

Long-Term Perspective

May 11, 2018

Model Oil Portfolio

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

NOTE: *The Model Oil Portfolio has a longer-term perspective. As such, we will update it once a week, using Friday's closing prices. Also, it will be essentially a Buy-and-Hold portfolio, with minimal trading involved. The portfolio will always be fully invested.*

The initial investment will be a total of \$500,000. To begin with, each of the twenty stocks has an equal weighting, meaning the dollar amount of each holding will be approximately \$25,000. If a stock is sold, the replacement stock will begin with the amount of the closing proceeds of the stock sold. Any residual will be put into "Cash".

We will conduct a portfolio assessment at the end of each month when we will decide whether changes should be made.

COMMENT: *The problem with having 20 stocks in a portfolio is that there is a tendency to have very wide performance experiences. In our Portfolio, the best winner is up 87% and the worst performer is down 55%, and there are varying performances in between. This portfolio terminates on June 30 (actually the 29th), which marks exactly one year, and corresponds with the end of the positive seasonality traits of the sector. Beginning July 2, 2018, we will put together a new oil portfolio and we will include considerably less stocks in it. With less stocks, we can be a bit more proactive and do more sells and buys. For this portfolio, we have only sold one stock all year (and, although it made a profit, that turned out to be a mistake). In the meantime, the portfolio is up 3.9% because of the one trading profit and dividends received. The current stock composition is up only 1.5%. In contrast, the S&P/TSX Energy Index is up 17.2% and the price of crude oil itself has risen 53.6%. So, our performance has not been great, again, because the portfolio was too big and unwieldy. Currently, there are 9 stocks of the 20 that are showing a gain on the year.*

The current portfolio is presented on the following page.

<continued>

MODEL OIL PORTFOLIO Share Price Information As at: 11-May-18 Portfolio initiated: July 1, 2017

<u>Company</u>	<u>Symbol</u>	<u>Purchase Price</u>	<u>Current Price</u>	<u>First Target</u>	<u>Second Target</u>	<u>Third Target</u>	<u>% Inc. to 1st Target</u>	<u>% Inc. to 2nd Target</u>	<u>% Inc. to 3rd Target</u>
1 ARC Resources	ARX	\$16.96	\$13.33	\$18.75	\$20.30	\$21.85	40.7%	52.3%	63.9%
2 Baytex Energy Corp.	BTE	\$3.15	\$5.89	\$6.25	\$6.65	\$7.00	6.1%	12.9%	18.8%
3 Birchcliff Energy	BIR	\$6.11	\$4.29	\$7.00	\$7.80	\$8.60	63.2%	81.8%	100.5%
4 Bonavista Energy	BNP	\$2.71	\$1.61	\$3.13	\$3.52	\$3.90	94.4%	118.6%	142.2%
5 Bonterra Energy	BNE	\$16.74	\$16.64	\$18.75	\$21.88	\$25.00	12.7%	31.5%	50.2%
6 Canadian Natural Resources	CNQ	\$37.42	\$46.04	\$45.30	\$46.88	\$48.45	-1.6%	1.8%	5.2%
7 Cenovus Energy	CVE	\$9.56	\$13.99	\$12.50	\$13.30	\$14.00	-10.7%	-4.9%	0.1%
8 Crescent Point Energy	CPG	\$9.92	\$10.47	\$11.00	\$12.50	\$14.00	5.1%	19.4%	33.7%
9 Encana Corp.	ECA	\$11.41	\$16.90	\$17.20	\$18.00	\$18.80	1.8%	6.5%	11.2%
10 Freehold Royalties	FRU	\$13.05	\$13.42	\$15.25	\$15.63	\$16.00	13.6%	16.5%	19.2%
11 Husky Energy	HSE	\$14.72	\$18.27	\$18.00	\$18.40	\$18.80	-1.5%	0.7%	2.9%
12 Imperial Oil	IMO	\$37.80	\$41.42	\$40.63	\$42.20	\$43.80	-1.9%	1.9%	5.7%
13 Painted Pony Energy	PONY	\$3.17	\$2.59	\$3.52	\$3.90	\$4.30	35.9%	50.6%	66.0%
14 Peyto Exploration	PEY	\$23.52	\$10.63	\$25.00	\$26.55	\$28.13	135.2%	149.8%	164.6%
15 PrairieSky Royalties	PSK	\$29.53	\$26.87	\$32.00	\$32.80	\$33.60	19.1%	22.1%	25.0%
16 Raging River Exploration	RRX	\$8.09	\$7.73	\$8.60	\$9.00	\$9.40	11.3%	16.4%	21.6%
17 Seven Generations Energy	VII	\$22.21	\$16.25	\$23.45	\$25.00	\$26.55	44.3%	53.8%	63.4%
18 Tourmaline Oil	TOU	\$27.88	\$23.41	\$29.70	\$31.25	\$32.80	26.9%	33.5%	40.1%
19 Vermilion Energy	VET	\$41.14	\$44.10	\$43.75	\$46.88	\$50.00	-0.8%	6.3%	13.4%
20 Whitecap Resources	WCP	\$9.26	\$9.16	\$9.75	\$10.15	\$10.55	6.4%	10.8%	15.2%

NB: **Green** negative percentage numbers denote a stock price that has exceeded the Price Target.

NB: The Analyst, either **directly** or **indirectly**, currently owns shares in **Bonavista Energy**, **Cenovus Energy**, and **Painted Pony Energy**.

The performance of these stocks is provided in the table on the next page.

<continued>

MODEL OIL PORTFOLIO Portfolio Performance
As at: 11-May-18 Initiation: July 1, 2017

<u>Company</u>	<u>Symbol</u>	<u>Number of Shares</u>	<u>Purchase Price</u>	<u>Current Price</u>	<u>Purchase Cost</u>	<u>Current Value</u>	<u>\$ Gain or (Loss)</u>	<u>% Gain or (Loss)</u>
1 ARC Resources	ARX	1,474	\$16.96	\$13.33	\$25,000	\$19,649	-\$5,351	-21.4%
2 Baytex Energy Corp.	BTE	7,937	\$3.15	\$5.89	\$25,000	\$46,746	\$21,746	87.0%
3 Birchcliff Energy	BIR	4,092	\$6.11	\$4.29	\$25,000	\$17,553	-\$7,447	-29.8%
4 Bonavista Energy	BNP	9,225	\$2.71	\$1.61	\$25,000	\$14,852	-\$10,148	-40.6%
5 Bonterra Energy	BNE	1,493	\$16.74	\$16.64	\$25,000	\$24,851	-\$149	-0.6%
6 Canadian Natural Resources	CNQ	668	\$37.42	\$46.04	\$25,000	\$30,759	\$5,759	23.0%
7 Cenovus Energy	CVE	2,615	\$9.56	\$13.99	\$25,000	\$36,585	\$11,585	46.3%
8 Crescent Point Energy	CPG	2,520	\$9.92	\$10.47	\$25,000	\$26,386	\$1,386	5.5%
9 Encana Corp.	ECA	2,191	\$11.41	\$16.90	\$25,000	\$37,029	\$12,029	48.1%
10 Freehold Royalties	FRU	1,916	\$13.05	\$13.42	\$25,000	\$25,709	\$709	2.8%
11 Husky Energy	HSE	1,698	\$14.72	\$18.27	\$25,000	\$31,029	\$6,029	24.1%
12 Imperial Oil	IMO	661	\$37.80	\$41.42	\$25,000	\$27,394	\$2,394	9.6%
13 Painted Pony Energy	PONY	7,886	\$3.17	\$2.59	\$25,000	\$20,425	-\$4,575	-18.3%
14 Peyto Exploration	PEY	1,063	\$23.52	\$10.63	\$25,000	\$11,299	-\$13,701	-54.8%
15 PrairieSky Royalties	PSK	847	\$29.53	\$26.87	\$25,000	\$22,748	-\$2,252	-9.0%
16 Raging River Exploration	RRX	3,090	\$8.09	\$7.73	\$25,000	\$23,888	-\$1,112	-4.4%
17 Seven Generations Energy	VII	1,126	\$22.21	\$16.25	\$25,000	\$18,291	-\$6,709	-26.8%
18 Tourmaline Oil	TOU	897	\$27.88	\$23.41	\$25,000	\$20,992	-\$4,008	-16.0%
19 Vermilion Energy	VET	608	\$41.14	\$44.10	\$25,000	\$26,799	\$1,799	7.2%
20 Whitecap Resources	WCP	2,700	\$9.26	\$9.16	\$25,000	\$24,730	-\$270	-1.1%

Stock Totals
\$500,000 \$507,713 \$7,714 1.5%
 Stock Annualized Return: 1.7%

 Cash \$0
 Dividends \$9,756
 Net Trading Profits \$2,138

Portfolio Totals
\$500,000 \$519,608 3.9%
 Portfolio Annualized Return: 4.3%

S&P/TSX ENERGY INDEX
 (.SPTTEN-ut)

 172.10 201.71 29.61 17.2%
 S&P/TSX Energy Annualized Return: 19.0%

	<u>Initial Value</u>	<u>Current Value</u>	<u>Change</u>	<u>% Change</u>
Crude Oil (SWTIC-sc)	\$46.04	\$70.70	\$24.66	53.6%
Canadian Crude Oil Index (CCX-bc)	\$8.18	\$11.70	\$3.52	43.0%
Crude Oil Bull 2X ETF (HOU-bc)	\$5.49	\$11.28	\$5.79	105.5%
Energy Index ETF (XEG-bc)	\$10.94	\$12.83	\$1.89	17.3%
Energy Bull 2X ETF (HEU-bc)	\$7.90	\$10.53	\$2.63	33.3%
U.S. Oil Fund ETF (USO-bc)	\$9.50	\$14.25	\$4.75	50.0%
S&P/TSX Composite Index	15,182.19	15,983.32	801.13	5.3%

The table on the next page shows the change in the portfolio in terms of \$ and %.

MODEL OIL PORTFOLIO **\$ and % Change**
As at: 11-May-18
Since: 1-Jul-17

<u>Company</u>	<u>\$ Gain or (Loss)</u>	<u>% Gain or (Loss)</u>
1 Baytex Energy Corp.	\$21,746	87.0%
2 Encana Corp.	\$12,029	48.1%
3 Cenovus Energy	\$11,585	46.3%
4 Husky Energy	\$6,029	24.1%
5 Canadian Natural Resources	\$5,759	23.0%
6 Imperial Oil	\$2,394	9.6%
7 Vermilion Energy	\$1,799	7.2%
8 Crescent Point Energy	\$1,386	5.5%
9 Freehold Royalties	\$709	2.8%
10 Bonterra Energy	-\$149	-0.6%
11 Whitecap Resources	-\$270	-1.1%
12 Raging River Exploration	-\$1,112	-4.4%
13 PrairieSky Royalties	-\$2,252	-9.0%
14 Tourmaline Oil	-\$4,008	-16.0%
15 Painted Pony Energy	-\$4,575	-18.3%
16 ARC Resources	-\$5,351	-21.4%
17 Seven Generations Energy	-\$6,709	-26.8%
18 Birchcliff Energy	-\$7,447	-29.8%
19 Bonavista Energy	-\$10,148	-40.6%
20 Peyto Exploration	-\$13,701	-54.8%

The table below indicates the annual dividend and corresponding annual income and yields.

MODEL OIL PORTFOLIO Annual Income/Yield **As at: 30-Apr-18** **Initiation: July 1, 2017**

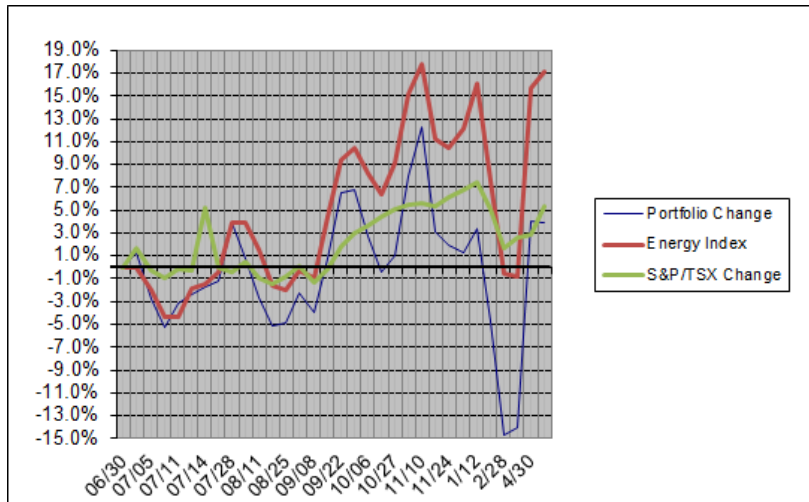
<u>Company</u>	<u>Symbol</u>	<u>Number of Shares</u>	<u>Purchase Price</u>	<u>Current Price</u>	<u>Annual Dividend</u>	<u>Annual Income</u>	<u>Purchase Yield</u>	<u>Current Yield</u>	<u>Pay-Out To Date</u>
1 ARC Resources	ARX	1,474	\$16.96	\$14.32	\$0.60	\$884	3.5%	4.2%	\$737
2 Baytex Energy Corp.	BTE	7,937	\$3.15	\$5.75	\$0.00	\$0	0.0%	0.0%	\$0
3 Birchcliff Energy	BIR	4,092	\$6.11	\$4.65	\$0.10	\$409	1.6%	2.2%	\$307
4 Bonavista Energy	BNP	9,225	\$2.71	\$1.58	\$0.04	\$369	1.5%	2.5%	\$277
5 Bonterra Energy	BNE	1,493	\$16.74	\$15.80	\$1.20	\$1,792	7.2%	7.6%	\$1,493
6 Canadian Natural Resources	CNQ	668	\$37.42	\$46.32	\$1.10	\$735	2.9%	2.4%	\$551
7 Cenovus Energy	CVE	2,615	\$9.56	\$12.86	\$0.20	\$523	2.1%	1.6%	\$392
8 Crescent Point Energy	CPG	2,520	\$9.92	\$11.25	\$0.36	\$907	3.6%	3.2%	\$756
9 Encana Corp.	ECA	2,191	\$11.41	\$15.99	\$0.08	\$169	0.7%	0.5%	\$127
10 Freehold Royalties	FRU	1,916	\$13.05	\$13.01	\$0.60	\$1,149	4.6%	4.6%	\$958
11 Husky Energy	HSE	1,698	\$14.72	\$17.96	\$0.00	\$0	0.0%	0.0%	\$0
12 Imperial Oil	IMO	661	\$37.80	\$39.93	\$0.64	\$423	1.7%	1.6%	\$317
13 Painted Pony Energy	PONY	7,886	\$3.17	\$2.81	\$0.00	\$0	0.0%	0.0%	\$0
14 Peyto Exploration	PEY	1,063	\$23.52	\$12.14	\$1.32	\$1,403	5.6%	10.9%	\$1,169
15 PrairieSky Royalties	PSK	847	\$29.53	\$28.47	\$0.76	\$640	2.6%	2.7%	\$533
16 Raging River Exploration	RRX	3,090	\$8.09	\$7.14	\$0.00	\$0	0.0%	0.0%	\$0
17 Seven Generations Energy	VII	1,126	\$22.21	\$18.32	\$0.00	\$0	0.0%	0.0%	\$0
18 Tourmaline Oil	TOU	897	\$27.88	\$24.15	\$0.00	\$0	0.0%	0.0%	\$0
19 Vermilion Energy	VET	608	\$41.14	\$43.40	\$2.58	\$1,568	6.3%	5.9%	\$1,307
20 Whitecap Resources	WCP	2,700	\$9.26	\$9.30	\$0.28	\$745	3.0%	3.0%	\$621
Portfolio Totals						\$11,718	2.3%	2.3%	\$9,546
Dividends, Companies Sold									\$211
Total Dividends Received									\$9,757

STOCKS SOLD

<u>Company</u>	<u>Purchase Date</u>	<u>Selling Date</u>	<u>Purchase Price</u>	<u>Selling Price</u>	<u>Purchase Cost</u>	<u>Selling Value</u>	<u>\$ Gain or (Loss)</u>	<u>% Gain or (Loss)</u>	<u>Number of Shares</u>	<u>Cum. Gain or (Loss)</u>
Suncor Inc.	1-Jul	14-Sep	\$37.89	\$41.13	\$25,007	\$27,146	\$2,138	8.6%	660	\$2,138

GRAPHIC PERFORMANCE

As at: May 11 → Portfolio = +1.5% (stocks); and +3.9% after dividends and trading profits;
 S&P/TSX Energy Index = +17.2%
 S&P/TSX Composite = +5.3%



DISCLAIMER

eResearch Corporation

eResearch was established in 2000 as Canada's first equity issuer-sponsored research organization. As a primary source for professional investment research, our Subscribers (*subscription is free!!!*) benefit by having written research on a variety of small- and mid-cap, under-covered companies. We also provide unsponsored research reports on middle and larger-sized companies, using a combination of fundamental and technical analysis. We complement our corporate research coverage with a diversified selection of informative, insightful, and thought-provoking research publications from a wide variety of investment professionals. We provide our professional investment research and analysis directly to our extensive subscriber network of discerning investors, and electronically through our website: www.eResearch.ca.

eResearch Disclosure Statement

eResearch is engaged solely in the provision of equity research to the investment community. eResearch provides published research and analysis to its Subscribers on its website (www.eresearch.ca), and to the general investing public through its extensive electronic distribution network and through newswire agencies.

With regards to distribution of its research material, eResearch makes all reasonable efforts to provide its publications, via e-mail, simultaneously to all of its Subscribers.

eResearch does not manage money or trade with the general public, provides full disclosure of all fee arrangements, and adheres to the strict application of its Best Practices Guidelines.