

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Global Equities

Earnings growth outlook for this year continues to strengthen, with pent up demand, supportive monetary and fiscal policy and improving sentiment being the key drivers. Although supply chain constraints may cause some pressure to profit margins in the next few quarters, the higher quality companies should be able to navigate this risk given the cost actions they have taken during the past year. The U.S. consumer, in particular, is well positioned for an imminent reopening due to the country's accelerated vaccination rollout, and we continue to look for opportunity there. However, given the sharp rise in stock prices of companies with U.S. consumer exposure, valuations have become much more challenging. Our focus remains on companies that have long term structural drivers that are also positioned to benefit from the strong consumer spending trends near term, yet still trade at reasonable valuations. We added to our Dollar General position for this reason.

Government spending around the world has been focused mainly on filling in the economic slack that was created by COVID-19. The focus is starting to shift towards stimulus spending with the U.S. leading the way. President Biden recently unveiled his American Jobs Plan which, if approved, hopes to spend over \$2 trillion on transportation, social, digital, and environmental initiatives in order to stimulate job growth and improve competitive positioning for US companies. Our holding in Quanta

Services has benefitted from growth in electric grid investments driven by wind and solar deployments, and is well positioned to gain from this stimulus plan should it receive approval. We continue to look for companies in the industrials and materials sectors that could also benefit from this stimulus plan as long as the market has not already priced this opportunity into valuations.

BUYS

Advanced Auto Parts

Advanced Auto parts is a retailer with over 4,800 stores in the U.S. It is favourably set up for reopening, since 60% of its business is the "Pro" auto repair that is correlated with vehicle miles driven. Turnaround efforts can translate into substantial margin expansion, driven by supply chain improvements and category management.

Bank of America

Bank of America is a solid consumer retail banking business that provides upside with a steepening yield curve. Their technology investments provide long term efficiencies and customer satisfaction. They have a high quality credit portfolio given its conservative approach to credit risk, but with potential for credit reserves to come down and drive earnings growth.

Constellation Brands

Constellation brands is a premium import beer company with core beer brands of Corona and Modelo, with best-in-class growth within staples due to beer premiumization. They launched Corona Hard Seltzer in 2020, with more capacity and flavours coming in 2021. Their sale of low-end wine business means >80% of consolidated EBIT is in the faster growing beer business. They have a ~39% ownership in Canopy Growth not reflected in share price, providing investors with a free call option on cannabis. On-premise (bars, restaurants, sports arenas etc.) is 15% of its business and serves as a reopening catalyst.

Dynatrace

Dynatrace is an end-to-end full stack observability/monitoring platform for Global 15k companies. Its differentiated technology meets the needs of today's complex modern cloud environment. It has a solid subscription model with recurring revenues and product cross selling. It's in a distinct group within software that can reach/exceed the Rule of 50 = 25% revenue growth + ~30% free cash flow margin.

LyondellBasell

LyondellBasell is a global leader in polyethylene and polypropylene production. It is well positioned for global reopening as demand recovers in consumer durables while industry supply catches up. They have a long term ESG strategy of using recycled plastics as a feedstock to making chemicals.

Microchip

Microchip is a diversified semiconductor company exposed to key megatrends and end markets. The global semiconductor supply constraint has led to very strong visibility in backlog/bookings for MCHP. They have a strong margin profile with upside as company brings certain capabilities in-house

SELLS

These positions were funded through the sale of American Tower, Becton Dickinson, Hasbro, Illinois Tool Works, McDonald's and Mondelez.

The information contained in this report is intended for investment advisors as a supplement to describe activity in defined investment mandates. It is not a recommendation on the suitability of any investment to an individual's specific situation. While every effort is made to fairly and accurately describe the information provided herein, Barrantagh Investment Management accepts no responsibility for loss or liability related to the receipt of this information.

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