

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

Equities began the quarter on a positive note in July with optimism fading in August and turning downbeat in September due to the rapid rise in interest rates as a higher-for-longer scenario became priced into markets.

At a time when earnings yield and bond yields are converging, sectors perceived as 'yield' plays containing companies with resilient cash flows and dividends have come under pressure. Sometimes stale narratives can cloud perceptions, and it is important to remember that dividend payers can be much more than 'bond proxies' when offering growing cash flows. Ideally a dividend will grow over time as a function of increasing earnings as a business executes its strategy and distributes excess cash to shareholders to offer a more compelling total return. We continue to prioritize the high-quality attributes of companies when examining new ideas for the portfolio and note that dividends have represented a substantial portion of total return for indices over time notwithstanding the current softness in traditional income sectors.

Significant contributors of relative outperformance at the sector level during the third quarter included Materials, Utilities, and Consumer Discretionary. Industrials, Consumer Staples and Real Estate negatively impacted relative performance.

Versus the benchmark, the largest sector overweights include Utilities and Industrials, and the largest underweights are Materials and Information Technology.

Brookfield Renewable Partners (BEP-U) was introduced to the portfolio during the quarter. The purchase of Ag Growth International (AFN) and sale of Maple Leaf Foods (MFI) were each initiated in late June and completed in early July.

Markets had been relatively orderly up until mid-September at which time volatility increased to levels not seen for the better part of six months or more. Interest rate stabilization may be required for fundamentals to reassert themselves in the financial markets as we move towards year-end.

BUYS

Brookfield Renewable Partners (BEP-U)

Brookfield Renewable Partners (BEP-U) is among the best positioned renewable power producers to execute on the massive ongoing build-out of renewables owing to a global presence, strong corporate relationships, differentiated access to capital, and development expertise. Some negative industry updates related to offshore wind during the quarter impacted already subdued sentiment towards the renewables space and provided an opportunity to initiate a position. It is noteworthy that Brookfield is inflation indexed on greater than 70% of existing power purchase agreements that are of 13-year average length and has de minimis exposure to the offshore wind space that has been experiencing challenges of late. An attractive historical funds flow per share growth rate of 10% is expected to continue and in fact may accelerate in the near term with the expected close of three accretive acquisitions in the coming months.

SELLS

None.

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