Barrantagh Investment Management 1995 | 2020 25 Years

Q3 2025

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT
Canadian Equities Income

Despite some lingering policy uncertainty and frequent back and forth on tariff developments, equity markets had a very strong third quarter, moving sharply higher. Companies with positive exposure to Artificial Intelligence (AI) performed very well. In the Canadian context, this included those exposed to the nuclear value chain and independent power producers, as well as select names in the Information Technology space. Additionally, stocks exposed to Canadian defense and nation-building projects also performed well. Gold stocks delivered outsized gains as the 'debasement' trade—the strategy of moving capital away from fiat currencies into precious metals or cryptocurrencies—gained steam.

While the tone of Canadian-U.S. government communications remains generally respectful, there has yet to be a breakthrough in Canada’s attempt to obtain meaningful relief from sectoral tariffs, including those on steel, aluminum, and autos, among others. This situation serves to heighten the importance of defense-related and nation-building initiatives aimed at boosting and diversifying the economy. Progress continues on this front, with the Major Projects Office announcing the first tranche of five projects across the energy, mining, and transport sectors. Future project tranches are expected to target earlier-stage development initiatives, with an announcement related to a second wave targeted before year-end. Continued commitment and follow-through on these projects would both deepen and broaden the benefit to Canadian industrial and resource entities exposed to this theme.

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

Looking ahead, a period of consolidation is often observed following big moves in financial markets. Near-term items to monitor include developments related to the U.S. government shutdown and the evolving dynamic of global trade. Financial publications continue to tease the near-term potential for progress in resolving at least a portion of Canada-U.S. trade disputes, a development that would be a positive if confirmed.

BUYS

Capital Power (CPX)

Capital Power is a Canadian-listed, growth-oriented conventional power producer well placed to capitalize on rising North American electricity needs as the data center buildout continues at a rapid pace. Building off Alberta roots, the company has compiled an impressive suite of efficient assets across both Canada and the U.S. in regions exhibiting strong supply demand dynamics. Conventional power generation remains key to electricity grid reliability because its flexibility and on-demand capabilities make it an essential complement to intermittent renewable energy sources, such as wind and solar. These merits have been proven in recent capacity auctions and through the signing of long-term contracts secured by Capital Power and other industry participants.

We expect the company to continue to extract value from the re-contracting of existing assets and through the continued execution of its M&A playbook to acquire additional generation capacity. While Canada has trailed the U.S. in the build-out of data centers, Alberta seems well positioned to host such infrastructure given its current surplus power generation capacity. Whether in support of the government's digital sovereignty agenda or at the behest of private enterprise, Capital Power is well-placed to benefit from growth in the Canadian AI economy.

SELLS

Parkland (PKI) was sold pending its takeover by Sunoco LP announced earlier this year.

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