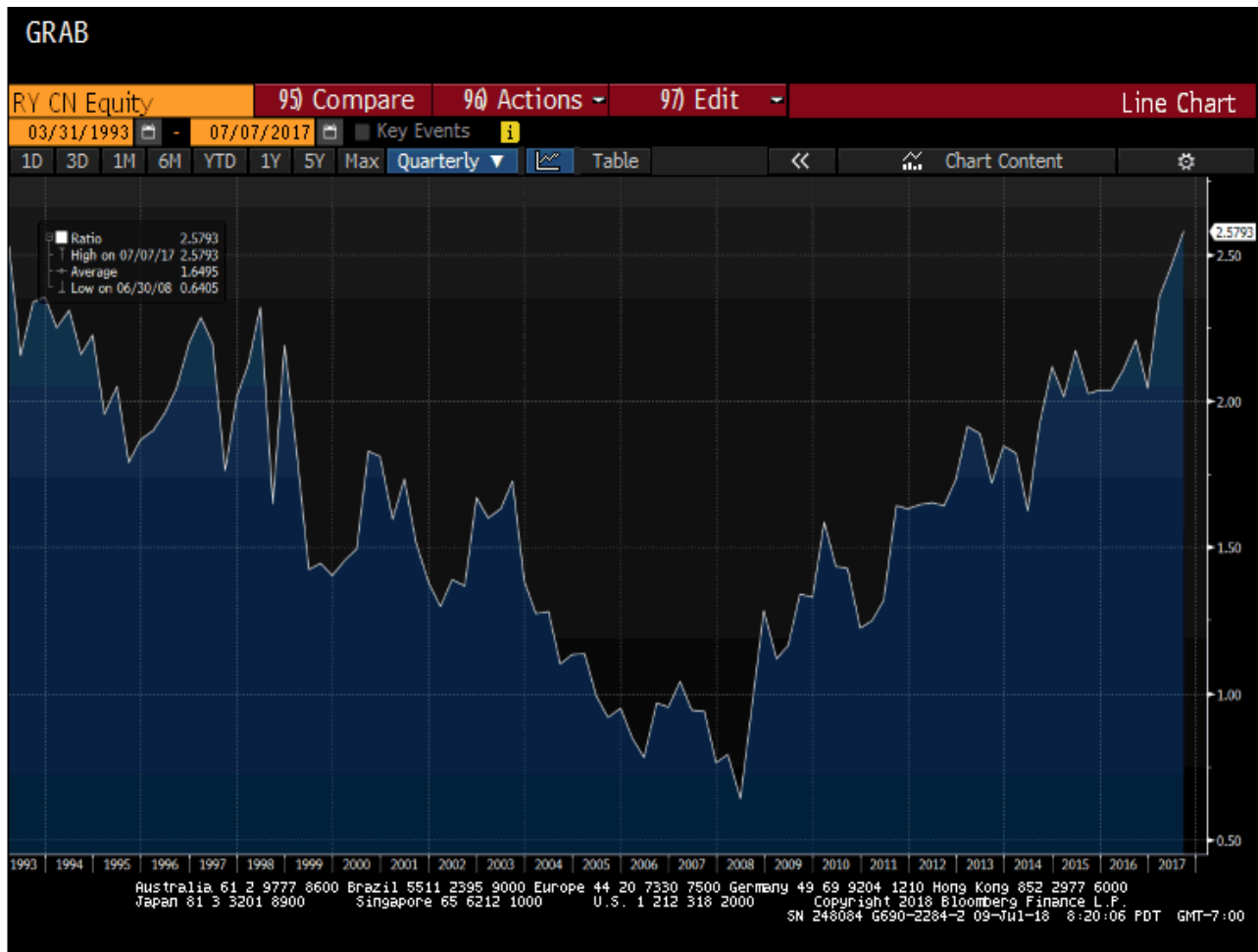


Good afternoon,

July 11, 2018

I hope you are enjoying your summer.

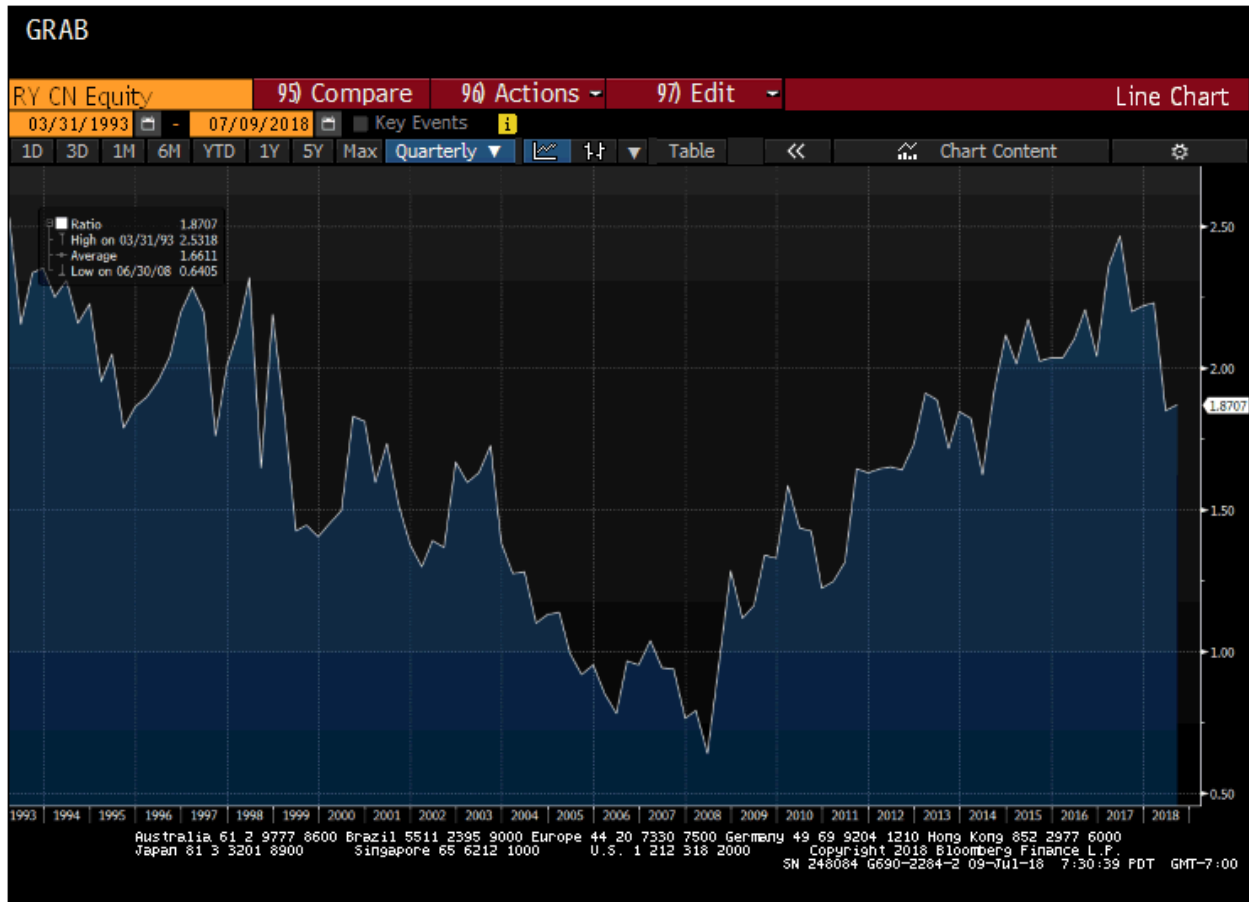
If you recall, this time last year I sent out a chart showing how expensive financials were relative to energy. I illustrated this by taking the bell weather financial stock, RBC, and dividing it by the bell weather energy stock, Suncor. In doing this, one could see the relative over valuation of RBC in comparison to Suncor, as seen by the historically high ratio shown in the graph below. I then hypothesised that portfolio managers would generally be selling financials to buy energy and hedge funds would short financials and buy energy for a market neutral trade.



RBC Stock Price/ Suncor Stock Price (July 7th 2017)

Fast Forward one year...

When we check in on the updated graph today, you can see that our ratio has decreased significantly since last July. This tells us that Suncor has materially increased in value relative to RBC. Dissecting this further we can see that this move can primarily be attributed to the increase in the price of Suncor, rather than a decrease in the price of RBC. Today's observed ratio is still significantly higher than the 25 year average.



RBC Stock Price/ Suncor Stock Price (July 9th 2018)

While energy stocks are still **very** undervalued relative to historical norms, the extreme prices observed last summer have, in fact, moderated. To be exact, Suncor has seen a price rise of 33% in the last year, while RBC has experienced a 6% price rise over the same period. As the corrective phase has now been established, I still anticipate further outperformance by energy over the coming year.

We hope you find these comparisons insightful. If you have any questions please feel free to contact us.

Cheers