Q4 2023

# TRADING ACTIVITY

## BARRANTAGH INVESTMENT MANAGEMENT

### Global Equities

Equity markets moved sharply higher in mid-October as interest rates fell from their peaks. The momentum continued into year-end and included a broadening of market gains beyond stocks such as the "Magnificent 7". The sentiment change was driven by reduced fears of unmanageable inflation and the resultant policy flexibility afforded to the U.S. Federal Reserve (The Fed) to avoid a potential hard landing. While the strength in the quarter was broad based, some of the best performing areas of the market were rate sensitive sectors, and indebted companies that had been under pressure for most of the year.

While the pullback in rates and a more dovish Fed reduces the probability of a recession, doubt persists regarding the extent of growth in the coming year. Some "early-cycle" sectors such as consumer goods have already endured several quarters of deceleration or out-right decline in demand, though an uptick in U.S. consumer confidence may signal some improvement ahead. In contrast, "late-cycle" backlog driven industries such as those involved in construction and resource development have only begun to experience a bit of a slowdown. With that said, a lower rate environment would be supportive of growth in industries across the business cycle continuum as well as relieve some pressure in Emerging Markets and other international regions. This would include China and Western Europe whose economies either underperformed or lost momentum in 2023. Relative to a few short months ago, prospects for the economy are much improved though uncertainty in the path forward remains.

Although a lower rate environment is expected to provide considerable support to sectors and regions that have experienced softness for several quarters, it remains challenging to precisely gauge the extent to which this will offset ongoing headwinds to demand that are expected to continue. In navigating these uncertainties, our investment framework emphasizes thorough stock selection and aims to balance exposures across various potential economic scenarios.

Our quality value approach has proven effective in identifying attractive businesses with reasonable valuations in a variety of industries and geographies. One example of a consumer services company with a lower volatility earnings stream is Compass Group. It is a global food catering business benefiting from secular drivers which when combined with a client base spanning a wide swath of industries reduces its sensitivity to underlying economic conditions. At the other end of the spectrum, we have identified companies that are well positioned to capitalize on a potential rebound in growth in key regions like China and Europe. Schneider Electric, focused on energy management and automation solutions and a beneficiary of the increasing demand for digital transformation, has over half of its business in these two regions. This balanced approach cultivates a well-rounded and adaptive portfolio that should be well placed to navigate diverse market conditions and deliver sustainable risk adjusted returns.

## Buys

### AstraZeneca (AZN)

AstraZeneca is an industry leading growth company with its portfolio of oncology, biopharmaceuticals, and rare disease drugs. They have a well-diversified portfolio of existing drugs in the marketplace, its pipeline, as well as geographic expansion opportunities. They have many upcoming late-stage readouts that act as near-term catalysts for the stock. This company is a solid earnings compounder that trades at an attractive valuation relative to its historical average.

## Sells

Baxter International (BAX).



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