

Q4 report

The fourth quarter of 2025 was defined by a familiar mix of policy uncertainty, commodity volatility, and continued leadership from stocks levered to lasting leadership themes, with investors constantly recalibrating expectations for growth and interest rates as the quarter progressed. While equity markets generally held a constructive tone into year-end, the path was not linear: sector and factor leadership rotated frequently, and sentiment was heavily influenced by shifts in central-bank expectations and positioning in crowded trades.

A major theme during the quarter was the renewed volatility in precious metals. After an extended run higher earlier in the year, gold and silver weakened sharply into the end of October, following a late-summer/early-fall surge that had started to take on a parabolic character.

Importantly, that pullback created opportunity: after reducing exposure as the move became increasingly stretched, we were able to re-engage at lower levels as the market stabilized and the broader macro backdrop remained supportive for hard assets.

Precious metals subsequently firmed again into the end of the year, supported by continued demand for real-asset hedges amid geopolitical uncertainty. Despite a bit of weakness in the last few trading days of the year due to increased margin requirements imposed by the precious metals exchanges, the metals and associated equities ended the year on solid footing. Another defining feature of the quarter was the wild swing in expectations around the December Federal Reserve Open Markets Committee meeting.

Market-implied probabilities moved materially through the quarter as investors reacted to incoming inflation and labor data, shifting narratives around whether the Fed would deliver another rate cut or pause. Ultimately, the Fed delivered a 25-basis-point cut in December, and markets generally firmed afterward as policy uncertainty abated slightly and investors leaned into a more supportive forward rate path.

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Finally, semiconductors exposed to AI remained a pillar of market leadership, despite some consolidation in December as investors digested large year-to-date gains and grew more sensitive to valuation and positioning.

Even with intermittent pullbacks, the market continued to distinguish between “AI-enablers” (where demand remained strong) and more cyclical parts of the chip complex, reinforcing the durability of the infrastructure buildout theme.

Overall, Q4 reinforced that markets remain highly reactive to shifts in policy expectations and positioning, but that long-cycle themes—AI infrastructure, energy/power demand, and real assets—continue to drive meaningful dispersion across sectors and styles.

Barometer Tactical Equity Pool

The Barometer Tactical Equity Pool delivered solid results in the fourth quarter, with performance led by strength across Industrials, Information Technology, Financials, and Materials.

Consistent with themes that drove results in the prior quarter, particularly AI infrastructure and aerospace/defense, the portfolio continued to benefit from exposure to leadership groups with strong demand visibility.

Industrials were the largest contributor, led by Bombardier (BBD/B.CA) and U.S. aerospace/defence holdings Caterpillar (CAT), RTX Corp. (RTX), and Howmet Aerospace (HWM). CAT continued to benefit from robust demand in its energy & transportation business, which has become increasingly tied to expanding global power needs, particularly the build-out of AI data centers requiring reliable on-site generation capacity.

RTX and Howmet extended gains as commercial aerospace demand remained strong and defense spending stayed elevated amid ongoing geopolitical uncertainty, supporting backlog strength and long-cycle earnings durability.

Information Technology also contributed meaningfully, with Lam Research (LRCX) advancing

as semiconductor capital spending remained supported by AI-driven demand for advanced chips and leading-edge fabrication tools. Celestica (CLS.CA) continued to benefit from sustained hyperscaler investment in high-bandwidth networking and data-center infrastructure, reinforcing the durability of the AI hardware build-out theme.

Financials added to returns, led by National Bank (NA.CA), supported by strong wealth and capital markets performance and continued execution following its strategic expansion. Banco Santander (SAN) also contributed as European banks continued to demonstrate strong earnings power and shareholder return capacity.

Materials exposure contributed positively, with Buenaventura Mining (BVN) and Kinross (K.CA) supported by resilient precious metals pricing and ongoing investor demand for real-asset hedges.

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Consumer Discretionary exposure, achieved through ownership of Sea Limited (SE) contributed negatively as investors weighed growth expectations and downward estimate revisions. Utilities exposure also lagged, reflecting a more cautious tone toward rate-sensitive yield equities.

Communication Services exposure was mixed. Alphabet Inc. (GOOGL) contributed positively, while Take-Two Interactive Software (TTWO) made a negative contribution after Grand Theft Auto VI was further delayed, leaving the sector modestly positive overall.

Barometer Tactical Income Pool

The Barometer Tactical Income Pool entered the quarter fully invested, with exposure to leadership groups like financials, industrials, and communication services.

Financials exposures were the largest contributors, driven by National Bank (NA.CA), Royal Bank (RY.CA), Power Corporation (POW.CA),

Morgan Stanley (MS), and Banco Santander (SAN). In Canada, the large banks continued to demonstrate resilient profitability and capital strength, supporting shareholder return expectations even as investors monitored the path of interest rates and credit conditions. In the U.S., Morgan Stanley benefited from a supportive backdrop for capital markets activity and wealth management momentum. Santander also advanced as European banks continued to generate attractive returns on equity while increasing investment in growth geographies.

Industrials contributed meaningfully, with Caterpillar (CAT), Finning (FTT.CA), RTX (RTX), and Howmet (HWM) all adding to returns. Caterpillar and Finning continued to benefit from healthy equipment demand and ongoing infrastructure and power-related spending, while RTX and Howmet were supported by strong commercial aerospace conditions and sustained defense demand that helped reinforce long-cycle revenue visibility through backlogs.

Communication Services exposure contributed positively, with Alphabet (GOOGL) delivering strong returns as investors continued to reward the company for resilient advertising trends and ongoing progress monetizing AI across Search and Cloud. Energy exposure achieved through ownership of Tamarack Valley (TVE.CA) also added to return as the market continued to favour disciplined Canadian producers focused on free cash flow generation and shareholder-friendly capital allocation.

Utilities sector exposure, namely Capital Power (CPX) lagged amid continued sensitivity to rate expectations and broader volatility in yield-oriented equities. Given Capital Power's exposure to AI infrastructure build-out, it trades in a volatile manner. Gold miners such as Agnico Eagle Mining (AEM.CA), Wheaton Precious Metals (WPM.CA), and Alamos Gold (AGI.CA) were only a slight drag on performance during the quarter despite delivering strong returns

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Throughout the year. Precious metals weakened primarily during the final days of December as record-high gold and silver prices pulled back sharply in thin holiday trading, driven by profit-taking and higher margin requirements imposed by the exchanges.

Barometer Tactical Balanced Pool

The Barometer Tactical Balanced Pool delivered positive results in the fourth quarter, with performance led by strength in Energy, Financials, Communication Services, and Materials. Consistent with the tone and positioning highlighted in last quarter's commentary, the pool remained tilted toward leadership groups with durable cash flows and strong visibility, while emphasizing secular themes tied to AI infrastructure, global power demand, and rising metal prices.

Energy was a key contributor, led by Tamarack Valley Energy (TVE.CA), where exposure to the Clearwater heavy oil play continued to support results.

Clearwater remains one of the strongest economic oil plays in North America, and Tamarack has reinforced its positioning through ongoing operational execution and tuck-in activity, supporting production strength and free cash flow generation. The portfolio also benefited from ownership of Cameco (CCO.CA), as uranium equities remained supported by the structural tailwinds behind nuclear energy, including rising global demand for reliable baseload power and improving long-term contracting activity.

Financials were another important contributor, with Power Corp (POW.CA), Banco Santander (SAN), Royal Bank of Canada (RY.CA), and CIBC (CM.CA) all adding to returns. Banks continued to benefit from resilient earnings and strong capital positions, while investor confidence improved around the durability of net interest income and the ability to maintain healthy capital return programs. Santander also continued to reflect stronger sentiment toward European financials as earnings visibility stabilized,

and capital discipline remained supportive.

Communication Services exposure contributed meaningfully, led by Alphabet (GOOGL), which continued to benefit from solid advertising trends and steady momentum in its AI-driven cloud and search initiatives. Finally, Materials exposure added to performance, with Hubbay Minerals (HBM.CA) and Rio Tinto (RIO) benefiting from strength in copper and base metals. Copper prices surged into year-end amid rising demand tied to electrification, infrastructure, and data-center buildouts, alongside persistent supply constraints, supporting miners levered to the theme.

On the detractor side, Technology was slightly negative, largely reflecting the timing of the adds of Broadcom (AVGO) and Apple (AAPL) and some late-quarter consolidation. Broadcom experienced volatility following results despite strong AI-driven growth, as investors debated backlog quality and margin mix.

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Apple also retraced modestly from early-December highs amid valuation sensitivity and limited near-term catalysts.

Barometer Global Macro Pool

The Barometer Global Macro Pool delivered positive performance in the fourth quarter, supported by gains across commodities, Japan, and Canada, while several tactical short positions detracted as U.S. equities continued to grind higher into year-end.

The portfolio's results reflected a constructive environment for real assets and select international equity exposures, paired with a more challenging backdrop for short-biased hedges in segments of the U.S. market that proved resilient. Commodities were the most significant contributor, led by precious metals and copper exposure.

The portfolio benefited from a diversified basket of physical precious metals holdings including Sprott Physical Silver Trust (PSLV), Sprott Physical Gold Trust (PHYS), abrdn Physical Platinum Shares ETF (PPLT), abrdn Physical Palladium Shares ETF (PALL), and the Global X Silver Miners ETF (SIL). These positions performed well as investors continued to seek hard-asset hedges amid persistent geopolitical uncertainty, elevated fiscal deficits, and ongoing debate around the direction of real interest rates. Copper exposure through the Sprott Junior Copper Miners ETF (COPJ) and Global X Copper Miners ETF (COPX) also added meaningfully, supported by a firm base-metals tape tied to electrification demand and data-center-related power infrastructure.

International equity exposures also contributed. Japan holdings, including the First Trust Japan AlphaDEX Fund (FJP),

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WisdomTree Japan Hedged Equity ETF (DXJ), and iShares MSCI Japan ETF (EWJ), benefited from improving corporate governance, stronger domestic momentum, and continued foreign investor interest in Japanese equities (with DXJ additionally reducing yen-currency sensitivity). Canadian equity exposure via the iShares S&P/TSX 60 Index ETF (XIU) also added to returns as Canada's large-cap financial and resource-heavy benchmark remained supported into year-end.

On the detractor side, the portfolio's short positions weighed on performance. Shorts in U.S. Health Care, via the Health Care Select Sector SPDR Fund (XLV) and iShares U.S. Medical Devices ETF (IHI), detracted as defensives held up better than expected. Short positions in U.S. regional banks (SPDR S&P Regional Banking ETF, KRE), semiconductors (iShares Semiconductor ETF, SOXX), and small caps (iShares Russell 2000 ETF, IWM) also detracted as risk appetite remained resilient into

quarter-end, particularly in areas tied to expectations for a softer economic landing.

Looking Forward

As we enter the new year, we remain constructive but disciplined. Portfolios are just shy of being fully invested, reflecting our view that market conditions are broadly supportive; while still leaving room to respond tactically should volatility re-emerge. Encouragingly, several of the market characteristics we monitor most closely have improved, particularly market breadth, with participation widening beyond the narrow leadership of a handful of mega-cap names. Historically, broader participation tends to provide a more durable foundation for advances and reduces fragility within the overall trend.

We also continue to see long-cycle themes that have driven performance in recent quarters,

AI infrastructure, rising global power demand, and real assets, as likely to remain influential in 2026.

While some areas, particularly AI-exposed semiconductors, have experienced bouts of consolidation after significant gains, the underlying demand backdrop continues to appear strong. At the same time, the policy environment remains a key swing factor: shifts in rate expectations and liquidity conditions can still drive meaningful rotation, especially in more rate-sensitive segments.

With markets showing constructive momentum and improving internal strength, we believe the path of least resistance remains higher. Our focus will remain on maintaining exposure to leadership while actively managing risk and reserving flexibility to take advantage of dislocations when they emerge.

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