

# Q1 report

Inflation and rising interest rates have been the primary concern of markets and investors over the past few quarters. During the most recent quarter, a few select bank failures spooked the markets, with fears of contagion and a broader banking crisis.

With this, Barometer continued to avoid US regional banks, and has held only select Canadian Banks and insurance companies that displayed relative outperformance during the quarter. The only U.S. Bank holding was JP Morgan, which also performed relatively well during the period. Recent inflation numbers and pressure on the banking sector have provided some evidence that the rising rate cycle is closer to the end with even the possibility of a FED pause. Recent economic data, such as the Purchasing Managers Index and the Manufacturing numbers have begun to slow, adding further evidence of a slowing economy. As we enter the second quarter, the market

remains stable, the banking system remains solid – despite recent occurrences. As always, we will continue to be vigilant on our holdings, especially as corporations begin to announce their earning results in the coming weeks.

## Barometer Tactical Balanced Pool

The Barometer Tactical Balanced Pool experienced mixed performance during the first quarter of 2023, with both positive and negative contributions to its overall results. The pool's fixed income, exposure and large-cap US tech exposure, particularly Microsoft Corp. and Oracle Corp., delivered

positive outcomes. However, headwinds from the energy and financial sectors posed challenges for the fund.

On the positive side, the pool's fixed income exposure contributed favorably to performance. As the quarter progressed, the exposure to this asset class was reduced from approximately 39% of pool assets to 25%, highlighting the fund's ability to adjust its allocations in response to market dynamics. This tactical approach to asset allocation allowed the pool to capture gains from the fixed income segment, while gradually shifting focus to other opportunities.

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Additionally, large-cap US tech exposure played a significant role in the pool's positive performance. Specifically, Microsoft and Oracle contributed to gains, as the fund increased its exposure to the technology sector from approximately 3% to 13% of pool assets over the course of the quarter. This move reflects the fund's commitment to capitalizing on growth opportunities within the tech industry.

Conversely, energy sector exposure negatively impacted the pool's performance, primarily due to weakness in crude pricing. The fund will continue to monitor the energy sector and adjust its exposure as necessary in order to mitigate risk and identify opportunities for growth.

Furthermore, the financial sector also contributed negatively to the pool's performance. This was mainly a result of stress on the regional banking system that emerged in mid-March. The pool avoided US regional banks – the epicentre of the crisis – and instead held some select Canadian banks and insurance

companies which all displayed relative outperformance. The only US bank held was JP Morgan which again performed well during the period. Although none of the pool's exposures were directly impacted, the selling pressure affected the entire financial space, weighing down the pool's performance.

In summary, the Barometer Tactical Balanced Pool experienced a mixed performance in Q1 2023, with both positive and negative contributions. The pool's fixed income and large-cap US tech exposure provided support, while challenges emerged from the energy and financials sectors. The fund will continue to employ a tactical approach to asset allocation, focusing on preserving capital and capturing growth opportunities in a dynamic market environment.

### **Barometer Tactical Income Pool**

The Barometer Tactical Income Pool faced headwinds during the first quarter of 2023 due to challenges in the financial and healthcare sectors. However,

the pool's exposure to the technology sector, particularly in the semiconductor industry, provided a bright spot in an otherwise challenging quarter.

The financials sector was the main detractor from the pool's performance, with broad weakness stemming from the regional bank crisis in mid-March. Despite the pool's holdings being insulated from the fundamental weakness, the widespread selling in the space negatively impacted the entire sector. The pool avoided US regional banks – the epicentre of the crisis – and instead held some select Canadian banks and insurance companies which all displayed relative outperformance. The only US bank held was JP Morgan which again performed well during the period. The fund's tactical approach to managing risks in this volatile environment will be critical to navigating further challenges in the financials sector.

The healthcare sector also had a negative impact on the pool's performance. Consequently,

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the exposure to this sector was reduced from approximately 9% of pool assets to 3% during the quarter. This decision demonstrates the pool's ability to respond quickly to shifting market conditions, reallocating assets to better protect capital and identify growth opportunities.

On a positive note, the technology sector provided a boost to the pool's performance, primarily driven by strength in the semiconductor industry. Increased investor enthusiasm around generative AI fueled this strength, with top performers NVIDIA Corp. and Broadcom Inc. significantly contributing to the pool's gains. The fund capitalized on this trend by increasing its technology sector exposure from approximately 7% to 21% of pool assets during the quarter, showcasing its commitment to seizing growth opportunities.

In summary, the Barometer Tactical Income Pool faced challenges in Q1 2023 due to the financials and healthcare sectors' underperformance.

However, the pool's strategic exposure to the technology sector, particularly in the semiconductor industry, helped offset some of these headwinds. The fund will continue to adjust its sector allocations tactically, focusing on preserving capital while pursuing growth opportunities in a dynamic market environment.

### Barometer Tactical Equity Pool

The Barometer Tactical Equity Pool exposure to the technology and consumer discretionary sectors contributed to performance. The fund's active sector allocation adjustments capitalized on high-growth industries.

The Pool increased exposure to the technology sector from 2.5% to 21% over the quarter. The strength in the semiconductor industry, driven by investor enthusiasm around generative AI, significantly contributed to this success. NVIDIA Corp. and Broadcom Corp. were among the top performers, reflecting the

fund's ability to identify growth opportunities.

The consumer discretionary sector also positively impacted the fund's performance, mainly due to impressive gains from Crocs Inc. The company's resurgence highlights the fund's skill in selecting individual companies poised for growth within broader sectors.

However, exposure to the energy sector detracted from the fund's performance. The allocation was reduced from 16% to 7% of pool assets, mainly due to weak crude oil prices. The fund's decision to reduce allocation demonstrates its tactical approach to managing risk and adjusting to market conditions. The industrial sector negatively impacted the fund's performance, particularly due to the weak performance of the defense industry. The fund will continue to monitor developments within the sector to identify potential opportunities for growth and risk mitigation.

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## Barometer Long Short Pool

The Barometer Long Short Pool experienced a mixed performance in the first quarter of 2023, with both positive and negative contributions affecting its results. The industrials and materials sectors provided support, while the energy and consumer discretionary sectors presented challenges for the fund.

On the positive side, industrial sector exposure contributed favorably to the pool's performance. The fund increased its allocation in this sector from approximately 20% to 31% of pool assets during the quarter. Economic data remained resilient, bolstering the industrials sector performance. Stantec Inc. and Axon Enterprises Inc. were among the top performers, reflecting the fund's ability to identify growth opportunities within the sector.

Additionally, materials sector exposure provided a positive contribution, as base metals rallied due to strong economic

growth in China as the country reopens from lockdown. The fund tactically reduced its materials sector exposure from an overweight position of approximately 52% of pool assets at the beginning of the year to about 15% of pool assets. Capstone Copper Corp. and Stelco Holdings Inc. led performance, benefiting from strong copper and steel prices, respectively.

Conversely, the energy sector exposure negatively impacted the pool's performance, primarily due to weak crude pricing. The fund will continue to monitor the energy sector and adjust its exposure accordingly to mitigate risk and capture growth opportunities.

Furthermore, the consumer discretionary sector also contributed negatively to the pool's performance. As a result, the fund reduced its exposure to this sector from approximately 13% of pool assets to 0%, showcasing its commitment to actively managing risk and reallocating assets in response to shifting market conditions.

In summary, the Barometer Long Short Pool experienced a mixed performance in Q1 2023, with both positive and negative contributions. The industrials and materials sectors provided support, while challenges emerged from the energy and consumer discretionary sectors. The fund will continue to employ a tactical approach to asset allocation, focusing on preserving capital and capturing growth opportunities in a dynamic market environment.

## Barometer Global Macro Pool

The Barometer Global Macro Pool experienced a mixed performance in the first quarter of 2023. Europe, Ethereum, home construction, and precious metals contributed positively, while the financials and energy sectors, as well as the short position in U.S. government bonds, presented challenges for the fund.

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On the positive side, the pool benefitted from a softening U.S. Dollar, particularly in its exposure to Europe. This provided a tailwind for European assets, as a weaker dollar typically improves the competitiveness of European exports and bolsters the region's economy.

Ethereum also performed well, as concerns about the U.S. dollar's reserve-currency status became more prevalent. This increased demand for alternative assets, including cryptocurrencies, and contributed positively to the pool's performance.

Additionally, home construction exposure defied investor expectations for weakness, as the underlying stocks performed well during the quarter. This highlights the fund's ability to identify opportunities in sectors that may not be favored by broader market sentiment.

Precious metals, such as gold, rallied as the U.S. Dollar weakened and concerns about the integrity of the U.S. banking system abounded. This development reinforced the traditional role of precious metals as safe-haven assets during times of uncertainty.

Conversely, the financial sector detracted from the pool's performance due to the regional banking crisis in mid-March. The fund will continue to monitor developments in the financials sector and adjust its exposure accordingly to mitigate risks and capture growth opportunities.

The energy sector also contributed negatively, as the pool started the year with energy exposure, which was reduced as the quarter progressed. This tactical move demonstrates the fund's ability to manage risk and reallocate assets in response to shifting market conditions.

Lastly, the pool's short position in U.S. government bonds detracted from performance due to yields remaining elevated for much of the quarter. The fund will continue to monitor interest rate dynamics and adjust its positioning as necessary.

In summary, the Barometer Global Macro Pool experienced mixed performance in Q1 2023, with both positive and negative contributors. Europe, Ethereum, home construction, and precious metals provided support, while challenges emerged from the financials and energy sectors, as well as the short position in U.S. government bonds. The fund will continue to employ a tactical approach to asset allocation, focusing on preserving capital and capturing growth opportunities in a dynamic market environment.

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