SEPTEMBER 2023

Q3 report

The third quarter of 2023 was marked by weakness in global equities as well as a sharp rise in yields due to Government bonds coming under pressure. Inflation continues to be a persistent worry globally and investors continue to digest actions by central banks to combat the issue. Commodities were broadly higher during the quarter, adding to inflationary pressures. Crude oil was exceptionally strong as Saudi Arabia and Russia remained committed to curbing production.

The first half of 2023 saw the market rally on the notion that central banks would be pausing on interest rate hikes, if not pivoting to lowering rates. The third quarter of 2023 brought the realization that interest rates are in a "higher for longer" environment. The continued resilience of consumer spending and a strong job market has muddled investors belief of how central banks will balance fighting inflation without triggering a recession. The proverbial "soft landing" seems like a much tougher feat than it did just a quarter earlier. As such, bond proxy sectors such as utilities and real estate were hardest hit over the quarter, along with technology and consumer discretionary. The energy sector posted positive returns during the quarter. The upcoming third quarter earnings season will be an important one to watch as investors will be focused on fourth quarter earnings guidance as well as any early commentary regarding 2024 guidance.

Barometer Tactical Equity Pool

During the quarter, the pool benefitted from exposure to the beneficiaries of GLP1 drug proliferation. Eli Lilly & Co.'s tirzepatide compound is in late-stage trials pending approval for the treatment of obesity. Investor enthusiasm around the potential addressable market for the compound continues to grow. WW International is also exposed to the GLP1 space as

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the company has acquired a telemedicine platform focused on prescribing obesity treatments. The pool participated in a secondary equity offering during the second quarter in order to initiate a position and grew the position throughout the third quarter.

Exposure to the industrials sector contributed negatively to performance during the quarter. Notably, Air Canada was sold after higher fuel prices caused selling pressure in the stock. Broadly, technology sector exposure contributed negatively as well, and exposure was reduced substantially from approximately 25% of pool assets to approximately 12%. The pool sold positions in Kinaxis Inc. and Open Text Corp. Materials sector exposure had a net-negative impact on pool performance due to softness in copper pricing driven by broad economic weakness.

Energy sector exposure contributed most positively to performance, with Canadian Natural Resources and Hess Corp. capitalizing on a robust uptick in crude oil prices, enhancing the free cash flow profiles for both corporations. Financials exposure also contributed positively based on insurance industry exposure. Fairfax Financial Holdings Inc. and Arch Capital Group Ltd. continued to deliver industry-leading metrics.

Barometer Tactical Income Pool

The Barometer Tactical Income Pool saw strong positive returns from exposure to the energy sector. Exposure was taken from approximately 9% of pool assets to approximately 21% as the quarter progressed. Positions in Imperial Oil and Canadian Natural Resources specifically benefitted from a robust move in crude oil pricing, resulting in a noticeable enhancement of their free cash flow profiles.

Within health care, Eli Lilly & Co. turned heads, riding the wave of investor enthusiasm. This positivity stemmed largely from anticipation around the approval of their novel obesity treatment drug, setting the stage for potential growth in the coming quarters. The financials sector experienced tailwinds from the rising interest rate environment. Both Fairfax Financial Holdings Inc. and Reinsurance Group of America stood out, leveraging the favorable scenario to bolster their investment returns. The pool largely rotated out of Canadian bank exposure and used the proceeds to fund investment in the insurance and payments industry. Overall, financials sector exposure remained roughly flat throughout the quarter.
The technology sector saw broad selling pressure in September.
Oracle Corp. was sold from the pool as it bore the brunt of large cap tech's vulnerability following their less-than-stellar guidance on cloud revenue for the upcoming quarter. The Industrials sector, represented

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by GFL Environmental Inc. and Thomson Reuters Corp., both felt the weight of the broader market's weaknesses. Similarly, Teck Resources, within the materials sector, contended with pressures from softer copper pricing, which reflected broader economic slowdown concerns.

Barometer Tactical Balanced Pool

Exposure to the energy sector bolstered returns during the quarter as companies like Imperial Oil, Canadian Natural Resources, Suncor, Topaz Energy, Tourmaline Oil, and Pioneer Natural Resources all benefitted from favourable pricing trends in the underlying commodities. With oil and natural gas prices sitting firmly above these companies' cost of production, free cash flow to these firms should grow substantially. Many of these companies have capital return programs pegged to free cash flow, so the capital return profiles improved drastically as well.

Bucking the trend of bond market weakness, the corporate debt of Ford and Royal Bank of Canada delivered positive performance during the quarter as credit spreads continued to narrow.

Technology sector exposure contributed negatively to pool performance during the quarter as selling pressure in September impacted the pool's large cap U.S. tech holdings. The pool sold Oracle Corp. after the company issued disappointing guidance while reporting earnings.

In the industrials sector, RTX Corp. and GFL Environmental Inc. faced challenges. Notably, RTX Corp. bore the brunt of the softening sentiment in the defense industry. As public attention waned from the ongoing conflict in Ukraine, the emphasis on defense budgets also lessened.

Health care sector exposure contributed negatively to pool performance as investment within the sector flowed towards beneficiaries of GLP1 receptor agonist to the detriment of some fundamentally sound exposures owned by the pool such as, AstraZeneca PLC and Merck & Co. Inc.

Barometer Long Short Pool

Throughout the course of the third quarter, the Barometer Long Short Pool increased energy sector exposure to the benefit of pool performance. Companies such as Trican Well Service Ltd., Kelt Exploration Ltd., Athabasca Oil Corp., and ARC Resources Ltd. reaped the rewards of a strong underlying commodity price landscape. Smaller on the market cap scale, the operational leverage inherent to these companies acted as a catalyst, translating the favorable commodity pricing environment into strong gains. Consumer discretionary sector exposure was drastically reduced during the quarter. One of the few remaining long positions in the sector at the end of the

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quarter, WW International, was a standout. The stock experienced a sharp rally on the back of its promising acquisition in the GLP1 drug prescription and treatment sector. Short positions in Pet Value Holdings Ltd. and Target Corp. contributed positively to pool performance as the anticipation of pressure on North American consumers caused retail stocks to perform poorly. Within Financials, Arch Capital Group Ltd. emerged as a notable bright spot, benefitting from broad strength in the insurance industry and the strong combined ratio delivered by the company during the second quarter.

Industrials sector exposure, specifically the pool's position in Air Canada, encountered turbulence due to consistently soaring fuel prices, which dragged on its quarterly performance. Similarly, in the Materials sector, Capstone Copper Corp. faced headwinds. The company found itself navigating a decline in copper prices, a result of decelerating economic data.

Barometer Global Macro Pool

The Barometer Global Macro Pool increased commodities exposure throughout the quarter, as energy-related commodities continued to benefit from favorable supply dynamics which pushed prices higher. The pool sought exposure to oil & gas through various instruments and held a position in uranium throughout the quarter. Commodities exposure was substantially overweighted throughout the quarter.

The pool increased the size of its short position in fixed income during the quarter. The pool held short exposure in U.S. government debt, corporate debt, mortgage-backed securities, U.S. municipal debt, and emerging market debt. All short positions within fixed income contributed positively to performance during the quarter as rates globally continued to rise and global bond markets saw strong selling pressure.

The pool held a short position in the U.S. dollar throughout the quarter, the size of this short was reduced as the quarter progressed, but the position did contribute negatively to pool performance. The pool's emerging markets exposure contributed negatively to performance as a strong U.S. dollar applied pressure on global equity markets.

As Japanese equity markets continued to rally throughout the quarter, the pool's exposure to the Japanese equity market ETF bolstered performance.

Looking Forward

The beginning of the fourth quarter has been met with a rise in geo-political risks as the conflict in the Middle East continues to escalate. This in return has caused a spike in commodities such as crude oil and gold, while increasing volatility in global equity markets. The Federal Reserve

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as well as the Bank of Canada continue their fight against containing inflation and remain data dependent regarding future rate hikes. The rise in commodities as well as pricing of food and rent continue to pressure inflation. Markets will continue to be sensitive to central bank actions. As highlighted above, the upcoming third quarter earnings season and corporate commentaries will be scrutinized by investors for hints of change in demand. As a result, the portfolio will continue to be positioned defensively with a higher weighting to cash and cash equivalents.

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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, whicharesortedbyproductcategory(e.g.cashandequivalents, commonstocks,mutualfunds,barometerpools,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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