

PALOS

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Palos Weekly Commentary

Issue No. 31 | AUGUST 1, 2019

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Palos Funds

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Nutrien More Resilient

If you recall, spring weather in North America was awful. It felt like summer would never arrive. The cold wet weather led to the worst US planting season in history. Nitrogen and Potash ended up doing much better than the street anticipated. However, retail and phosphate lagged because of the delayed planting season.

The company has significantly diversified itself over the years and we have seen the benefit of this in Q2 2019. The company did trim its 2019 adjusted EPS guidance to \$2.70-\$3.00 from \$2.80-\$3.20. The guidance was cut due to weather and nothing else.

The slowdown in 2019 will lead to low crop inventories. This will spur a strong 2020 as the industry needs to catch up on inventory. The company also sees the corn markets tightening and this should lead to a 10% increase in nutrient demand in 2020. Next year seems to be a record year in the making. Meanwhile, the company increased its dividend by 5% and maximized its buyback, bringing it to 36 million shares (\$1.9 billion), which is approximately 6% of its float. This is impressive as most companies that announce NCIBs never fully execute their commitment.

Disclaimer: Palos Funds are shareholders of NTR.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.49	12.61%
Palos Equity Income Fund - RRSP	PAL101	\$5.72	10.68%
Palos Merchant Fund L.P. (Dec 31, 2018) ²	PAL500	\$1.82	6.59%
Palos WP Growth Fund - RRSP	PAL210	\$7.69	8.78%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019) ³	PAL300	\$9.64	2.53%
S&P TSX Composite (Total Return with dividends reinvested)			16.59%
S&P 500 (Total Return with dividends reinvested)			20.24%
S&P TSX Venture (Total Return with dividends reinvested)			6.34%
Chart 2: Market Data ¹			Value
US Government 10-Year			2.01%
Canadian Government 10-Year			1.48%
Crude Oil Spot			US \$58.58
Gold Spot			US \$1,426.10
US Gov't10-Year/Moody BAA Corp. Spread			214 bps
USD/CAD Exchange Rate Spot			US \$0.7580

¹ Period ending July 31, 2019. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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