

## TRADING ACTIVITY

### BARRANTAGH INVESTMENT MANAGEMENT Total Equities

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.

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

##### Waste Connections (WN) - New

Waste Connections is a leading owner and operator of competitively advantaged waste and recycling operations and infrastructure, with ~80% of revenue coming from the U.S. We like the recurring nature of the waste business and the ability of the industry to assist in the transition to a greener economy. The company's strong culture and track record in its end-markets positions the company to continue to win market share. We think the market is underappreciating the company's leverage to a rebound in U.S. housing and people migrating to the company's suburban end-markets. Long-term we expect GDP-like organic revenue growth plus upside from strategically sound tuck-in acquisitions.

##### Morneau Shepell (MS) - New

Morneau's product offerings help companies manage employee retention, productivity and costs, ultimately aiding in sustainability. The company has high recurring revenues primarily anchored by the Well Being & Pension Outsourcing segments. We like the technology and clinically enabled wellness business they are building, with seemingly lots of runway for growth outside of Canada. Pension outsourcing will benefit from a revamp of systems developed at Y2K for several years forward.

Synergistic and technology driven acquisition opportunities are also possible.

#### **Quanta Services (PWR) - New**

Quanta Services is an engineering and construction company focused on the electrical power grid, pipeline, and telecom infrastructure segments. They have leading market share positions in North American electric grid and pipeline and have recently entered the fast-growing telecom segments focusing mainly on fiber. The transmission and distribution grid in North America remains in the early stages of a multi-year modernization program that is being driven by the increasing use of alternative power generation, the smart-grid upgrade cycle, as well as an escalation in fire/storm hardening activity. A shortage of skilled labour remains a key issue in this segment, but Quanta has an internal training program that positions them well versus their competition.

#### **RWE AG (RWEQY) - New**

RWE AG is a German electric utility with a large renewable presence in Germany, U.K., the U.S. and various other European countries. Prior to this year, they were burdened with legacy coal and nuclear generation capacity which was looking more out of step with the greener direction of the EU and the world in general. This all changed when they

executed a major asset swap with E.ON that was finalized earlier this year. This transaction transformed RWE into a global leader in renewable energy supply in offshore/onshore wind, solar, hydropower, biomass, natural gas, and storage. Their green transformation is further accelerated by a financial agreement with the German government to gradually phase out coal between now and 2038. The transformation also means that RWE will invest heavily into renewable generation in the coming years, with clear near-term project commissioning targets and an ability to take advantage of any new projects that come to market down the road. These investments are expected to drive an acceleration in earnings growth longer term, and result in a growing percentage of their revenue coming from renewable sources (RWE plans to be carbon neutral by 2040). This potential is currently not reflected in their valuation.

#### **SELLS**

Parkland Fuels was sold during the quarter.

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