

Q2 report

The second quarter provided many challenges as the market sold off and previous leadership groups came under pressure. Portfolio positioning was once again adjusted to reflect changes in economic and market conditions. Increased inflation fears and monetary policy geared to slow economic growth caused economically sensitive sectors to sell off, while investors looked for more defensive positioning. Overall, Barometer portfolios reduced commodity exposure and other sectors affected by a slowing economy – such as energy, materials, and financials, while transitioning to defensive sectors such as healthcare, utilities, and fixed income.

Inflation is top of mind for the market as inflation numbers have come in at historically high levels. CPI numbers in the U.S. were +9.1% Y/Y during the month of June, and core inflation (excluding food and fuel) was +5.9%. With this, the Fed has tightened monetary policy by raising rates with an accelerating trajectory, and has communicated their intent to sacrifice economic growth, potentially to the point of

creating a recession, to tame inflation. Canadians have also felt the sting of inflation with a 7.1% inflation rate Y/Y reported in June prompting a surprise 1% rate increase by the Bank of Canada, showing their determination to contain inflation over economic growth. In addition, the Canadian currency has hit a 20-month low vs. the US dollar, not helped by a decline in energy stocks.

Although economic conditions in the U.S. remain strong, and corporate earnings remain intact, there is a heightened probability of a recession. Until the Federal Reserve is satisfied that inflation is slowing, markets will continue to be challenged. While there are some early signs of inflation expectations slowing, inflationary data remains elevated.

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Barometer Tactical Balanced Pool

The Barometer Tactical Balanced Pool entered the quarter with an overweight bias towards consumer staples, energy, materials, real estate, and utilities, while being underweight in communication services, consumer discretionary, health care, industrials, financials, and information technology. Fixed income made up approximately 25% of the pools' exposure.

However, as the quarter progressed, inflationary pressures, further rate hikes and a looming recession began to weigh on markets - including the market leaders. As a result, energy exposure was reduced with proceeds being allocated to fixed income. Despite ongoing supply constraints as the Ukraine/Russian crisis continued, oil prices began to reflect concerns of potential demand destruction as investors worried about recessionary news.

Over the course of the quarter, the pool benefitted from

exposure to healthcare, while exposure to energy and materials detracted from returns. Within healthcare, the pools' position in Eli Lilly & Co. appreciated by approximately 6% as the company's new obesity drug, Tirzepatide, showed encouraging weight loss and tolerability data. Gainers outside of healthcare include Tourmaline Oil Corp. and Cenovus Energy Inc., both energy companies that continued to benefit from strong commodity pricing for oil and natural gas.

Commodities generally softened over Q2, leading to a decline in share prices in pool positions such as Freeport-McMoran Inc., Alcoa Corp. and Deere & Company.

The pool remains in an overweight position in consumer staples, energy, materials, and utilities, while being underweight in communication services, consumer discretionary, financials, healthcare, industrials, information technology and real estate. Approximately 35% of the pool is invested in fixed income securities.

Barometer Tactical Income Pool

The Barometer Tactical Income Pool entered the quarter overweight in materials and energy. Similar to our other Pools, these positions were reduced, as these leadership sectors came under pressure. Materials exposure was reduced from approximately 31% to zero as global economic data continued to soften and energy was reduced from 30% to 23%.

In addition, financial sector exposure was reduced from 15% of pool assets to zero. Financials began to sell off as investors worried about the risk of recession in the U.S. and Canada despite the positive impact of higher rates.

The pool had 15% healthcare exposure which was added over the quarter through positions such as, Eli Lilly & Co. benefiting from their new type-2 diabetes drug and Vertex Pharmaceuticals Incorporated with their industry-leading cystic fibrosis treatment.

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The pool ended the quarter positioned defensively, with 30% of pool assets in short-duration Government of Canada bonds and treasury bills as well as defensive Equities such as the health care sector and utilities sector.

Barometer Tactical Equity Pool

The Barometer Tactical Equity Pool entered the quarter with strong exposure to commodities, such as materials and energy, and, similar to other mandates throughout the firm was sold down.

Fertilizer companies such as Nutrien Ltd., base metals such as Freeport McMoran Inc., Rio Tinto PLC, and Teck Resources Ltd., gold companies such as Yamana Gold Inc. and Aluminum and steel companies such as Stelco Holdings Inc. and Alcoa Corp. were all sold over the quarter.

Despite limited exposure, the technology sector did contribute negatively to performance. Positions in NVIDIA Corporation, Palo Alto Networks Inc. and Broadcom

Inc. were all in the quarter.

Healthcare positions contributed the most positively to performance during the quarter. Health care represented a portion of the defensive equities added to the portfolio. Within the sector, the pool added Eli Lilly & Co. after their new anti-obesity drug Tirzepatide.

Barometer Long Short Pool

The Barometer Long Short Pool entered the quarter with an overweight bias to energy, materials, real estate, and consumer discretionary, while being underweight communication services, financials, healthcare and information technology. With the sell-off in equity markets, the pool transitioned to a more defensive positioning over the course of the quarter as exposure toward utilities, consumer staples as well as fixed income, and cash levels were increased. Exposure towards energy, materials, consumer discretionary and industrials were all reduced.

Over the course of the quarter, the pool benefitted from various short positions within consumer discretionary, communication services, information technology and real estate. With central banks globally committing to increasing interest rates, high multiple technology and consumer discretionary stocks continue to be under pressure. Higher rates have also impacted the real estate sector as the housing market showed early signs of slowing. The pool's energy holdings were the largest detractor to returns as fears of a potential recession caused investors to take profits within the energy sector, one of the best performing sectors year-to-date. Energy Holdings were reduced as stop losses were triggered.

The Pool maintains an overweight position in consumer staples and utilities, while being underweight in communication services, consumer discretionary, financials, industrials, information technology,

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materials, and real estate. The pool has also increased cash holdings as well as exposure to fixed income securities.

Barometer Global Macro Pool

The Barometer Global Macro Pool entered the quarter with a strong position in commodities. However, as recession fears increased with weaker global economic data and a strong U.S. dollar, positions in base and precious metals diversified agricultural commodities as well as oil and gas were all sold down.

The pools did have outlier positions in the U.S. Natural Gas Fund L.P. (UNG) that was a top performer in the portfolio with Invesco DB Oil Fund (DBO) and the United States Brent Oil Fund (BNO) also contributing to performance.

The Pool entered the quarter short a laddered basket of U.S.

Government Treasury bonds, mortgage-backed securities, select corporate debt, and non-U.S. sovereign debt. As the quarter progressed, the pool took some profits on these positions and reduced fixed income short exposure.

The pool added some exposure to China. This contributed positively to performance as China begins to support economic growth through a variety of stimulus programs. China is the only country loosening monetary and fiscal policy which provides an attractive investment environment.

Looking forward

The remaining part of this year will be marked by inflation news as well as the strength of economic data. The Federal Reserve and the Bank of Canada remains resolute in containing inflation, even at the expense of a recession, and

the market will remain extremely sensitive to CPI data – and impending rate hikes. As a result, the portfolio will continue its defensive positioning, until more encouraging news emerges.

The logo for Barometer Capital Management Inc. features the word "barometer" in a lowercase, sans-serif font. A blue diagonal line is positioned above the letter 'o', resembling a needle or a stylized 'b'.

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 damage 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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