

Long-Term Perspective

May 25, 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:** *Oil took it on the chin this past week. It has been a good run, so a pull-back should not be surprising. The portfolio was off 7.4% for the week but still remains in positive territory overall. In five weeks we will wind this portfolio up and start anew. Next year we plan to be more representative of the real world, meaning we intend to weight share holdings and we will be more proactive in buying and selling. Nonetheless, trying to do well in the investment oil patch is always a challenging endeavour.*

The current portfolio is presented on the following page.

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**MODEL OIL PORTFOLIO Share Price Information** As at: 18-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	\$14.25	\$15.60	\$16.40	\$17.20	9.5%	15.1%	20.7%
2 Baytex Energy Corp.	BTE	\$3.15	\$5.93	\$6.25	\$6.65	\$7.00	5.4%	12.1%	18.0%
3 Birchcliff Energy	BIR	\$6.11	\$4.83	\$5.50	\$5.90	\$6.30	13.9%	22.2%	30.4%
4 Bonavista Energy	BNP	\$2.71	\$1.69	\$1.75	\$2.00	\$2.25	3.6%	18.3%	33.1%
5 Bonterra Energy	BNE	\$16.74	\$17.07	\$18.75	\$21.88	\$25.00	9.8%	28.2%	46.5%
6 Canadian Natural Resources	CNQ	\$37.42	\$48.16	\$45.30	\$46.88	\$48.45	-5.9%	-2.7%	0.6%
7 Cenovus Energy	CVE	\$9.56	\$14.21	\$14.05	\$14.85	\$15.63	-1.1%	4.5%	10.0%
8 Crescent Point Energy	CPG	\$9.92	\$10.93	\$11.00	\$12.50	\$14.00	0.6%	14.4%	28.1%
9 Encana Corp.	ECA	\$11.41	\$17.31	\$17.20	\$18.00	\$18.80	-0.6%	4.0%	8.6%
10 Freehold Royalties	FRU	\$13.05	\$13.81	\$15.25	\$15.63	\$16.00	10.4%	13.2%	15.9%
11 Husky Energy	HSE	\$14.72	\$19.46	\$19.20	\$19.60	\$20.00	-1.3%	0.7%	2.8%
12 Imperial Oil	IMO	\$37.80	\$42.12	\$40.63	\$42.20	\$43.80	-3.5%	0.2%	4.0%
13 Painted Pony Energy	PONY	\$3.17	\$2.77	\$3.35	\$3.75	\$4.15	20.9%	35.4%	49.8%
14 Peyto Exploration	PEY	\$23.52	\$11.27	\$12.50	\$14.00	\$15.50	10.9%	24.2%	37.5%
15 PrairieSky Royalties	PSK	\$29.53	\$28.40	\$32.00	\$32.80	\$33.60	12.7%	15.5%	18.3%
16 Raging River Exploration	RRX	\$8.09	\$7.69	\$8.60	\$9.00	\$9.40	11.8%	17.0%	22.2%
17 Seven Generations Energy	VII	\$22.21	\$18.10	\$23.45	\$25.00	\$26.55	29.6%	38.1%	46.7%
18 Tourmaline Oil	TOU	\$27.88	\$25.71	\$29.70	\$31.25	\$32.80	15.5%	21.5%	27.6%
19 Vermilion Energy	VET	\$41.14	\$47.11	\$46.88	\$50.00	\$53.00	-0.5%	6.1%	12.5%
20 Whitecap Resources	WCP	\$9.26	\$9.89	\$9.75	\$10.15	\$10.55	-1.4%	2.6%	6.7%

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.

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→ **MODEL OIL PORTFOLIO Portfolio Performance** As at: 18-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	\$14.25	\$25,000	\$21,005	-\$3,995	-16.0%
2 Baytex Energy Corp.	BTE	7,937	\$3.15	\$5.93	\$25,000	\$47,063	\$22,063	88.3%
3 Birchcliff Energy	BIR	4,092	\$6.11	\$4.83	\$25,000	\$19,763	-\$5,237	-20.9%
4 Bonavista Energy	BNP	9,225	\$2.71	\$1.69	\$25,000	\$15,590	-\$9,410	-37.6%
5 Bonterra Energy	BNE	1,493	\$16.74	\$17.07	\$25,000	\$25,493	\$493	2.0%
6 Canadian Natural Resources	CNQ	668	\$37.42	\$48.16	\$25,000	\$32,175	\$7,175	28.7%
7 Cenovus Energy	CVE	2,615	\$9.56	\$14.21	\$25,000	\$37,160	\$12,160	48.6%
8 Crescent Point Energy	CPG	2,520	\$9.92	\$10.93	\$25,000	\$27,545	\$2,545	10.2%
9 Encana Corp.	ECA	2,191	\$11.41	\$17.31	\$25,000	\$37,927	\$12,927	51.7%
10 Freehold Royalties	FRU	1,916	\$13.05	\$13.81	\$25,000	\$26,456	\$1,456	5.8%
11 Husky Energy	HSE	1,698	\$14.72	\$19.46	\$25,000	\$33,050	\$8,050	32.2%
12 Imperial Oil	IMO	661	\$37.80	\$42.12	\$25,000	\$27,857	\$2,857	11.4%
13 Painted Pony Energy	PONY	7,886	\$3.17	\$2.77	\$25,000	\$21,844	-\$3,155	-12.6%
14 Peyto Exploration	PEY	1,063	\$23.52	\$11.27	\$25,000	\$11,979	-\$13,021	-52.1%
15 PrairieSky Royalties	PSK	847	\$29.53	\$28.40	\$25,000	\$24,043	-\$957	-3.8%
16 Raging River Exploration	RRX	3,090	\$8.09	\$7.69	\$25,000	\$23,764	-\$1,236	-4.9%
17 Seven Generations Energy	VII	1,126	\$22.21	\$18.10	\$25,000	\$20,374	-\$4,626	-18.5%
18 Tourmaline Oil	TOU	897	\$27.88	\$25.71	\$25,000	\$23,054	-\$1,946	-7.8%
19 Vermilion Energy	VET	608	\$41.14	\$47.11	\$25,000	\$28,628	\$3,628	14.5%
20 Whitecap Resources	WCP	2,700	\$9.26	\$9.89	\$25,000	\$26,701	\$1,701	6.8%

**Stock Totals** **\$500,000** **\$531,473** **\$31,474** **6.3%**  
 Stock Annualized Return: 6.8%

Cash \$0  
 Dividends \$9,757  
 Net Trading Profits \$2,138

**Portfolio Totals** **\$500,000** **\$543,369** **8.7%**  
 Portfolio Annualized Return: 9.4%

**S&P/TSX ENERGY INDEX .....** 172.10 210.38 38.28 **22.2%**  
 (.SPITEN-ut) S&P/TSX Energy Annualized Return: 24.0%

	<u>Initial Value</u>	<u>Current Value</u>	<u>Change</u>	<u>% Change</u>
<b>Crude Oil (SWTIC-sc)</b>	\$46.04	\$71.24	\$25.20	54.7%
<b>Canadian Crude Oil Index (CCX-bc)</b>	\$8.18	\$12.24	\$4.06	49.6%
<b>Crude Oil Bull 2X ETF (HOU-bc)</b>	\$5.49	\$11.55	\$6.06	110.4%
<b>Energy Index ETF (XEG-bc)</b>	\$10.94	\$13.38	\$2.44	22.3%
<b>Energy Bull 2X ETF (HEU-bc)</b>	\$7.90	\$11.46	\$3.56	45.1%
<b>U.S. Oil Fund ETF (USO-bc)</b>	\$9.50	\$14.43	\$4.93	51.9%
<b>S&amp;P/TSX Composite Index .....</b>	15,182.19	16,162.31	980.12	6.5%

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

**MODEL OIL PORTFOLIO**    **\$ and % Change**  
**As at: 25-May-18**  
**Since: 1-Jul-17**

<u>Company</u>	<u>\$ Gain or (Loss)</u>	<u>% Gain or (Loss)</u>
1 Baytex Energy Corp.	\$17,619	70.5%
2 Encana Corp.	\$10,911	43.6%
3 Cenovus Energy	\$10,094	40.4%
4 Husky Energy	\$6,012	24.0%
5 Canadian Natural Resources	\$4,777	19.1%
6 Vermilion Energy	\$2,406	9.6%
7 Imperial Oil	\$2,103	8.4%
8 Whitecap Resources	\$432	1.7%
9 Crescent Point Energy	\$328	1.3%
10 Bonterra Energy	-\$896	-3.6%
11 Freehold Royalties	-\$920	-3.7%
12 Raging River Exploration	-\$2,441	-9.8%
13 PrairieSky Royalties	-\$2,938	-11.8%
14 Tourmaline Oil	-\$3,479	-13.9%
15 ARC Resources	-\$5,483	-21.9%
16 Painted Pony Energy	-\$5,521	-22.1%
17 Seven Generations Energy	-\$6,168	-24.7%
18 Birchcliff Energy	-\$7,406	-29.6%
19 Bonavista Energy	-\$10,793	-43.2%
20 Peyto Exploration	-\$13,935	-55.7%

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**

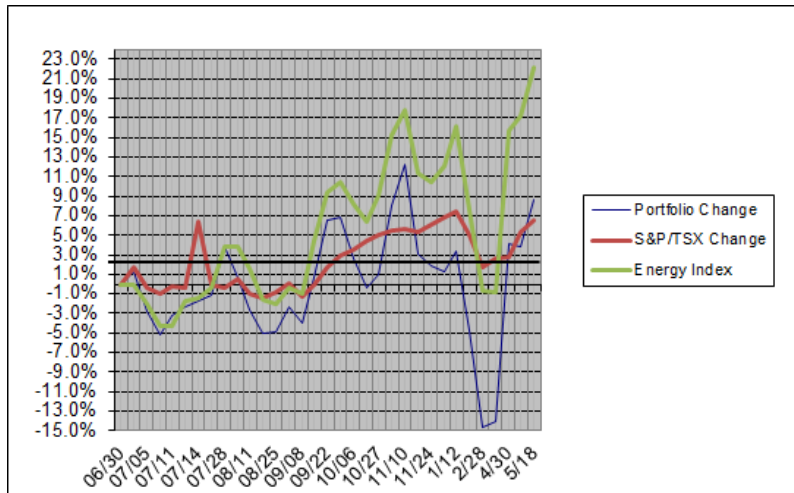
<u>Company</u>	<u>Symbol</u>	<u>Number of Shares</u>	<u>Purchase Price</u>	<u>Current Price</u>	<u>Annual Dividend</u>	<u>Annual Income</u>	<u>Purchase Yield</u>	<u>Current Yield</u>	<u>Pay-Out To Date</u>
1 ARC Resources	ARX	1,474	\$16.96	\$14.32	\$0.60	\$884	3.5%	4.2%	\$737
2 Baytex Energy Corp.	BTE	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
<b>Portfolio Totals</b>						<b>\$11,718</b>	<b>2.3%</b>	<b>2.3%</b>	<b>\$9,546</b>
<b>Dividends, Companies Sold</b>									<b>\$211</b>
<b>Total Dividends Received</b>									<b>\$9,757</b>

## 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 18 → Portfolio = +6.3% (stocks); and +8.7% after dividends and trading profits;  
 S&P/TSX Energy Index = +22.3%  
 S&P/TSX Composite = +6.5%



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