

## TRADING ACTIVITY

### BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

The market volatility leading into 2022 intensified during the first quarter. Russia's invasion of Ukraine spiked geopolitical risk, added stress to already burdened global supply chains and intensified rising inflation. In March, the United States Federal Reserve commenced its rate hiking cycle with expectations for both the pace and magnitude of raises moving markedly higher through the period. Despite these headwinds, equity markets staged a strong recovery to finish the quarter, limiting the overall damage.

Given large exposure to natural resource sectors and corresponding strong performance in the wake of rising inflation concerns, Canadian indices easily outpaced the vast majority of their developed market peers. Overall, sentiment has weakened to start the year outside of the barbell of defensives and commodities, which has led to underperformance of certain quality-value cash flow growers.

Significant contributors of relative outperformance at the sector level during the first quarter included Materials (driven by the announced acquisition of Intertape Polymer Group (IPG)), and Financials. Despite strong performance and a healthy weight, Energy was the largest relative lag given the outsized exposure in the benchmark. Consumer Staples and Information Technology also impacted relative performance. Versus the benchmark, the largest sector overweights include industrials and consumer

staples, and the largest underweights are Energy and Communication Services.

Finning International (FTT) was the lone new position added in the quarter, and we took advantage of volatility to add weight to Dye & Durham (DND), Premium Brands (PBH), Savaria (SIS), and Superior Plus Corp (SPB). The additions were funded by trims of IA Financial (IAG), Rogers Communications (RCI/B), and Intertape Polymer Group (IPG) post its announced acquisition.

Intertape Polymer Group (ITP) is a leading specialty plastic and packaging provider in North America that was purchased by the fund late last year. Our initial investment thesis was that the company's valuation did not reflect the strong growth prospects of the firm driven in part by their dominant position in water activated tape that will continue to benefit from secular e-commerce trends for years to come. This premise was validated by Clearlake Capital Group's offer to acquire the business at a substantial premium to the market price during the quarter.

Macro risks have undoubtedly increased over the last three months with the European conflict/energy crisis, Fed tightening, and China lockdowns all serving as

meaningful growth headwinds. However, we can still find attractive value and the potential for de-escalation and economic soft landing remain our base case. As always, our first line of defense in risk management is security selection: identifying outstanding businesses trading at a discount to their intrinsic value. This certainly does not immunize against short-term volatility (as risk tolerance fades emotion trumps analysis) but provides a strong buffer against the biggest risk: permanent loss of capital. And if we do things right, this volatility presents opportunity to hold on or add and let consensus correct, driving strong future returns.

## BUYS

### Finning (FTT)

Finning is a Caterpillar equipment dealer with divisions in Western Canada, South America, and the U.K. Current customer focus on uptime and utilization of equipment to maximize cash flow during a period of strong commodity pricing bodes well for product support activity and pricing actions. With supply chain challenges impacting lead times for new orders, Finning's original equipment manufacturer (OEM) rebuild facilities in Alberta and Chile provide a source of competitive advantage versus peers. Internal initiatives to optimize operations include the adoption of the RRR (response, repair, rebuild) service model first implemented in the U.K. across the remainder of the company's footprint.

## SELLS

None.

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