

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Global Equities

The surge in energy prices combined with Russia's invasion of Ukraine has created an energy crisis in Europe. In response to this event, the EU has announced a proposal called REPowerEU to dramatically shift towards renewables and electrification, and many other countries have become more interested in making a similar shift. This would require a significant amount of capital investment over the next 10+ years to achieve these goals. Our holdings in Schneider Electric and Quanta Services are well positioned for these trends. Their customers will look for more ways to conserve electricity consumption and move towards solar, wind and natural gas power generation requiring significant upgrades to their electric grids. Outside of this mega trend we continue to opportunistically look for companies with strong business models that may suffer from margin pressure in the short term due to the heightened inflationary environment yet have the ability through pricing and efficiency actions for margins to recover, albeit with a lag.

Buys

Amazon (AMZN)

Amazon has lagged peers over past year due to significant escalation of investments to accommodate growth, as well as supply chain/logistics inflation and labour shortages. This year will see the benefits of these investments come through. The company is now breaking out revenue from advertising, which is a very attractive and high margin growth opportunity near term and long term. AWS cloud business continues to grow revenue and margins at very strong levels and represents upwards of half of AMZN current valuation. Long term margin expansion for Amazon will be driven by a mix shift to higher margin service businesses (AWS, advertising, 3rd party retail).

Vinci S.A. (DG.VI)

Vinci S.A. owns French toll roads which makes up approx. 50% of the company's valuation. Although traffic has fully recovered to pre-covid levels, they have a CPI pass through on tolls which allow them to be a beneficiary during inflationary environments.

They also own airports which makes up about 25% of valuation. Passenger traffic remains significantly below pre-covid levels and business is roughly break-even. Airports tend to be skewed more towards leisure travel which should see a quicker recovery. Construction business represents approx. 25% of valuation. Largest business called Vinci Energies has built up significant scale in construction of solar/wind generation, electric grid, charging stations, electrical installations in buildings etc. and is a key beneficiary of Europe's initiative to wean itself off Russian gas. The company trades at a very low multiple which is helpful in a rising rate environment and has a dividend yield > 4%.

Wabtec Corp. (WAB)

Wabtec is a railcar and locomotive supplier to freight and passenger rail industry globally. Freight railroads starting to increase spend on railcars and locomotives after many years of underspending. Their focus has been on becoming greener and saving fuel costs to help drive growth. A shift towards battery, electric and hydrogen represent longer term opportunity. Passenger rail is a major priority in Europe and North America due to move towards environmentally friendly travel. Although cost inflation remains a risk, escalators in contracts are helping offset vast majority of pressure.

Sells

The following names were sold to fund the new additions: Ericsson (LM) TEL and Ferrovial SA.

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