

PALOS

CONTENTS

Palos Weekly Commentary

Issue No. 8 | FEBRUARY 21 2019

Palos Funds

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Stelco is Pushing the Boulder Up the Hill	1
Important RRSP Reminder	2
Rappel REER important	3
Palos Funds vs. Benchmarks (Total Returns)	4
Disclaimer & Contacts	5

Stelco is Pushing the Boulder Up the Hill & Important RRSP Reminder

On February 19, 2019, Stelco Holdings (TSX: STLC) announced its financial results and they were impressive in light of the US steel tariff headwinds. Revenue came in at \$648 million and the adjusted EBITDA came in at \$145 million and there was \$23 million negative impact from tariffs. STLC also announced 22% EBITDA margins which is best in class, when compared to the whole North American steel industry. I believe that STLC stellar margins come from having one of the newest and most technologically advanced steelmaking facilities. Not to say that management is also very impressive, hence the operational improvement.

What to do with all the cash? The company declared another special dividend of \$100 million or \$1.13 per share. This special dividend follows STLC's special dividend of \$1.69 in Q2 2018. However, the company is not getting much love even after this stellar quarter as it is trading 3.0x EV/EBITDA on 2019 and its US peers on average are trading 6.2x. I see significant value in STLC and continues to demonstrate that it can execute in a hostile tariff environment. Palos funds hold a position in STLC.

Continue reading for a reminder to contribute to your RRSP and TFSA.

Palos Funds cont.

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Important Reminder to Contribute to Your RRSP and TFSA

Maximizing contributions to your RRSP and TFSA are two of the most important ways that Canadians can accumulate wealth. Here's what you need to know:

RRSP Advantages	<ul style="list-style-type: none"> • RRSP contributions are tax deductible. • Savings grow tax free. • When you retire, you can convert your RRSP to get regular income. • A spousal RRSP can reduce your combined tax burden. • You can borrow from your RRSP to buy your first home or pay your education.
RRSP Contribution Details	<ul style="list-style-type: none"> • The deadline for making your 2018 RRSP contribution is March 1, 2019. • Your 2018 RRSP contribution limit is based on any unused contribution room carried forward from 2017 plus your 2018 contribution amount (18% of your prior year's earned income, subject to a ceiling of \$26,230 in 2018) • If you have already made your 2018 contribution, consider making your 2019 RRSP contribution now to benefit from the tax-deferred growth of an RRSP. The maximum RRSP contribution limit for 2019 is \$26,500.

TFSA Advantages	<ul style="list-style-type: none"> • You can save tax free. • You don't need to earn income to contribute. • You can take the money out whenever you want, without paying any tax. • If you take money out, you can re-contribute the amount the following year.
TFSA Contribution Details	<ul style="list-style-type: none"> • The annual contribution limit for 2019 is \$6,000. • The TFSA contribution room is cumulative and has been accumulating since 2009. Unused contribution room carries forward, currently up to \$63,500.

The sooner you start contributing to an RRSP or TFSA, the more money you'll have when it's time to retire. There's nothing like the power of tax-free compounding returns.

If you would like to open, contribute or have any questions about RRSP or TFSA accounts, contact your investment advisor or email us at info@palos.ca.

Palos Funds cont.

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Rappel important pour cotiser à votre REER et à votre CELI

La façon la plus productive d'accumuler la richesse pour les Canadiens est de maximiser les contributions aux comptes REER et CELI. Voici ce que vous devez savoir :

Avantages du REER	<ul style="list-style-type: none"> • Les cotisations à un REER sont déductibles d'impôt. • Vos épargnes augmentent sans impôt. • Lorsque vous prenez votre retraite, vous pouvez convertir votre REER pour obtenir un revenu régulier. • Un REER de conjoint peut réduire votre fardeau fiscal commun. • Vous pouvez emprunter à votre REER pour acheter votre première maison ou payer vos études.
Détails sur la cotisation au REER	<ul style="list-style-type: none"> • La date limite pour verser votre cotisation REER 2018 est le 1er mars 2019. • Votre plafond de cotisation REER 2018 est basé sur les droits de cotisation inutilisés reportés de 2017 et le montant de votre cotisation 2018 (18% du revenu gagné de votre exercice précédent, sous réserve d'un plafond de 26 230 \$ en 2018). • Si vous avez déjà effectué votre cotisation 2018, songez maintenant à cotiser à votre REER de 2019 pour bénéficier de la plus-value d'un REER avec impôt différé. La limite de cotisation maximale à un REER pour 2019 est de 26 500 \$.

Avantages du CELI	<ul style="list-style-type: none"> • Vous pouvez économiser en franchise d'impôt. • Vous n'avez pas besoin de gagner un revenu pour cotiser. • Vous pouvez retirer l'argent quand vous le souhaitez, sans payer d'impôt. • Si vous retirez de l'argent, vous pouvez réinvestir ce montant l'année suivante.
Détails sur la cotisation au CELI	<ul style="list-style-type: none"> • La limite de contribution annuelle pour 2019 est de 6 000 \$. • Les droits de cotisation CELI sont cumulatifs et s'accumulent depuis 2009. Les droits de cotisation inutilisés sont reportés, jusqu'à présent ils se soldent à 63 500 \$.

Plus tôt vous commencez à cotiser à un REER ou à un CELI, plus vous aurez d'argent au moment de prendre votre retraite. Rien ne vaut le pouvoir des rendements composés libres d'impôt.

Si vous souhaitez ouvrir, cotiser ou avoir des questions sur les comptes REER ou CELI, vous pouvez contacter votre représentant ou envoyez-nous un courriel à info@palos.ca.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.68	10.01%
Palos Equity Income Fund - RRSP	PAL101	\$5.81	8.62%
Palos Merchant Fund L.P. (Dec 31, 2018) ²	PAL500	\$1.82	6.59%
Palos WP Growth Fund - RRSP	PAL210	\$7.84	10.78%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019)	PAL300	\$10.35	3.54%
S&P TSX Composite (Total Return with dividends reinvested)			12.27%
S&P 500 (Total Return with dividends reinvested)			11.41%
S&P TSX Venture (Total Return with dividends reinvested)			11.72%
Chart 2: Market Data ¹			Value
US Government 10-Year			2.64%
Canadian Government 10-Year			1.90%
Crude Oil Spot			US \$56.92
Gold Spot			US \$1,343.30
US Gov't10-Year/Moody BAA Corp. Spread			230 bps
USD/CAD Exchange Rate Spot			US \$0.7590

¹ Period ending Feb 20, 2019. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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