a man of the Pacific west; a colourful entrepreneur whose 2011 obituary included light references to “drag racer, gambler and pirate”. He was succeeded by Michael L. Elich, President and CEO today, supported by Gerald Blotz, VP & COO – Field Operations. Both have a 20-year history with the company. Another in the executive suite is Heather Gould, Vice President and Chief Strategy Officer, who in 2012 brought a new flavour into the executive team, a 17- year grounding in advertising, brand strategy and marketing.

The flair within Barrett, skills in organising and advising others, must be special fuel for Barrett’s own progress through the years.

Apart from a small number of locations on the east coast, it has expanded carefully beyond Washington and Oregon, into California and adjacencies such as Idaho, Utah and Colorado. It has made acquisitions as it fanned out, staying able to serve a wide range of clients. No industry verticals exceed 4% of the whole. A decentralised model has enabled working on a daily basis with clients. It has created teams within branches to apply the model – currently 113 teams across 63 locations and generally serving clients within a 50-mile radius. The formula applied today is relatively new in the company’s history. The company spent four to five years seriously retooling the business and has been in its present hi-touch state for the past three or four.

Looking for theoretical risk, Jeff Martin, analyst at Roth Capital Partners, thinks about effects on workers’ compensation insurance coverage. Claims reserves could be inadequate to cover ultimate liabilities. Recently, lower expenses in this segment have worked in the company’s favour. Territorial expansion would be good, as California, with its largely employed population, accounted for 79% of revenue as recently as last year. Mr. Martin sees economic and regulatory matters in California as universally threatening, but job growth and the health of the small business economy are positives. He sees value addition ahead and has an ambitious stock price target of \$130.

The future should certainly be bright, based on BBSI’s assessment that its 6,500 mostly small business clients employing five to 100 people are roughly 3% of businesses in its present territory, which is mainly the western one-third of the U.S. and less than 1% of the total U.S. market.

Barrett has a not-too-secret sauce that has proved powerful in the expansion of its

business and that is clients’ referral with a reward system attached. That appears to be close to 95% responsible for most new business.

Unfortunately, the rarity of shares for purchase by new investors should increase in the near term as the company recently approved a \$50 million buy-in program. Another contributor to illiquidity: well-known institutional investors who look like long term holders sit with most of the shares. Try to join them or stay away! ♦

**MORGAN MEIGHEN SPECIAL SITUATIONS POOLED FUND**

As as September 30, 2019

**TOP 10 HOLDINGS**

Company	% of Portfolio
OTC Markets Group Inc.	5.4
Morguard Corporation	5.1
Cargojet, Inc.	4.8
Kraken Robotics Inc.	3.6
Cash	3.5
Spin Master Corp.	3.3
The Middleby Corporation	3.2
NV5 Global Inc.	3.1
Gibraltar Industries, Inc.	3.1
Premium Brands Holdings Corp.	2.9

Stated historical returns assume the reinvestment of all distributions. Such financial information does not reflect any transaction costs or such other fees and expenses which may have been applicable, nor income taxes payable by any unitholder, which would have the effect of reducing such historical returns. Stated returns for periods greater than one year are compound average annual rates of return. As net asset values and investment returns will fluctuate, past performance is no assurance or indicator of future returns.

# David Cameron

## Bringing a Little Light Relief to America

*Continued from page 1.*



Later he commented on 'walls', for which he did make a startling partisan remark. He saw Trump's promotion of a wall as a stroke of political genius – not a view normally heard. He thought that a wall and improved technology-based security were compatible, whereas Trump's opposition wanted more technology and no wall.

Cameron was prime minister from 2010 to 2016 when, he pointed out, Britain had its first coalition government in 70 years. On Brexit talks at October-end, he saw only 30% probability of a deal with the Europeans, an extension as more likely and the possibility of an election after that. (No doubt we shall soon know).

A sense of Britain being different from the rest of Europe and a reference to Tony Blair, the earlier Labour prime minister being of similar cloth and keeping the pound sterling intact among other things, suggests Cameron would now accept a Brexit with some relief if it were to materialise. That is my guesswork.

The fun bits in the talk included President Obama thinking Cameron looked tired while on Air Force One and tucking him into his own bed in the nose cone of the aircraft – unimaginable, Cameron said, in the time of Roosevelt and Churchill! He counted Obama within his array of friendships

and also Xi Jinping of China! President Xi was offered a stay with Her Majesty or with the Prime Minister at the official country retreat. He chose Chequers, the country house of the Prime Minister, and was taken to the local pub by Cameron, where he enjoyed downing a pint. Cameron joked in his conference speech that they probably took all of the bottles of Revolution craft beer off the shelves before they arrived!

The large, mostly American gathering, listened intently to the foreign ex-politician, no doubt enjoying a bit of light relief from the problems of these times. ♦

### RECENT ARTICLES

#### Sept 2019

Japan Gold (JG-TSXV, JGLDF-OTCQB)  
Guardian Capital Group (GCG.A-TSX)  
Maxar Technologies Ltd. (MAXR-TSX/NYSE)

#### Aug 2019

Twitter, Inc. (TWTR-US)  
SNC Lavalin (SNC-TSX)  
Open Text Corporation (OTEX-TSX/NASDAQ)

#### July 2019

Hydrogen Power  
Mission Ready Solutions, Inc. (MRS-TSXV)  
Sphera Franchise Group (SFG-ROM)  
Tucows, Inc. (TC-TSX)

#### June 2019

Tucows, Inc. (TC-TSX)  
Electric Vehicle Extravaganza

#### Apr/May 2019

Charlotte's Web Holdings Inc. (CWEB-CNSX, CWBHF-OTC)  
INTL FCStone, Inc. (INTL-US)  
Yeti Holdings, Inc. (YETI-US)  
Ero Copper (ERO-TSX)

#### Mar 2019

To the End of the World with Alexandria Ocasio-Cortez  
Loop Industries (LOOP-US)  
Northern Dynasty (NDM-TSX)

### ABOUT THE MORGAN MEIGHEN SPECIAL SITUATIONS POOLED FUND (MMSSPF)

Morgan Meighen & Associates (MMA) is a manager of institutional and private wealth portfolios, which includes five pooled funds: Mandates include Income, Growth, Global, Balanced and Special Situations. MMA can be traced back to the 1920s when a group of Canadian and British financiers and business people, including the former Prime Minister of Canada, the Right Honourable Arthur Meighen started closed-end funds. The Morgan name came into the enterprise in 1955 when MMA was established and E. Louise Morgan became Secretary to Arthur Meighen and his son Colonel Maxwell Meighen and Secretary to the corporation. Control eventually passed down through Louise Morgan to her offspring Vanessa and Jonathan Morgan, who today are in charge and are also members of the investment team. Clive Robinson heads the Private Wealth Division, Christopher King, Alex Sulzer and Niall Brown work with him as does Greg Eckel, who works primarily on the publicly quoted closed-end fund Canadian General Investments (CGI-TSX and LSE).

"Special Situations" is one of the themes within the Morgan Meighen Group of Pooled Funds. This newsletter reflects wide-ranging ideas and observations of Michael Smedley and Niall Brown who, in the course of their work, become familiar with various companies and investment scene events. This newsletter is intended mainly for clients of MMA. Opinions expressed in these pages are those of the authors and not intended to reflect those of Morgan Meighen & Associates (MMA). The newsletter is presented only as a general source of information and should not be construed as an offer, solicitation or recommendation to buy or sell securities named herein, nor intended to provide legal or tax advice. We may or may not hold or continue to hold any of the securities mentioned. MMA, its affiliates and/or their respective officers, directors, employees or shareholders may acquire, hold or sell securities named in this newsletter. Profitability of securities mentioned should not be assumed. Investment in the Morgan Meighen Special Situations Pooled Fund is available only to clients of MMA.

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