

PALOS

CONTENTS

Palos Weekly Commentary

Issue No. 7 | FEBRUARY 14 2019

Amazon & GM!!! Electric Pickup?	1
Palos Funds vs. Benchmarks (Total Returns)	2
Disclaimer & Contacts	3

Palos Funds

*By Charles Marleau, CIM
& Joany Pagé, CFA*

Amazon & GM!!! Electric Pickup?

According to Reuters news, Amazon & GM are in talks to invest in electric pickup truck maker Rivian Automotive LLC. If the big boys move forward with this investment, it will give them a minority stake in the company. However, the big winner will be Rivian as it brings credibility to the company as well as all of GM's manufacturing relationships and knowledge. As we know, GM has a relationship with Magna international Inc (TSX: MG) and Martinrea International Inc (TSX: MRE).

There is a very good chance that MRE could provide some of the body parts for the EV pickup. On the other hand, MG could assemble the whole thing and wouldn't even need to invest in a new plant. This would also be very advantageous to Rivian as they also wouldn't need to invest in a plant. If the investment goes forward, there is a very good chance that MRE and MG could get some serious business from the Rivian pickup truck. Don't forget, Amazon is not in the manufacturing business but in the distribution of goods via its online platform.

Meanwhile, MRE and MG are not pricing in any EV manufacturing opportunities and continue to trade at very attractive multiples. MRE and MG are trading at 3.4x and 4.8x 2019 EV/EBITDA estimates respectively. I see significant value and upside from any EV win for both MRE and MG. Both MG and MRE are held in the Palos Funds.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.51	7.86%
Palos Equity Income Fund - RRSP	PAL101	\$5.71	6.69%
Palos Merchant Fund L.P. (Dec 31, 2018) ²	PAL500	\$1.82	6.59%
Palos WP Growth Fund - RRSP	PAL210	\$7.69	8.76%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019)	PAL300	\$10.18	1.84%
S&P TSX Composite (Total Return with dividends reinvested)			9.35%
S&P 500 (Total Return with dividends reinvested)			10.07%
S&P TSX Venture (Total Return with dividends reinvested)			9.50%
Chart 2: Market Data ¹			Value
US Government 10-Year			2.70%
Canadian Government 10-Year			1.93%
Crude Oil Spot			US \$53.90
Gold Spot			US \$1,310.80
US Gov't10-Year/Moody BAA Corp. Spread			229 bps
USD/CAD Exchange Rate Spot			US \$0.7545

¹ Period ending Feb 13, 2019. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

Palos Weekly Commentary

Issue No. 7 | FEBRUARY 14 2019

Disclaimer:

This publication is proprietary to Palos Management Inc. (along with its affiliate Palos Wealth Management Inc., "Palos"). This publication may be copied, downloaded, stored in a retrieval system, further transmitted, reproduced, disseminated, and/or transferred, in any form or by any means, but only as long as it is unaltered and attributed to Palos. This publication and its contents may not be sold or licensed without Palos' written permission. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made or implied regarding accuracy or completeness. The information provided does not constitute investment advice and it should not be relied upon on as such. If you have received this communication in error, please notify us immediately by electronic mail or telephone. This document may contain certain forward-looking statements that are not guarantees of future performance and future results could be materially different. Past performance is not a guarantee of future performance. "S&P" is a registered trademark of Standard and Poor's Financial Services LLC. "TSX" is a registered trademark of TSX Inc. The Bloomberg USD High Yield Corporate Bond Index is a rules-based, marketvalue weighted index engineered to measure publicly issued noninvestment grade USD fixedrate, taxable, corporate bonds. To be included in the index a security must have a minimum par amount of 250MM.

PALOS

1 Place Ville Marie, Suite 1670
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188

F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110

F. +1 (647) 276-0110

www.palos.ca