

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT Canadian Equities Income

Donald Trump's sweeping victory in the U.S. election propelled risk markets as enthusiasm for deregulation and pro-business posturing offset fears around the impact of his more protectionist ambitions. Taken at face value, Trump's 'America First' trade policy would impose broad import tariffs on all goods entering the U.S. and likely disrupt global trade flows while also stoking inflation. The policy that ultimately will be put in place may be more targeted. Uncertainty has been injected into the outlook and weighed on sectors and geographies sensitive to either global trade or higher long-term interest rates.

Significant contributors of relative outperformance at the sector level during the fourth quarter included Materials, Industrials, and Communications. Information Technology, Financials, and Real Estate negatively impacted relative performance. Versus the benchmark, the largest sector overweights include Industrials, Utilities, and Real Estate, with the largest underweights being Materials, Information Technology, and Consumer Discretionary.

We made a number of portfolio changes during the quarter. Additions to the portfolio included Bank of Montreal (BMO), Brookfield Corporation (BN), Chartwell Retirement Residences (CSH), and Stantec (STN), see below.

We continue to see prospects for positive returns ahead albeit more moderate than last year and with greater headline related volatility. The avoidance of a trade war (but not the threat of one) underlines this view and remains a key risk. We remain focused on finding opportunities to buy quality companies trading in market segments that continue to offer attractive valuations.

BUYS

Bank of Montreal (BMO)

Bank of Montreal had underperformed peers due to weak relative credit performance that had weighed on earnings. With much pessimism priced into the shares and our view that the bank's strong underwriting history should help navigate any future issues, we chose to buy into the company's strong franchise and attractive U.S. exposure.

Brookfield Corp. (BN)

Brookfield Corporation targets mid-double-digit distributable earnings growth over 5 years with potential upside assuming success in capital allocation and carried interest initiatives (M&A related activities). Green shoots in capital markets transaction volumes should be boosted by the incoming U.S. administration with a deregulation

agenda. Improved sentiment towards the company's real estate portfolio in addition to the rapid growth of the wealth solutions group has contributed to strong performance, though the company continues to trade at a discount to alternative asset management peers with similar growth rates.

Chartwell Retirement Residences (CSH-U)

Chartwell Retirement Residences (CSH-U) has emerged as a much stronger entity from the difficulties encountered during the pandemic. Senior population growth is forecasted to grow at a 4% rate for years to come and the lack of new builds initiated during Covid years has materially constrained new supply with beneficial impacts to occupancy, pricing, and margins. The company has also taken advantage of a positive M&A environment to acquire properties at attractive prices due in part to certain private developers having encountered financial pressures. The operational outlook for Chartwell looks very bright for the next several years.

Stantec (STN)

Stantec (STN) shares had lagged engineering peers despite strong execution. We have a positive view on prospects for organic growth, M&A potential, and margin improvement. Growth remains underpinned by infrastructure deficits throughout their geographic exposure, and we are optimistic that the company will complete future acquisitions of well-run consultancies that are quick to onboard to their platform.

SELLS

Canadian Apartment REIT (CAR-U), Premium Brands (PBH), South Bow Corporation (SOBO), and Toromont Industries (TIH).

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