

August 27, 2025

2025 Semi-Annual Letter

Barrage Fund

Management Report

For the period of January 1st to June 30th 2025, the S&P/TSX Index posted a return of 10.16% (including dividends) while the S&P 500 generated a return of 0.77% (in Canadian dollars and including dividends). The Barrage Fund's return for the same period was 9.66% before fees and 7.94% after fees.

Market Commentary

Since the beginning of 2025, the Trump administration has imposed multiple massive tariffs, reaching up to 50% on certain products such as steel and aluminum, or 10% to 30% depending on the importing country, leading to a spiral of uncertainty for American companies and their global network of suppliers.

During the first few months of the year, these tariffs created anxiety among investors. In April, the index had plunged as much as 19% from its previous peak. At the time of writing, the same index has surpassed that peak by 5%, consistently reaching new records. Fears seem to have completely faded, as if nothing had happened since the beginning of the year. This is largely explained by the fact that many companies have announced excellent results, despite the economic climate.

As we mentioned in our previous letter, our stocks have little exposure to tariffs. However, tariffs or not, the results in the first two quarters have simply dazzled us. The following table shows the year-over-year growth in earnings per share for the first quarter (Q1) and second quarter (Q2):

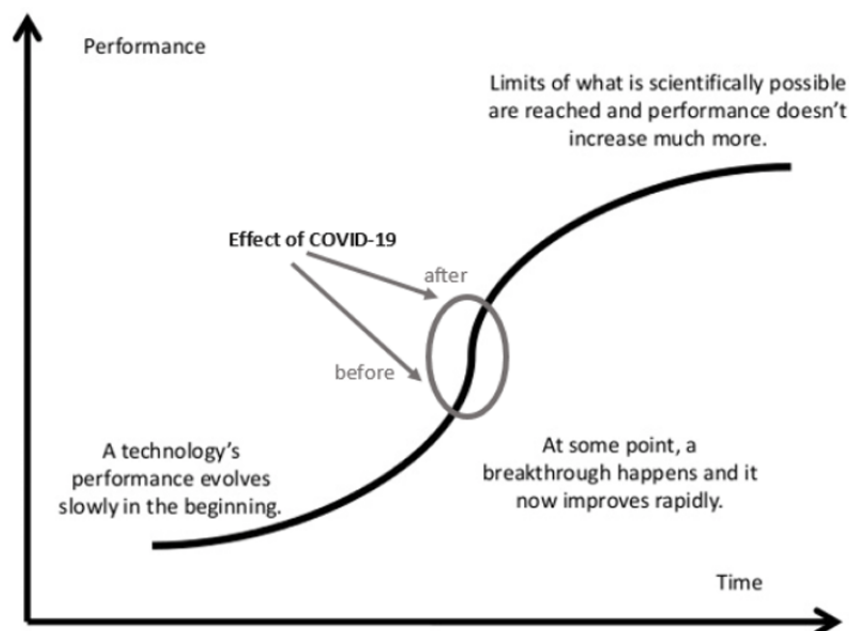
Meta	T1	+37%	T2	+38%
Netflix	T1	+25%	T2	+47%
Microsoft	T1	+18%	T2	+24%
Amazon	T1	+62%	T2	+33%
Alphabet	T1	+49%	T2	+22%
Spotify	T1	+10%	T2	-215%

With the exception of Spotify, our companies exceeded our expectations. The loss observed at the music streaming service was due to the increase in the value of its exchangeable notes. The rising share price inflated the value of this liability, resulting in a loss that will not necessarily be repeated in the future. Fortunately, the data we are closely monitoring has proven encouraging, with an 11% increase in the number of monthly active users.

The current big trend: artificial intelligence

We are often asked if we plan to invest in artificial intelligence (AI). What changes do we plan to make to our portfolio to benefit from it? Have we purchased new stocks to better position the fund?

In our 2020 semi-annual letter, we explained that the technology companies in our portfolio were benefiting from the major shift to digital, temporarily accelerated by Covid-19. We then saw the backlash in 2022, with the trend slowing sharply, only to pick up again in 2023. Here's the "S" curve graph that appeared in our letter:



Now, we believe a similar "S" is happening again, but this time with AI. This kind of movement occurs when a technological innovation disrupts all sectors, on a global scale. There is no doubt that AI is a major change, affecting not only companies, but probably workers even more. Some see it as a truly existential threat for the future.

Geoffrey Hinton, often called the "Godfather of AI" for his pioneering work on neural networks, explains why he left his job at Google and why he's now sounding the alarm about artificial intelligence. He expresses his fears about the short and long-term dangers of AI, arguing that humanity has already lost control of the technology.

In the short term, he is concerned about the rapid development of AI for military purposes, which could lead to the creation of combat robots. He also highlights its malicious use in the creation of fake news, as well as a risk of increasing unemployment by making many jobs obsolete.

In the long run, Hinton speaks of a superintelligence that we might not be able to control. He compares it to taming a cute little tiger cub, which becomes dangerous as an adult.

On the other hand, AI is expected to bring enormous benefits, particularly in the fields of health and education. All of humanity will benefit from the significant productivity gains to come. On the business side, a few companies will emerge as particular winners: the tech giants.

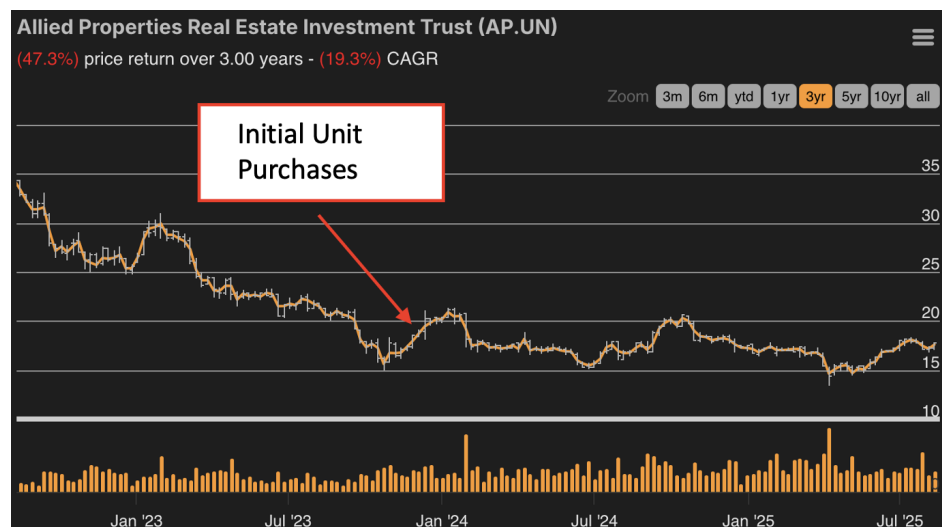
So, when we are asked if we have recently positioned the portfolio to take advantage of the AI trend, the answer is that we are “already” ideally positioned! Our companies’ 2026 capital expenditure budgets (largely for artificial intelligence) were revised upwards in the latest results (note that these are estimates that may come from analysts, and the amounts may vary):

Meta	100 billion
Microsoft	120 billion
Amazon	100 billion
Alphabet	95 billion
Total:	415 billion

Last April, Mark Zuckerberg said during a podcast with Dwarkesh Patel: *“I guess that sometime in the next 12 to 18 months, we’ll reach the point where most of the code that’s going towards these efforts is written by AI. And I don’t mean autocomplete...if you give it a goal, it can run tests, it can improve things, it can find issues, it writes higher quality code than the average very good person on the team already.”*

Imagine the potential savings in labour costs! Either the company will be able to produce much more with its current workforce, or it will be able to maintain its services at much lower costs. We will likely see a combination of both.

Allied Properties



We haven't seen any major changes at Allied since we acquired our first units in late November 2023. The company aims to restore occupancy to at least 90%, as well as reduce debt to less than 10x EBITDA (earnings before interest, taxes, depreciation and amortization), compared to 11.9x currently. Investors remain skeptical about the prospects for a return to normal for this company, which explains the current 10% dividend yield. This is the yield we're enjoying while we wait.

Nearly 50% of the company's revenue comes from tenants in the technology and digital industries. It therefore indirectly benefits from the trend toward AI, as it holds properties well-suited to such needs.

Sincerely,

Patrick Thénier

Rémy Morel

Mathieu Beaudry

Maxime Lauzière