

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

Positive momentum for equity markets continued into 2024, with risk appetite broadening from the narrower group of winners in the previous year. Supportive economic conditions and normalizing inflation has kept sentiment towards equities strong, though expectations for rate cuts have been meaningfully trimmed since the start of the year. Small caps performed well, aided by a strengthening commodity backdrop and a surge in resource names.

Energy was the largest contributor to benchmark returns for the period given the big weight and strong performance. For many years Canada has struggled with takeaway capacity for its energy resources though two near-term developments are set to improve egress for both oil and natural gas. Line-fill activities for the Trans Mountain Expansion project (TMX) are now taking place ahead of an expected 2Q24 in service date with utilization to ramp up in the coming years alongside narrowing price discounts for Canadian heavy oil. Improved relative pricing for Canadian natural gas may also be soon at hand with the completion of construction and commissioning activities for the TC Energy led Coastal Gaslink pipeline that will supply feed gas to the LNG Canada export terminal. Recent comments from an LNG Canada ownership consortium member implied that the maiden cargo of liquefied natural gas (LNG) that will finally connect Canada with global markets could ship by the end of this year with the run rate of ~ 2 bcf/d expected to be achieved by mid-

2025. Natural gas demand growth is set to benefit from continued North American wide LNG export growth and thermal power market share gains from coal. Weather however remains a wildcard, and two consecutive warm winters have inflated inventories and impacted pricing. Industry has responded to the price signal, with some large U.S. players either reducing spending plans or curtailing production which could lead to improved fundamentals ahead and would benefit our holding in Tourmaline (TOU) should this play out.

Significant contributors of relative outperformance at the sector level during the first quarter included Consumer Staples, Industrials and Utilities. Materials, Financials and Energy negatively impacted relative performance. Versus the benchmark, the largest sector overweights include Industrials, Utilities and Real Estate, and the largest underweights are Materials and Information Technology.

BUYS

RB Global (RBA)

RB Global (RBA) holds leading positions in both the construction and salvage car auction spaces. Extensive access to land zoned for industrial use, a global network of buyers and sellers, and both physical and digital marketplace offerings creates a strong moat for both verticals. This attractive framework is enhanced by the capital light nature of the consignment auction model which produces strong returns on investment. Notwithstanding an attractive business and strong industry outlook, RB Global was trading at a depressed relative multiple due to fears of continued share loss within the salvage car vertical. Improving service metrics in this division since acquisition in early 2023 combined with the CEO's extensive related industry experience interfacing with insurance clients underpins our confidence that the company will stabilize or regain share over time.

SELLS

Neighbourly Pharmacy (NBLY) – private equity takeout by Persistence Capital completed in March/24.

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