

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

The second quarter provided choppy performance for equities in increasingly narrow markets. Globally, AI-enthusiasm drove larger-cap tech winners to all time highs with respect to share prices and market concentration. Canadian equities lagged during the period, albeit with some pockets of strength including the mining sector.

While semiconductor companies have been among the largest beneficiaries of the AI boom to date, the concurrent increase in demand for data centers is also transforming the electricity generation market with a multitude of consultants forecasting increasing power demand for years to come. This is one area where we have been able to uncover AI related opportunities when applying our quality value investment lens. Given the net zero commitments of the hyperscalers supporting much of the data center growth, renewable power is expected to make up a disproportionate amount of the new power generation required. The clean energy sector at large is set to benefit from such trends, though Brookfield Renewable partners is exceptionally well positioned with its global presence and development expertise as evidenced by the recent announcement of a renewable energy framework agreement with Microsoft for 10.5 GW of clean power from 2026-2030. Much optimism also exists around the potential for a nuclear renaissance in a world seeking a greater amount of emissions-free baseload power. Atkins Realis is well placed to

capitalize with a strong nuclear franchise providing comprehensive engineering expertise across the full industry life cycle from design to decommissioning. Company targets from the June investor day imply strong growth from this segment for several years to come.

Significant contributors of relative outperformance at the sector level during the second quarter included Consumer Staples and Financials. Energy and Materials 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

Element Fleet (EFN)

Element Fleet (EFN) is a leading fleet leasing and management company in the North American and Australasia markets. The fleet management industry is attractive due to high barriers to entry (switching costs and scale benefits), rational competition (3 main players), long-term contracts with low churn, and secular trends towards greater outsourcing. 8-10% annual growth in earnings is likely achievable over time assuming 6-8% growth in revenue supplemented by operating leverage. Given the quality of the company and existing industry structure, EFN should arguably be compared against other defensive growth stocks many of which trade at low-to-mid single digit free cash flow yields which would offer significant valuation upside.

Atkins Realis (ATRL)

Atkins Realis (ATRL) is a global Engineering Services company with a strong nuclear franchise offering differentiation versus peers. Long-term demand for engineering services continues to be underpinned by a global infrastructure deficit, and the company is also well placed to benefit from the burgeoning nuclear renaissance. Problematic lump sum turnkey (LSTK) projects had been an anchor on shares for many years. Risks are now generally ring fenced and the minimal remaining backlog will soon roll off. The company will more closely resemble an engineering consulting pure play going forth. The recent investor day served to highlight better than expected revenue growth and margin targets which should allow the shares to further re-rate pending strong execution to plans.

SELLS

IA Financial (IAG).

FOR MORE INFORMATION PLEASE CONTACT:

Barrantagh Investment Management
100 Yonge Street, Suite 1700
Toronto, ON, Canada M5C 2W1

Alan Daxner, CFA
Senior Vice President
416.864.7958
adxner@barrantagh.com

Robin Ferguson
Vice President
778.990.3445
rferguson@barrantagh.com

The information contained in this report is intended for investment advisors as a supplement to describe activity in defined investment mandates. It is not a recommendation on the suitability of any investment to an individual's specific situation. While every effort is made to fairly and accurately describe the information provided herein, Barrantagh Investment Management accepts no responsibility for loss or liability related to the receipt of this information.