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Q4 2025

TRADING ACTIVITY

BARRANTAGH INVESTMENT MANAGEMENT

Canadian Equities Income

Equity markets maintained their upward momentum in Q4 2025, with the Financials and Materials (Gold) sectors leading the way. Canadian banks enjoyed a strong fourth quarter and a successful year overall. Capital markets divisions performed particularly well, aided in part by a record-breaking pace of megamergers throughout the year. These dynamics have already bolstered the capital markets franchises of major banks and are expected to provide further tailwinds in the year ahead; accordingly, we continue to maintain healthy exposure to this space. Fee-related businesses, such as Wealth Management, also reported strong results, while recent interest rate cuts helped stabilize lending margins. Moving forward, assuming reasonable revenue growth and positive operating leverage, banks should make continued progress toward Return on Equity (ROE) objectives, which remains valuation supportive.

Significant contributors to relative outperformance at the sector level during the quarter included Financials and Communications, while Materials and Industrials weighed on performance. Relative to the benchmark, our largest sector overweights are Industrials, Utilities, and Financials, while our most significant underweights are Materials, Information Technology, and Consumer Discretionary. Looking into 2026, the macro backdrop appears supportive, characterized by easing inflation, a lower interest-rate environment, and the potential for continued fading of policy and tariff uncertainty. Last year, Trump's aggressive trade agenda, which included broad tariffs, initially saw significant domestic support. However, the administration recalibrated its approach as the implications for "sticky" goods inflation, entrenched supply chain friction, and the direct impact on consumers became more apparent. Consequently, while the White House maintains its assertive rhetoric, actual policy execution has been defined by strategic retreats and delays, suggesting that economic pragmatism is quietly superseding ideology. For Canadian investors, this provides a window for cautious optimism regarding a trade resolution this year —be it a modernized USMCA or a shift toward bilateral terms.

BUYS

Cenovus Energy (CVE)

Cenovus Energy (CVE) presents a compelling "rate of change" narrative as it enters 2026, positioned to benefit from improved downstream performance and the integration of the recently acquired MEG Energy assets. This acquisition bolsters an already attractive upstream portfolio, adding high-quality, long-life reserves and growth optionality that is not yet fully reflected in the company's valuation. The near-term delivery of key growth projects is expected to drive significant free-cash-flow improvement, as production ramps up against relatively flat capital expenditures. Recent quarterly results highlighted a step-change in the performance of refinery assets, which have overcome previous operational hurdles. Continued execution across this optimized footprint—following the recent divestment of non-core refinery stakes—is expected to further strengthen investor sentiment and support the company's deleveraging and capital return targets.

TFI International (TFII)

TFI International (TFII) is well-positioned as the trucking industry begins to emerge from a multi-year freight recession. "Green shoots" on the supply side—driven largely by regulatory-induced driver curtailment—are helping to tighten the market, and pricing indicators have already started to respond. Beyond these macro tailwinds, TFII is benefiting from two distinct internal catalysts: a meaningful improvement in quality-of-service metrics that is now garnering recognition in third-party industry surveys, and a likely resumption of M&A activity in the second half of 2026 as market conditions stabilize. Together, these factors suggest the company is primed to capture significant operating leverage as the cycle turns.

SELLS

AG Growth (AFN).

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