

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

Markets continued the economic reopening rally in the third quarter before settling into a more volatile September. A broad economic recovery aided by substantial government stimulus, drove improving consumer sentiment and business activity levels over the summer. Most recently, as economies have continued to open (schools, restaurants, etc.) there are many regions managing a second wave of infection diagnoses, introducing uncertainty around the path to full recovery. Looking ahead, all eyes are on the November U.S. election, with potential for more short-term social and political upheaval regardless of the outcome suggesting volatility will remain.

The largest contributor of third quarter relative outperformance at a sector level was energy due to both stock selection and an underweight position versus the benchmark. Strong performance of our consumer staples exposure also provided a benefit. An underweight position in Utilities and lack of exposure to Materials were the two largest relative drags.

Markets have struck a more cautious tone after the strong rally in risk assets. No one knows exactly how pre-vaccine business activity levels will unfold over the next six-to-twelve months; however, we continue to expect governments to be highly supportive with stimulus in the near-term before being tapered off. 2020 has been a year unlike any other in recent memory and it has taught us much.

Notably, it has reinforced our long-held view of the benefits of bottom-up fundamental analysis at the equity level as a key alpha generator, as opposed to the folly of trying to profit from top-down macro predictions. Therefore, despite the ever-present uncertainty, we will continue looking to uncover undervalued businesses with quality cash flows set to grow their intrinsic value over time

BUYS

Altagas (ALA) - New

Altagas is an owner of U.S. regulated gas distribution and full cycle Canadian energy infrastructure assets. The company has substantially transformed since the appointment of Randy Crawford as CEO in late 2018 with a more focussed asset base and strategic plan, and a much stronger balance sheet. The company has attractive growth opportunities in both segments. The use of accelerated replacement programs to modernize infrastructure should drive 8-10% rate base growth until at least 2024 in the gas utility. Additional expansion of the company's facility that exports propane to the Asian market is the most exciting near-term opportunity in the midstream segment. We believe Altagas remains misunderstood and is poised to outperform as the business continues to simplify, leverage is further reduced, and the strength of the operating assets becomes better appreciated.

Fortis (GFTS) - New

Fortis is a transmission and distribution focussed regulated utility with steady growth forecasted for the next five years and beyond. The company has a meaningful role to play in the secular theme of energy transition by providing their customers with cleaner energy. We expect Fortis to connect increasing amounts of third-party clean power to their grid over time in tandem with greening their existing generation fleet. We see good upside potential for the company's shares given the visible growth prospects and attractive valuation in the context of durably lower interest rates.

SELLS

None.

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