

JUNE 2023

Q2 report

The recent decrease in June's inflation rates has brought about some comfort in the markets. The Consumer Price Index, which measures the average change in prices over time that consumers pay for a basket of goods and services, has gone up by a mere 3% in June 2023. This is much lower compared to last summer when we saw a peak rate of 9%. This reduction is largely due to lower prices in sectors such as air travel, used cars, energy, and services.

This positive divergence has given the markets a boost as we start the new quarter. More sectors are participating, and our market models are giving us signals to buy, compared to earlier in the year when a small group of stocks were the main drivers of market performance.

Overall, market participants are feeling more positive. The markets appear to be looking past the possibility of another rate increase and are now expecting a slow and steady adjustment, not a sudden economic downturn. As a result, sectors like commodities, materials, and energy, which were hit hard

earlier in the quarter due to weak economic data from China, are starting to recover.

As we enter the new quarter, Barometer plans to continue investing in technology and is considering increasing investments in commodities, materials, and energy, assuming the economic data continues to improve.

Barometer Tactical Balanced Pool

In the second quarter of 2023, the Barometer Tactical Balanced Pool maintained stable sector allocations. The Information Technology sector was a significant

contributor to the pool's performance. Exposure to this sector was increased from approximately 12% to 15% of pool the assets. Broadcom Inc. performed well throughout the quarter, benefitting not only from a deal with Apple to provide 5G equipment, but also from the enthusiasm surrounding generative AI, given its role in manufacturing custom silicon for Google's Artificial Intelligence (AI) models. Microsoft Corp. also added positively to the pool's performance due to interest in their investment in OpenAI and continued strength across all business lines.

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Industrials made a noticeable contribution as well. Ingersoll-Rand Inc. performed strongly, bolstered by stronger-than-expected construction activity. Similarly, GFL Environmental Inc. benefitted from a strategy of deleveraging through the sale of non-core assets. However, the quarter was not without challenges. While no clear sector exposures detracted from the pool's performance, a few individual names did contribute negatively. Progressive Corp. sold off sharply early in the quarter following a report of a weak, March forecast and higher combined ratios. Estee Lauder Companies Inc. struggled due to their large exposure to the weak Chinese economy, hampering sales growth. Franco-Nevada Corp. also exhibited weakness as gold prices pulled back from their highs. All of these positions were sold during the quarter.

Barometer Tactical Income Pool

The Barometer Tactical Income Pool benefitted most from its exposure to the Information

Technology sector, which emerged as a significant performance driver. NVIDIA Corp., a position held by the pool throughout the quarter, was the largest single-stock contributor. The company continued to benefit from robust data enter results and strong order trends, as businesses increased their investment in computing power to train AI Large Language Models (LLM's). Similarly, Broadcom Inc. also delivered an impressive quarter. In addition to securing a deal with Apple for 5G equipment, the company rode the wave of enthusiasm around generative AI, given its role in manufacturing custom silicon for Google's AI model training.

The Financials sector, which accounted for approximately 40% of the pool's assets throughout the quarter, also significantly contributed to the performance. Fairfax Financial Holdings Ltd. remained a key holding, continuing to capitalize on the strength of its property & casualty business and consistently good performance from its

reinsurance business.

JPMorgan Chase saw a surge in deposits and successfully acquired First Republic during the regional banking crisis in the US, bolstering their wealth management business.

In the Health Care sector, Eli Lilly & Co. experienced a positive push from continued investor enthusiasm surrounding the release of the GLP-1 weight loss drug. With competitor drugs gaining market traction, anticipation is building for Eli Lilly's product, Mounjaro.

However, not all sectors and holdings contributed positively. The Materials sector, reduced to 0% of pool assets throughout the quarter, posed a challenge due to weak Chinese economic data that negatively impacted economically sensitive metals like steel and copper. Energy holdings were also pared back from approximately 12% to 9% of pool assets due to the sustained pressure on crude oil prices, which led to a sell-off of stocks such as Meg Energy Corp.

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Barometer Tactical Equity Pool

During the second quarter, exposure to the Information Technology sector was a key driver of performance, with exposure to the sector increasing from approximately 21% to 25% of the pool's assets. The position in NVIDIA Corp. was held throughout the quarter and became the largest single-stock contributor, as the company saw continued benefits from strong data center results and rising demand for computing power to train AI Large Language Models (LLM's). Another positive contributor in this sector was Broadcom Inc., which also delivered a strong quarter of performance. By signing a deal with Apple for 5G equipment and riding the enthusiasm wave around generative AI – given its role in manufacturing custom silicon for Google's AI models – the company marked a successful period.

The pool's substantial holdings in the Financials sector, albeit reduced from approximately 22% to 18% of pool assets,

continued to deliver significant returns. Fairfax Financial Holdings capitalized on the strength of its property & casualty business and consistently good performance from its reinsurance business. Similarly, JPMorgan Chase emerged as a beneficiary of the regional banking crisis in the US. With growing deposits and the acquisition of First Republic, the company bolstered its wealth management business.

Exposure to the communication services sector was increased from approximately 7% to 10% of pool assets. Most of the positive performance from this sector came from Meta Platforms Inc. The company's incremental progress on its cost savings plan was favorably received by investors, setting up Meta Platforms for potential margin expansion when the digital ad market rebounds.

However, the Materials and Energy sectors detracted from the pool's performance. Weakening Chinese economic data negatively impacted commodities such as steel and

copper, leading to the sale of positions in Wheaton Precious Metals Corp. and Capstone Copper Corp. Similarly, the pool divested from its position in Secure Energy Services Inc. due to continued pressure on crude oil prices and a technical breakdown of the stock.

Barometer Long Short Pool

During the second quarter of 2023, the Consumer Discretionary sector emerged as a primary driver of the Barometer Long Short Pool's performance. Century Communities Inc., a key player in this sector, reaped the benefits of an intriguing housing market trend. Elevated mortgage rates have led to a decline in the supply of existing homes, presenting a golden opportunity for newly constructed homes to command a larger share of the market. This shift in market dynamics contributed positively to the pool's performance.

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In addition to this, a strategic short position in Canada Goose Holdings Inc. served the pool well. The prevailing economic frailty in China and the reduction in consumer purchasing power made this position particularly profitable. Another sector contributing to the positive performance was Communication Services. Meta Platforms Inc., a significant name in this space, demonstrated robust performance, aided by its steadfast commitment to cost-cutting measures.

However, the Materials and Financials sectors provided a counterweight to the positive performance. Weak economic indicators from China caused a slump in commodities prices, particularly in metals such as steel and copper. This downturn adversely impacted the Materials sector's performance. The Financials sector didn't fare much better, mainly due to the pool's exposure to the payments industry. After witnessing technical breakdowns in stocks such as Nuvei Corp. and Shift4 Payments Inc., the pool exited these positions.

The pool also underwent significant adjustments in its sector weightings. A major shift was witnessed in the Consumer Discretionary space, with the allocation rising from 0% to approximately 17% of the pool's assets. The Communication Services sector followed a similar pattern, seeing its weighting increase from 0% to approximately 6%. Conversely, the Materials sector experienced a decrease from around 15% to -3% of pool assets, a move reflecting the pool's adaptive response to the evolving economic landscape.

Barometer Global Macro Pool - Q2 2023 Commentary

During the second quarter of 2023, North American Equities emerged as a primary contributor to the pool's performance, with exposure increased from approximately 24% to 50% of pool assets.

Specific segments within this category, such as Industrials and Consumer Discretionary, particularly through exposure to homebuilding ETFs, capitalized on the relative share gains seen by builders in the US housing market. The Financials sector also

contributed positively, with the pool holding a short position following the regional banking collapse in the US during Q1. The pool's short position in Fixed Income, held throughout the quarter and increased from approximately -15% to -23% of pool assets, also contributed positively. Rising yields throughout the quarter benefited short positions in both U.S. corporate and government bonds.

Moreover, within the Emerging Markets category, exposure was reduced from approximately 5% to 1% of pool assets during the quarter. However, the pool's exposure to South America, including the iShares Latin America 40 ETF and the Global X Argentina ETF, provided positive contributions against a backdrop of continued weak U.S. dollar.

However, Commodities posed a challenge. Precious metals came under pressure as U.S. inflation data softened, and the Energy sector experienced similar pressure due to a sell-off in crude oil.

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Looking Forward

With inflation fears abating, optimism has buoyed the market as we enter the second half of the year. Economically sensitive sectors have embraced the hope of a soft landing with the market broadening out beyond the narrow group of companies contributing to performance earlier in the year. Despite weak Chinese economic data, materials, energy and commodities have looked stronger – sectors traditionally closely aligned with global economic growth. With this, Barometer will continue to adjust portfolios to participate as the data improves and these sectors show some durable strength.

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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.

Q2 report

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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Q2 report

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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