

Long-Term Perspective

August 30, 2019

## Model Oil Portfolio

We have created a portfolio of oil stocks with a focus on recovery and growth.

**NOTE:** *The Model Oil Portfolio has a longer-term perspective. We update it once a week.*

*Our Portfolio of oil stocks, initiated on June 3, 2019 with a total invested value of \$300,000, is focused on recovery and growth. The Energy sector has been depressed for some time, and most Energy stocks have not fared well since the Portfolio's inception.*

**COMMENT:** *It was another brutal week for oil stocks. Using Tuesday's closing prices, every stock in the Portfolio was in the **RED**. Fortunately, there was a worthwhile recovery on Wednesday and Thursday such that some of the previous carnage was reversed. There was a slight fall-off on Friday. The USA-China trade spat has placed the Energy sector, in both Canada and the USA, in significant retreat. While it is difficult to watch it happening, we are cognizant that many companies in the industry are being much more responsible and are cutting their debt and conserving their cash. Folks, there will be a recovery! Investor sentiment will shift! When it happens there is likely to be a meaningful recovery in energy share prices. You will want to be on board.*

### CURRENT PORTFOLIO

The current portfolio is presented below.

#### MODEL OIL PORTFOLIO Share Price Information

|                              |               | As at: 30-Aug-19              |                      |                     |                      |
|------------------------------|---------------|-------------------------------|----------------------|---------------------|----------------------|
|                              |               | Portfolio Initiated: 3-Jun-19 |                      |                     |                      |
| <u>Company</u>               | <u>Symbol</u> | <u>Purchase Price</u>         | <u>Current Price</u> | <u>First Target</u> | <u>Second Target</u> |
| 1 Baytex Energy Corp.        | BTE           | \$1.93                        | \$1.72               | \$2.35              | \$2.55               |
| 2 Canadian Natural Resources | CNQ           | \$35.20                       | \$31.81              | \$37.50             | \$39.00              |
| 3 Cenovus Energy             | CVE           | \$11.19                       | \$11.62              | \$12.50             | \$13.30              |
| 4 Crescent Point Energy      | CPG           | \$3.98                        | \$4.20               | \$4.30              | \$4.70               |
| 5 Encana Corp.               | ECA           | \$6.80                        | \$5.90               | \$7.80              | \$8.60               |
| 6 Seven Generations Energy   | VII           | \$6.92                        | \$7.20               | \$7.80              | \$8.60               |
| 7 Suncor Inc.                | SU            | \$37.65                       | \$38.94              | \$40.60             | \$42.20              |
| 8 Tournaline Oil Corp.       | TOU           | \$15.66                       | \$12.62              | \$17.20             | \$18.00              |
| 9 Vermilion Energy           | VET           | \$26.19                       | \$18.95              | \$29.70             | \$31.25              |
| 10 Whitecap Resources        | WCP           | \$4.31                        | \$3.67               | \$5.10              | \$5.50               |

NB: **Green** numbers denote the stock price exceeds the Price Target.

NB: The Analyst, either **directly** or **indirectly**, currently owns shares in **BTE, CPG, CVE, and VET**.

The Portfolio's performance is shown on the next page.

## PORTFOLIO PERFORMANCE

The following table shows how the Portfolio has performed since inception on June 3, 2019.

### MODEL OIL PORTFOLIO Portfolio Performance

|                              |                         | As at: 30-Aug-19     |                          |                          |                         |
|------------------------------|-------------------------|----------------------|--------------------------|--------------------------|-------------------------|
|                              |                         | Initiation: 3-Jun-19 |                          |                          |                         |
| <u>Company</u>               | <u>Number of Shares</u> | <u>Purchase Cost</u> | <u>Current Value</u>     | <u>\$ Gain or (Loss)</u> | <u>% Gain or (Loss)</u> |
| 1 Baytex Energy Corp.        | 12,944                  | \$24,999             | \$22,264                 | -\$2,736                 | -10.9%                  |
| 2 Canadian Natural Resources | 710                     | \$24,992             | \$22,585                 | -\$2,407                 | -9.6%                   |
| 3 Cenovus Energy             | 894                     | \$10,004             | \$10,388                 | \$384                    | 3.8%                    |
| 4 Crescent Point Energy      | 2,513                   | \$10,002             | \$10,555                 | \$553                    | 5.5%                    |
| 5 Encana Corp.               | 2,943                   | \$20,009             | \$17,364                 | -\$2,645                 | -13.2%                  |
| 6 Seven Generations Energy   | 2,889                   | \$19,999             | \$20,801                 | \$802                    | 4.0%                    |
| 7 Suncor Inc.                | 664                     | \$25,002             | \$25,856                 | \$854                    | 3.4%                    |
| 8 Tourmaline Oil Corp.       | 1,600                   | \$25,052             | \$20,192                 | -\$4,860                 | -19.4%                  |
| 9 Vermilion Energy           | 955                     | \$25,014             | \$18,097                 | -\$6,917                 | -27.7%                  |
| 10 Whitecap Resources        | 5,796                   | \$24,998             | \$21,271                 | -\$3,726                 | -14.9%                  |
| <b>Stock Totals</b>          |                         | <b>\$210,070</b>     | <b>\$189,373</b>         | <b>-\$20,697</b>         | <b>-9.9%</b>            |
|                              |                         |                      | Stock Annualized Return: |                          | <b>-41.6%</b>           |

### Portfolio Percentages

|                              |           |        |
|------------------------------|-----------|--------|
| Stock Totals                 | \$189,373 | 67.8%  |
| Cash                         | \$89,930  | 32.2%  |
| Cum. Div. Payments           | \$0       | 0.0%   |
| Net Trading Profits/(Losses) | \$0       | 0.0%   |
|                              |           | 100.0% |

|                         | <u>Purchase Cost</u> | <u>Current Value</u> | <u>\$ Gain or (Loss)</u>     | <u>% Gain or (Loss)</u> |
|-------------------------|----------------------|----------------------|------------------------------|-------------------------|
| <b>Portfolio Totals</b> | <b>\$300,000</b>     | <b>\$279,303</b>     | <b>-\$20,697</b>             | <b>-6.9%</b>            |
|                         |                      |                      | Portfolio Annualized Return: | <b>-29.1%</b>           |

## INDUSTRY COMPARISON

Next, the return on the portfolio is compared to various energy bench-marks.

The Portfolio is down 6.9%. The S&P/TSX Energy Index is off 12.4%. The Energy Index Bull 2X ETF (HEU) is off 23.6% and the Energy Index ETF (XEG) is down 12.6%. The price of crude oil is up 2.5% and the Canadian Crude Oil Index (CCX) has risen a startlingly 31.5%.

|                                       | <u>Purchase Cost</u> | <u>Current Value</u> | <u>\$ Gain or (Loss)</u>          | <u>% Gain or (Loss)</u> |
|---------------------------------------|----------------------|----------------------|-----------------------------------|-------------------------|
| <b>Portfolio Totals</b>               | <b>\$300,000</b>     | <b>\$279,303</b>     | <b>-\$20,697</b>                  | <b>-6.9%</b>            |
|                                       |                      |                      | Portfolio Annualized Return:      | <b>-29.1%</b>           |
| <b>S&amp;P/TSX ENERGY INDEX .....</b> | 143.37               | \$125.58             | -17.79                            | <b>-12.4%</b>           |
| (SPTTEN-ut)                           |                      |                      | S&P/TSX Energy Annualized Return: | <b>-52.4%</b>           |

|  | <u>Initial Value</u> | <u>Current Value</u> | <u>Change</u> | <u>% Change</u> |
|--|----------------------|----------------------|---------------|-----------------|
| <b>Crude Oil (SWTIC-sc)</b>              | \$53.73              | \$55.10              | \$1.37        | 2.5%            |
| <b>Canadian Crude Oil Index (CCX-bc)</b> | \$8.16               | \$10.73              | \$2.57        | 31.5%           |
| <b>Crude Oil Bull 2X ETF (HOU-bc)</b>    | \$5.80               | \$5.61               | -\$0.19       | -3.3%           |
| <b>Energy Index ETF (XEG-bc)</b>         | \$9.20               | \$8.04               | -\$1.16       | -12.6%          |
| <b>Energy Bull 2X ETF (HEU-bc)</b>       | \$5.05               | \$3.86               | -\$1.19       | -23.6%          |
| <b>U.S. Oil Fund ETF (USO-bc)</b>        | \$11.30              | \$11.46              | \$0.16        | 1.4%            |
| <b>S&amp;P/TSX Composite Index .....</b> | 16,053.47            | 16,442.07            | 388.60        | 2.4%            |

## DIVIDENDS and YIELDS

The table below indicates the annual dividend and corresponding annual income and yields. This table is updated twice monthly or when a stock is bought or sold. No change from last week.

| <b>MODEL OIL PORTFOLIO</b>       |                            | <b>Annual Income/Yield</b> |                       |                      | <b>As at: 30-Aug-19</b> |                      | <b>Initiation: 3-Jun-19</b> |                      |                        |       |
|----------------------------------|----------------------------|----------------------------|-----------------------|----------------------|-------------------------|----------------------|-----------------------------|----------------------|------------------------|-------|
| <u>Company</u>                   | <u>Symbol</u>              | <u>Number of Shares</u>    | <u>Purchase Price</u> | <u>Current Price</u> | <u>Annual Dividend</u>  | <u>Annual Income</u> | <u>Purchase Yield</u>       | <u>Current Yield</u> | <u>Pay-Out To Date</u> |       |
| 1                                | Baytex Energy Corp.        | BTE                        | 12,944                | \$1.93               | \$1.72                  | \$0.00               | \$0                         | 0.0%                 | 0.0%                   | \$0   |
| 2                                | Canadian Natural Resources | CNQ                        | 710                   | \$35.20              | \$31.81                 | \$1.50               | \$1,065                     | 4.3%                 | 4.7%                   | \$102 |
| 3                                | Cenovus Energy             | CVE                        | 894                   | \$11.19              | \$11.62                 | \$0.20               | \$179                       | 1.8%                 | 1.7%                   | \$45  |
| 4                                | Crescent Point Energy      | CPG                        | 2,513                 | \$3.98               | \$4.20                  | \$0.04               | \$101                       | 1.0%                 | 1.0%                   | \$0   |
| 5                                | Encana Corp.               | ECA                        | 2,943                 | \$6.80               | \$5.90                  | \$0.10               | \$297                       | 1.5%                 | 1.7%                   | \$35  |
| 6                                | Seven Generations Energy   | VII                        | 2,889                 | \$6.92               | \$7.20                  | \$0.00               | \$0                         | 0.0%                 | 0.0%                   | \$0   |
| 7                                | Suncor Inc.                | SU                         | 664                   | \$37.65              | \$38.94                 | \$1.68               | \$1,116                     | 4.5%                 | 4.3%                   | \$0   |
| 8                                | Tourmaline Oil Corp.       | TOU                        | 1,600                 | \$15.66              | \$12.62                 | \$0.40               | \$640                       | 2.6%                 | 3.2%                   | \$160 |
| 9                                | Vermilion Energy           | VET                        | 955                   | \$26.19              | \$18.95                 | \$2.76               | \$2,636                     | 10.5%                | 14.6%                  | \$241 |
| 10                               | Whitecap Resources         | WCP                        | 5,796                 | \$4.31               | \$3.67                  | \$0.35               | \$2,017                     | 8.1%                 | 9.5%                   | \$193 |
| <b>Portfolio Totals</b>          |                            |                            |                       |                      |                         | <b>\$8,050</b>       | <b>2.7%</b>                 | <b>2.9%</b>          | <b>\$775</b>           |       |
| <b>Dividends, Companies Sold</b> |                            |                            |                       |                      |                         |                      |                             |                      | <b>\$0</b>             |       |
| <b>Total Dividends Received</b>  |                            |                            |                       |                      |                         |                      |                             |                      | <b>\$775</b>           |       |

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