

MARCH 2020

Q1 report

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Barometer Capital Management hopes that this quarterly report finds you and your loved ones well and safe amidst the COVID-19 pandemic. While our world goes through this an unprecedented period of uncertainty and vulnerability, we want to assure you that the entire Barometer team is dedicated to supporting you. We have long had emergency protocols in place, and are set up remotely, so that trading and regular business can continue undisturbed. Our core risk management, research and trading teams, are working both remotely from home and from the office to ensure continuity in managing the portfolios.

We thank you for your continued partnership and

acknowledge that you have entrusted Barometer Capital Management to steward your wealth even in the most unprecedented circumstances. As the markets began to reflect this accelerating crisis, our investment management team tactically shifted investment allocations. We added significant fixed income exposure to approximately 50% in core pools at the height of the sell-off – and also dramatically reduced positions in previous leading sectors such as technology, consumer discretionary and financials - while adding to some defensive sectors such as select utilities and consumer staples. The performance of our pooled portfolios in the first quarter demonstrates a reduction of daily volatility when compared

to the major market indices.

During the first quarter of 2020 major markets were down more than 30%. However, our investment management team tactically pivoted to defensive positioning to lessen the impact on our core pool portfolios during the worst point of the quarterly draw down in March 2020.

In doing so, we mitigated a portion of the volatility and outperformed the broad market indices over the period.

Please read below the actions taken on each individual investment Pool.

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The Barometer Tactical Balanced Pool

Throughout the first quarter, the Barometer Tactical Balanced Pool became more defensively positioned as the quarter progressed while retaining a large cap tilt to mitigate volatility. The corporate bond sleeve within the pool saw minimal signs of stress given the focus on quality, despite the broader corporate bond market seeing weakness. One of the best performing securities in the Barometer Tactical Balanced Pool during the quarter was a Fairfax Financial Holdings corporate bond. Government bond allocation was increased throughout the first quarter as well which contributed positively to performance.

Given Microsoft's strong start to the year, and the timing of the Barometer Tactical Balanced Pool's partial sale of the security, exposure to Microsoft Corporation (MSFT:NASDAQ) contributed positively. Also, among notable positive contributors was exposure to

gold, expressed through owning Franco Nevada (FNV:TSX) and Newmont Corporation (NGT:TSX). Some of the more defensive equity sectors like utilities and real estate did not behave as expected given the high correlation between sectors and single stocks during mid-March, so exposure to these sectors contributed negatively to performance. While these sectors rallied at the end of the month, it is the view of the investment management team that dislocations such as these will continue to correct as the market starts to behave more rationally, and investors seeking yield will shift into these names. Exposure to AT&T Inc. (T:NYSE) detracted from performance due to the elimination of their share buy back program which changes the capital return profile and therefore compresses the multiple. The Barometer Tactical Balanced Pool ended the quarter with approximately 40% exposure to fixed income, which is appropriate given the level of

volatility in the broader market.

The Barometer Tactical Income Pool

The Barometer Tactical Income Pool entered the first quarter with an overweight allocation to the financial sector spread across disparate industries, including banks, rating agencies and insurance companies. As the quarter progressed, our models started to turn negative and we tactically reduced our exposure of this cyclically sensitive sector in favour of a more defensive allocation. Exposure to defensive equity sectors was increased so utilities sector exposure was reduced to 22%, staples exposure was reduced to 14% and financials sector exposure was reduced to 6%. A position in government bonds was utilized to protect the portfolio as market volatility increased and contributed most positively to performance

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The Barometer Tactical Equity Pool

during the quarter. Exposure to Microsoft, which led the market in January, and Clorox Inc.

(CLX:NYSE) also made a notable positive contribution to the portfolio. Despite continuing to offer attractive and growing dividend yields, we did see weakness from the Barometer Tactical Income Pool's exposure to pipeline companies, namely TC Pipelines LP (TRP:TSX). While not directly exposed to crude prices, given the weakness in the Canadian energy industry has seen during the quarter, the solvency of TransCanada's counterparties came into question and the stock sold off accordingly. Late in the quarter the Barometer Tactical Income Pool took positions in index ETFs as it became evident there had been some short-term selling and the market was setting up for a relief rally. Index ETFs were chosen due to their liquidity profiles, and to increase beta while leadership themes and securities were evaluated.

The Barometer Tactical Equity Pool entered the first quarter of 2020 with overweight allocations to cyclically sensitive sectors with approximately 29% technology, 22% industrials and 21% financials sector exposure. Over the course of the quarter, the Barometer Tactical Equity Pool's exposures were reduced to more defensive sector allocation. Utilities exposure was increased, staples exposure was increased, and technology and financial exposure decreased.

The Barometer Tactical Equity Pool can take short positions and will do so in extraordinary situations when the investment team has a high conviction that a position will decrease in value. Over the course of the first quarter, some of the best returns on a single stock basis came from short positions, notably Boeing Co. (BA:NYSE), Canadian Tire Corporation (CTC.A:TSX), and Bank

of America Corp.(NYSE:BAC). The Barometer Tactical Equity Pool also benefitted positively from the appreciation of U.S. Government treasury bills that were bought as a cash equivalent, given the elevated cash weighting throughout March. During January and the first two weeks of February, the Barometer Tactical Equity Pool saw a strong positive contribution to the performance from Vertex Pharmaceuticals Incorporated (VRTX:NASDAQ) and NVIDIA Corporation (NVDA:NASDAQ). Despite these names experiencing weakness, alongside the rest of the market, the portfolio was stopped out in a timely manner, so contribution remained positive.

Exposures that detracted from performance included positions that had been outperforming the market in January but underperformed once weakness materialized. These

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included names like Virgin Galactic Holdings Inc. (SPCE:NYSE) Xebec Absorption Inc. (XBC:TSXV) and Lightspeed POS Inc. (LSPD:TSX). Given different volatility profiles on such cyclically sensitive names, they were afforded more leniency before the portfolio became more defensive. Late in the first quarter, the portfolio took positions in index ETFs as it became evident there had been some short-term capitulate selling and the market was setting up for a relief rally. Index ETFs were chosen due to their liquidity profiles, and to increase beta while leadership themes and securities were evaluated.

The Barometer Long Short Pool

The Barometer Long Short Pool was active during the quarter and its ability to take positions in small-cap names set up some interesting investment opportunities during such a volatile quarter. The best performing single position in

the Barometer Long Short Pool was a long position in the VelocityShares Daily 2x VIX Short Term ETN (TVIX:NASDAQ). During the short time that the position was held by the pool, the return on the ETF was over 30%. The pool also saw positive contribution to return from holding Ballard Power Systems Inc. (BLDP:TSX), a key beneficiary of the re-rating seen in stocks levered to the Environmental, Social and Governance (ESG) factor in January, and Schrodinger Inc. (SDGR:NASDAQ) a company that develops software for drug development that completed an initial public offering in early February. On the short side the Barometer Long Short Pool saw short positions in Boeing, Canadian Tire, and Bank of America contribute to performance as these names underperformed the market during the weakness was seen in late February and March. Exposures that detracted from performance included positions that had been outperforming the market in January but underperformed once

weakness in March materialized. These included names like Virgin Galactic (SPCE), Xebec Absorption (XBC) and Lightspeed POS Inc. Given different volatility profiles on such cyclically sensitive names, they were afforded more leniency before the pool was stopped out.

The Barometer Global Macro Pool

In the first quarter, the Barometer Global Macro Pool benefitted most positively from exposure to developed markets in Asia, that began the quarter as long exposure and flipped intra-quarter to short exposure.

The pool's short position in the ETF tracking the South Korean market, iShares MCSI South Korean Capped ETF (EWY:NYSE), contributed positively as the country effectively shut down to combat COVID-19. The Barometer Global Macro Pool invested in a long position in the Chinese equity market

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Looking Forward

ETF (EWY:NYSE), contributed positively as the country effectively shut down to combat COVID-19. The Barometer Global Macro Pool invested in a long position in the Chinese equity market ETFs that were added as China started to outperform global equity markets on a relative basis. This investment contributed positively to performance during the first quarter. Exposure to volatility and North American equity markets contributed negatively to performance during the first quarter. The Barometer Global Macro Pool maintained a short bias towards the volatility ETF VXX. While North American equity market exposure was reduced during the quarter, it still contributed negatively.

As we enter the second quarter, Barometer products are taking a balanced approach while the market continues what is likely a bottoming process. As we continue to navigate this time of heightened uncertainty, we look forward to deploying your capital into new areas of leadership once we move past this weakness. The world has changed quickly over the last month and will continue to change rapidly in the months to come but with change comes exciting new investment opportunities to gain exposure to as leadership themes assert themselves.

The logo for Barometer, featuring the word "barometer" in a lowercase, sans-serif font. A blue checkmark is positioned above the letter 'o'.

The information, opinions and any forward-looking statements contained in this commentary have been compiled or arrived at from research sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. Opinions expressed are subject to change without notice, as are any statistical, price or yield data. A portfolio manager's assessment of a particular security, investment or strategy is not intended as an investment recommendation; it is intended only to provide insight into portfolio selection process. Additional information is available on request regarding the performance of the Barometer Private Pools, Barometer Group of Funds or the Barometer Mandates. Barometer disclaims any obligation to publicly update or revise any views or forward-looking statements.

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Report Definitions:

% Assets – The percentage that each individual security represents for the account.

Amount – The dollar value of the transaction.

Annual Income – The annual dividend per unit multiplied by the number of units held or the total interest to be paid by the fixed income security.

Average Cost – Equal to the total cost divided by the number of units.

Current Yield – Current yield is an investment's annual income (interest or dividends) divided by the current price of the security.

Ex-Date – Security holder is eligible to receive the declared dividend payment if the security was held before the date.

Gain/Loss – The gain or loss resulting from the disposition of a security.

Market Value – The current value of your investments at the close of the reporting period. the close of the reporting period for that particular account.

Pay-Date – The date the company pays the dividend to the holder of record.

Price – The market price of the security as at the reporting date.

Proceeds – The amount received when a security is sold.

Quantity – The number of units held at the end of the reporting period.

Security – The details about the securities held in the account, which are sorted by product category (e.g. cash and equivalents, common stocks, mutual funds, barometer pools, warrants, etc.)

Settle Date – The date on which a trade settles, and the transfer of cash or securities is completed.

Symbol – A code used to identify the particular security for transaction purposes.

Total Cost – The amount paid for the security, including commissions and fees if applicable, and excluding accrued interest on fixed income securities. (Please see next page for more detailed explanation)

Unit Cost – The amount paid for each unit of the security, including commissions and fees if applicable, and excluding accrued interest on fixed income securities.

Unit Income – A unit of a security that makes regular dividend payments to its holder.

Unit Price – The market price of the security as at the transaction date.

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Report Definitions:

- QTD – Quarter-to-date: Reflects activity in your account during the most recent quarter.
- YTD – Year-to-date: Reflects activity in your account during the most recent calendar year.
- Receipts - Include cash and securities contributed and/or transferred to your account.
- Disbursements - Include cash and securities withdrawn and/or transferred from your account.
- Change in Account Value – The total dollar amount your account value has increased or decreased by taking into consideration receipts/disbursements, interest, dividends, cash and re-invested distributions, fees, and market fluctuations.

Additional Information About Your Quarterly Report:

- The annualized internal rate of return (“IRR”) chart presents the compound total rate of return of your investments. This includes income from interest and dividend sources, as well as capital gains.
- The IRR growth chart displays the growth of your investment achieved in each calendar year.
- The investment holdings pie chart illustrates the quarter-end allocation of your investments.

Total Cost:

Total cost of a long security position is the total amount paid for the security, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital (“ROC”) and corporate reorganizations.

The total cost information, displayed on the Portfolio Appraisal and Transaction Summary pages, has been prepared based on available records; it is not guaranteed to be accurate or complete. Please consult with your personal tax advisor on any tax-related matters. Barometer is not liable for any errors or omissions in the information or for any loss or damages suffered.

For third-party securities, any ROC distributions are not reflected in your Barometer quarterly reports. Please consult with your tax professional for more information.

Market Value:

The market values are obtained from sources we consider to be reliable.

For securities where we are not able to obtain a value, a value of \$0 is applied.

Deferred Sales Charge:

If you chose a deferred sales charge (“DSC”) option when you purchased the security, a sales charge may be payable when you sell your security. The sales charge is deducted from the amount you receive for the security. It is usually based on what you paid when you purchased the security. This sales charge declines to zero after you have owned the security for a specific number of years.

General Disclaimers

Barometer is the trustee, portfolio manager and investment fund manager of the Barometer Private Pools (individually a “Pool”, together the “Pools”), which are offered on an exempt basis to accredited investors, and the Barometer Group of Funds (individually a “Fund”, together the “Funds”). Both the Pools and the Funds are connected issuers of Barometer Capital Management Inc.

The information contained in this report was obtained from the custodian of the assets; however, timing differences may occur in recording various transactions, resulting in differences from the statement you receive from the custodian of your assets. Reliance should be placed on the custodian statement for tax reporting purposes. If this statement is not in accordance with your records, please notify us in writing within 45 days of the statement date. We reserve the right to adjust this statement for errors and omissions.

Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same, even if the value of the securities declines.

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