

PALOS

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Palos Weekly Commentary

Issue No. 6 | FEBRUARY 10, 2020

By Charles Marleau, CIM

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Innergex Gets A Strategic Investment from Hydro-Quebec

On February 6, 2019 Innergex Renewable Energy (TSX: INE) announced that Hydro-Quebec (HQ), a crown corporation of the province of Quebec, was investing \$661 million into INE at a share price of \$19.08. This equates to 34.6 million shares and a 19.9% ownership in INE. In parallel, INE and HQ announced a strategic 50/50 joint venture (JV). The JV will develop new energy assets globally, which is consistent with INE's recent expansion into Europe, Latin America, and the U.S.

In my view, this deal has created a lot of value for INE shareholders as it provides the company with a clear path to growth. This also adds a strong financial partner that will allow them to bid for larger and more attractive deals. As expected, the stock reacted positively, and the share price jumped 15% following the announcement. The stock is currently overbought and well ahead of itself. Cash is great, but you need to deploy it over time and developing new renewable energy projects is a long process. It simply doesn't happen overnight, especially given the fact that the associated growth will be in jurisdictions where they've never done business before. Furthermore, on fundamentals INE appears expensive on an EBITDA and AFFO basis. I believe the market has gotten overly optimistic and I see this as an opportunity to take profits. While I still believe that INE is a great company and its new JV is a big win, I will wait on the sidelines until fundamentals return to a normalized level before re-investing in the name.

By Charles Marleau, CIM

La version française suit

Dear Palos Friends,

The deadline for your 2019 RRSP contribution is quickly approaching and we would like to remind you of the importance of contributing for the future. The earlier 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 of returns.

You will find enclosed instructions to access your RRSP and TFSA contribution room available, via the CRA online portal, under the "My Account" section.

<https://www.canada.ca/en/revenue-agency/services/e-services/e-services-individuals/account-individuals.html>

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 2019 RRSP contribution is March 2, 2020. • Your 2019 RRSP contribution limit is based on any unused contribution room carried forward from 2018 plus your 2019 contribution amount (18% of your prior year's earned income, subject to a ceiling of \$26,500 in 2019) • If you have already made your 2019 contribution, consider making your 2020 RRSP contribution now to benefit from the tax-deferred growth of an RRSP. The maximum RRSP contribution limit for 2020 is \$27,230.
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 2020 is \$6,000. • The TFSA contribution room is cumulative and has been accumulating since 2009. Unused contribution room carries forward, currently up to \$69,500.

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.

By Charles Marleau, CIM

Chers amis de Palos,

La date limite pour votre cotisation REER 2019 approche à grand pas et nous aimerions vous rappeler l'importance de cotiser pour votre avenir. Plus tôt vous cotisez à un REER ou à un CELI, plus d'argent vous aurez. Il n'y a rien de tel que l'avantage des types de comptes libres d'impôt (CELI) ou de report d'impôt (REER) pour faire fructifier votre argent.

Vous trouverez ci-joint des instructions pour accéder à vos droits de cotisation à un REER et à un CELI disponibles, via le portail en ligne de l'ARC, dans la section «Mon compte». <https://www.canada.ca/fr/agence-revenu/services/services-electroniques/services-electroniques-particuliers/dossier-particuliers.html>

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 2019 est le 2 mars 2020. • Votre plafond de cotisation REER 2019 est basé sur les droits de cotisation inutilisés reportés de 2018 et le montant de votre cotisation 2019 (18% du revenu gagné de votre exercice précédent, sous réserve d'un plafond de 26 500\$ en 2019). • Si vous avez déjà effectué votre cotisation 2019, songez maintenant à cotiser à votre REER de 2020 pour bénéficier de la plus-value d'un REER avec impôt différé. La limite de cotisation maximale à un REER pour 2020 est de 27 230 \$.
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 2020 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 69 500 \$.

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	\$8.65	1.72%
Palos Equity Income Fund - RRSP	PAL101	\$5.84	2.23%
Palos Merchant Fund L.P. (Dec 31, 2019) ²	PAL500	\$1.71	20.15%
Palos WP Growth Fund - RRSP	PAL210	\$7.80	1.82%
Palos-Mitchell Alpha Fund (Fund Initiated on Jan 29, 2019) ³	PAL300	\$10.11	-2.55%
S&P TSX Composite (Total Return with dividends reinvested)			3.73%
S&P 500 (Total Return with dividends reinvested)			3.16%
S&P TSX Venture (Total Return with dividends reinvested)			-0.56%
Chart 2: Market Data ¹			Value
US Government 10-Year			1.58%
Canadian Government 10-Year			1.33%
Crude Oil Spot			US \$50.32
Gold Spot			US \$1,568.60
US Gov't10-Year/Moody BAA Corp. Spread			206 bps
USD/CAD Exchange Rate Spot			US \$0.7516

¹ Period ending February 07, 2020. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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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) 343-7772

www.palos.ca