

PALISADE CAPITAL CLIENT UPDATE

September 2020: Compare and Contrast

September 10, 2020

Compare & Contrast – Tesla (TSLA)

SeventhFloorCapital published on TradingView.com, September 09, 2020 15:26:28 MDT
NASDAQ:TSLA, 1D 366.28 ▲ +36.07 (+10.92%) O:356.60 H:369.00 L:341.51 C:366.28



- Tesla Revenue growth 3% and net income growth 1.4% in last 12 months
- TSLA stock up over 1,000% in last 12 months until just the last couple days

Compare & Contrast – Royal Bank (RY)

SeventhFloorCapital published on TradingView.com, September 09, 2020 16:46:55 MDT
 TSX:RY, 1D 97.50 ▲ +1.21 (+1.26%) O:97.01 H:97.77 L:96.73 C:97.50



TradingView

- Royal Bank: Revenue down 1% in last 12 months. Stock down 3.5%
- Going forward in 2021 revenue growth of -1% and EPS growth of 11%. Dividend yield 4.5%

Compare & Contrast – TD Bank (TD)

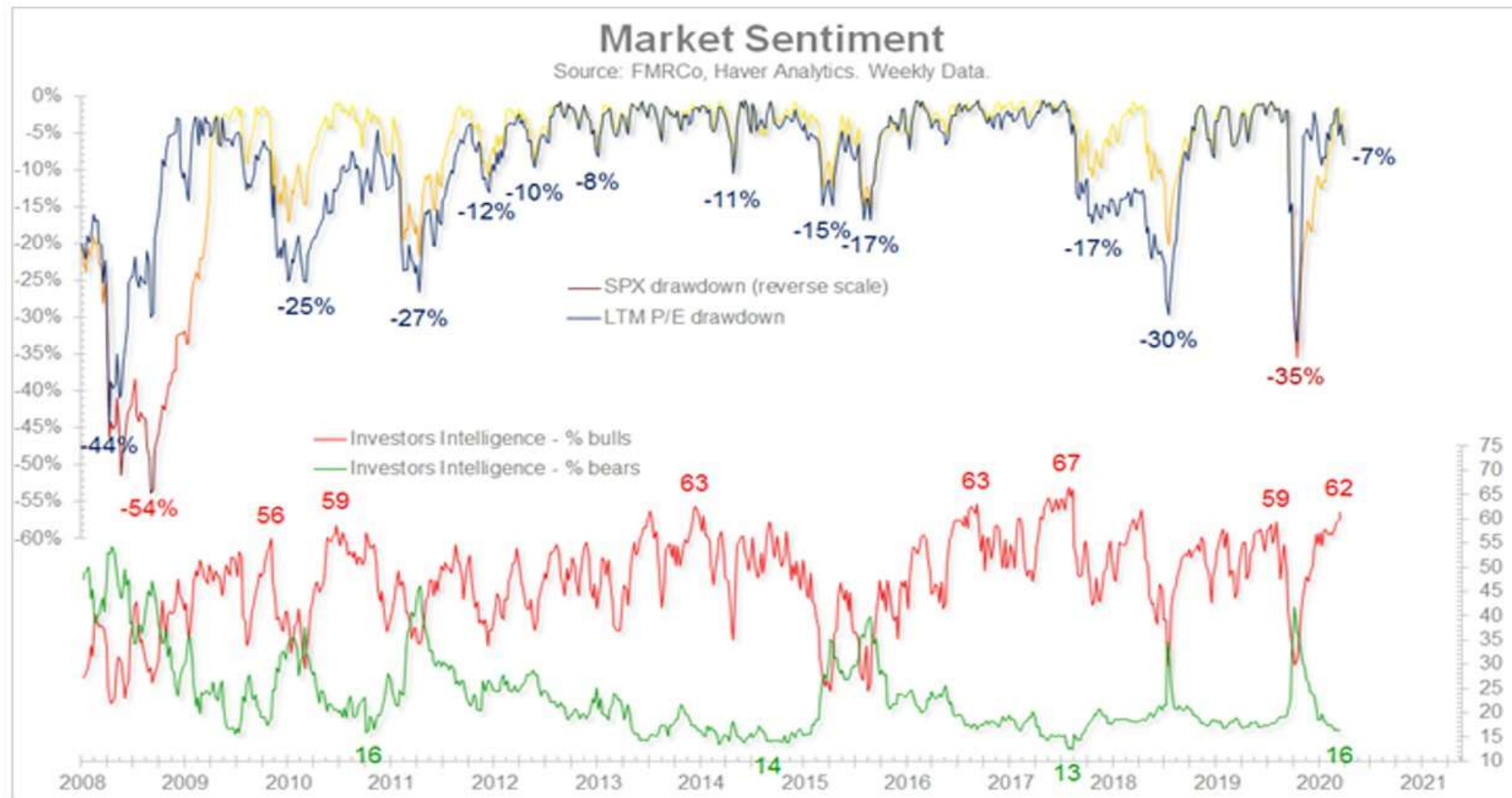
SeventhFloorCapital published on TradingView.com, September 09, 2020 16:51:22 MDT
 TSX:TD, 1D 63.68 ▲ +0.61 (+0.97%) O:63.25 H:64.06 L:63.24 C:63.68



TradingView

- TD Bank: Revenue down 8% in last 12 months. Stock down 13%
- Going forward in 2021 revenue growth of 1% and EPS growth of 12%. Dividend yield 5%

Compare & Contrast – Bullish Sentiment

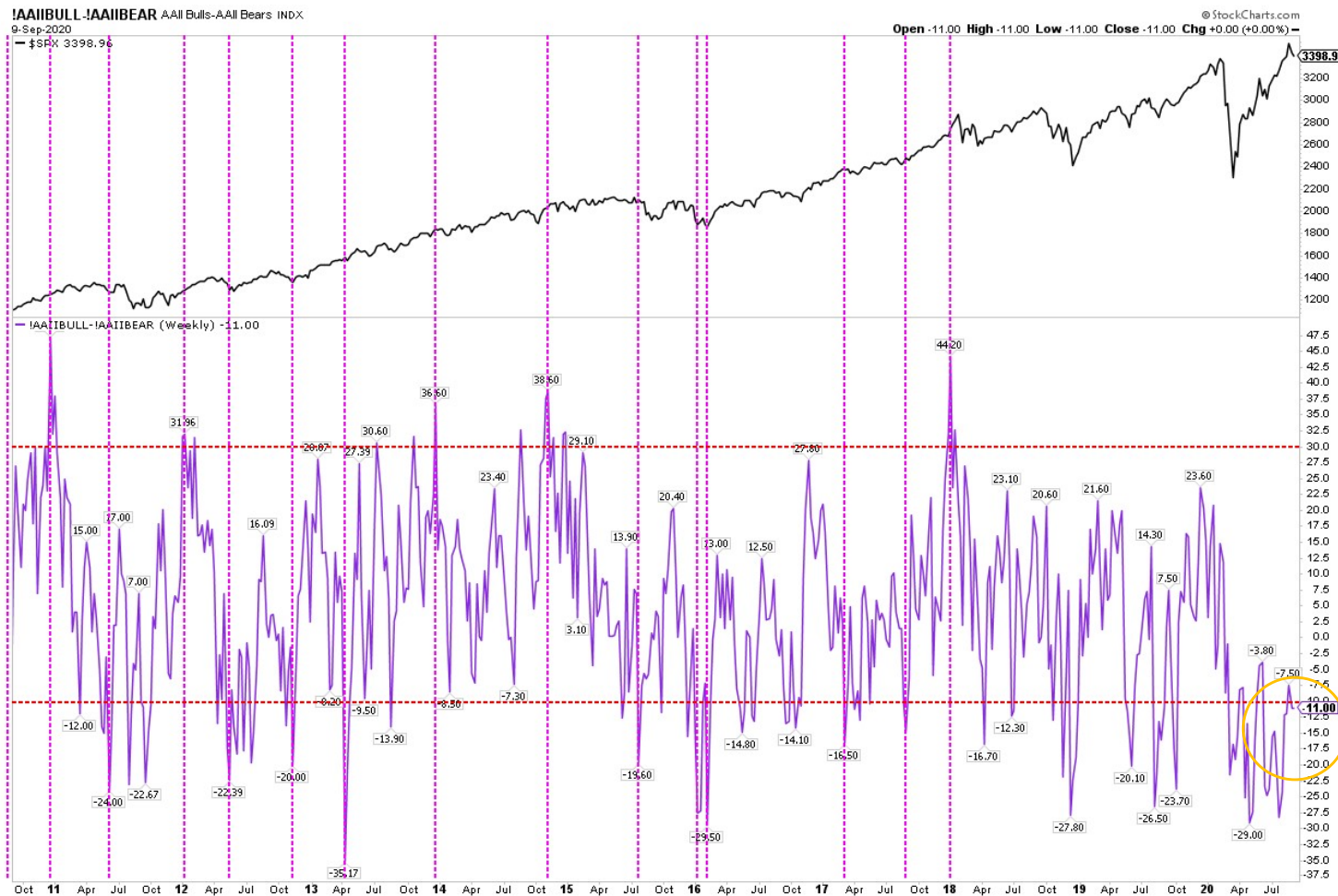


Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 09/04/2020. Past performance is no guarantee of future results.



- Investors Intelligence survey of newsletters at 62% Bulls. Near the higher end of the range
- Excessive bullish sentiment is a much more difficult timing tool compared to extreme bearishness
- 60%+ Bullish readings doesn't have to point to an imminent sell off, but is somewhat cautionary

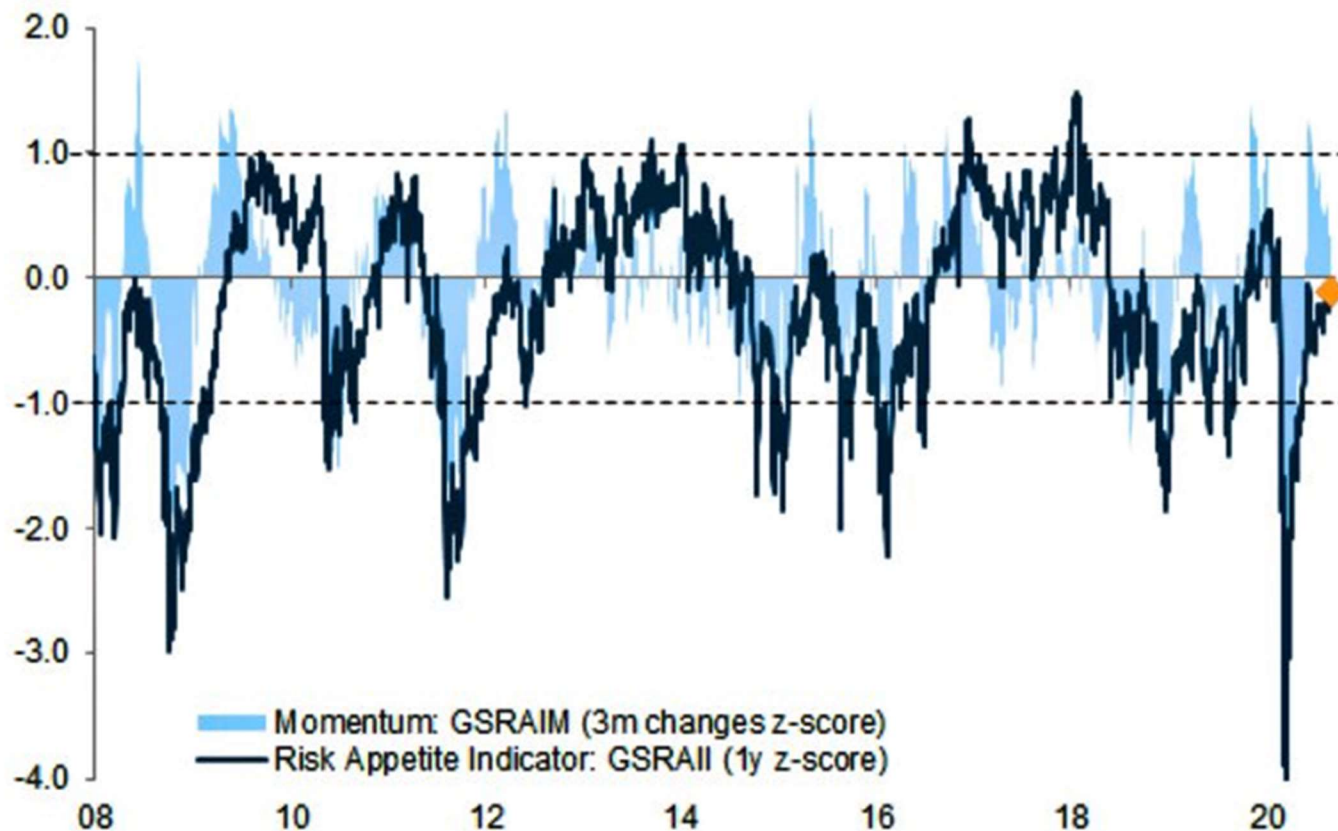
Compare & Contrast – Bearish Sentiment



- In spite of the significant rally since market lows in March the AAI Bull/Bear survey has 11% more bears than bulls
- This reading is more typical of a market bottom than a market top!

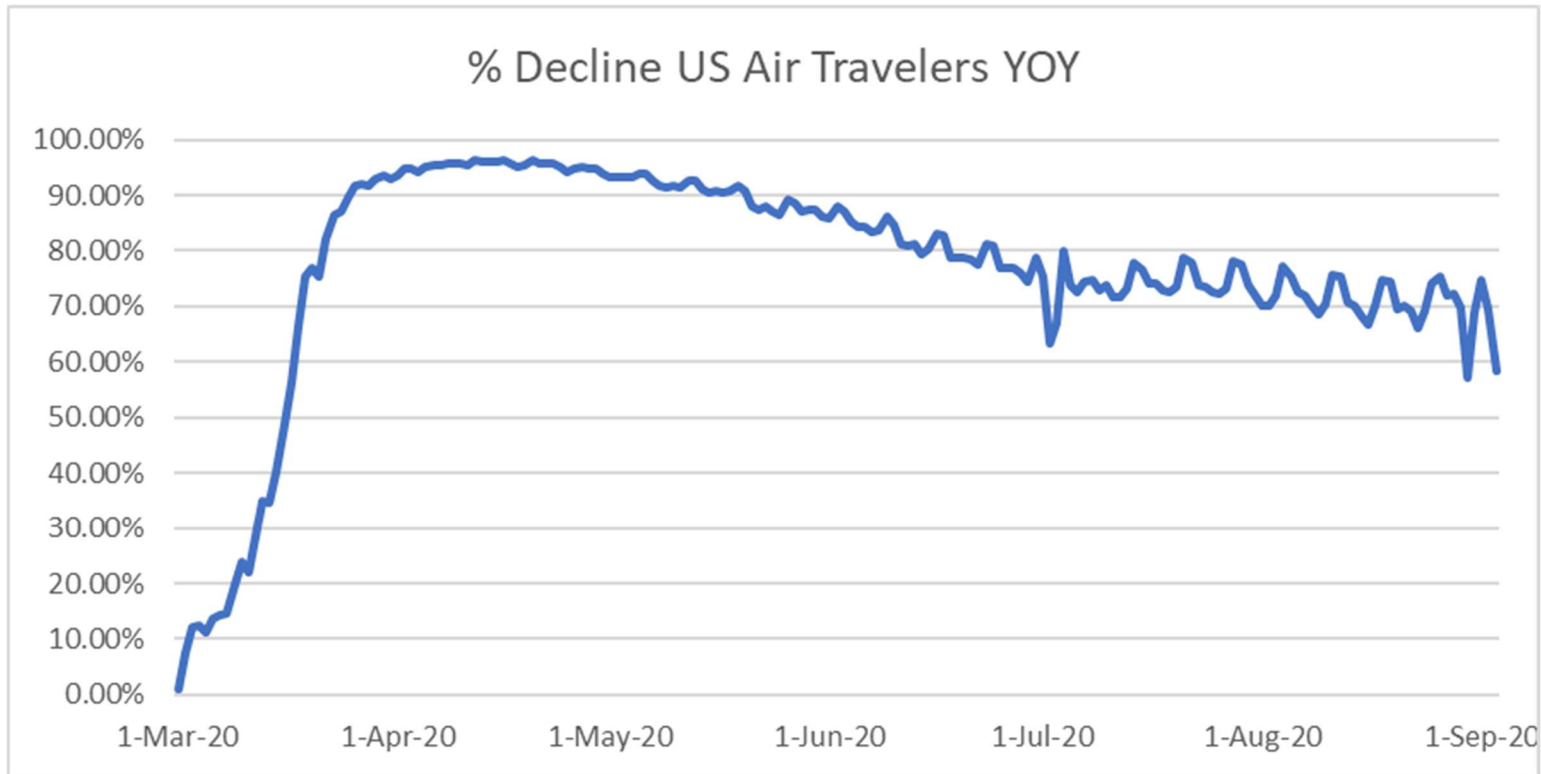
Compare & Contrast – Combined Sentiment

Goldman Sachs Risk Appetite Indicator



- Indicator combines several sentiment surveys, including from the previous two slides
- Broad investor sentiment is middle of the road since 2008
- Points to pockets of excessive bullishness and pockets of apathy

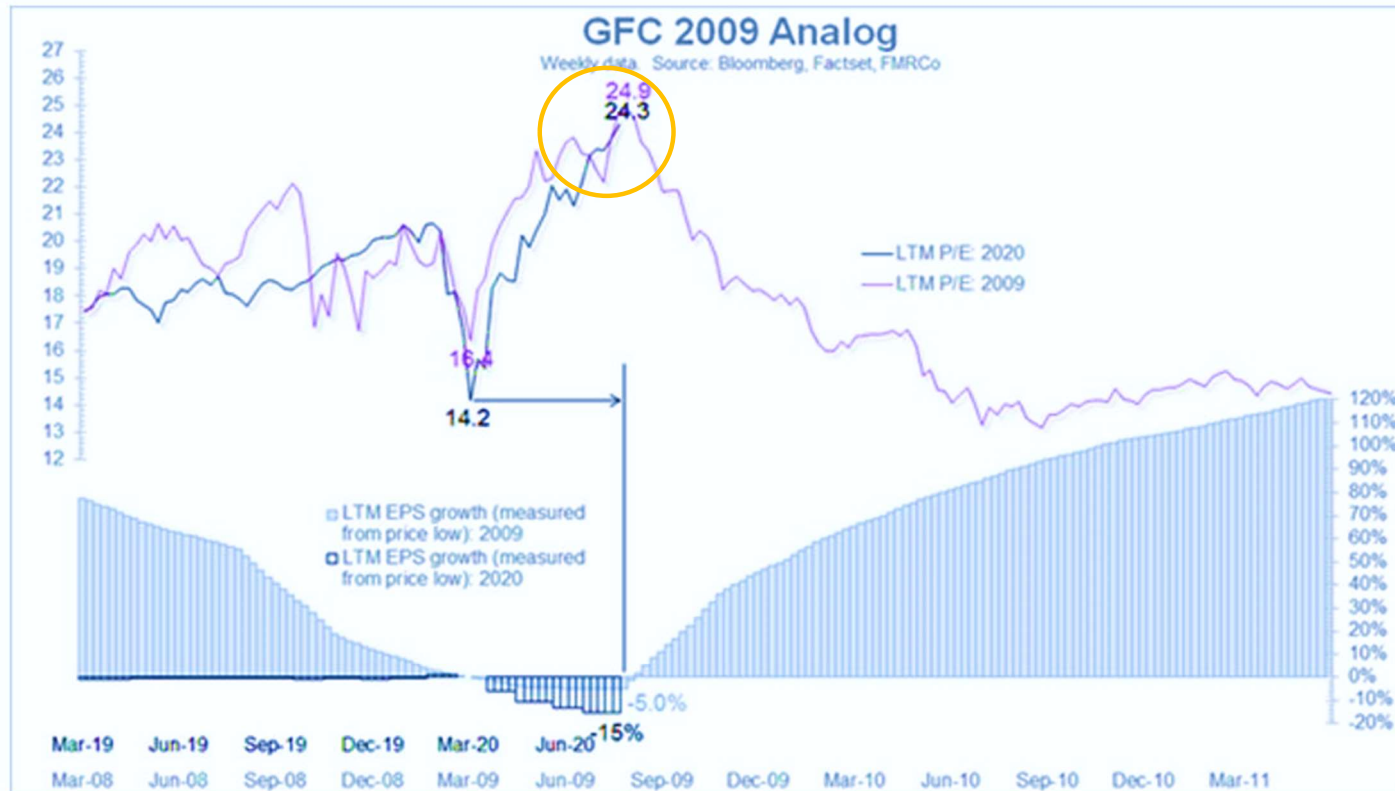
US Air Travel - Flatlined



Source: TSA, Palisade Capital

- Improvement had flatlined from mid-July through end of August
- Last week saw a resumption of the improving trend reach a recovery best level of 57% decline in passenger traffic year over year
- Will likely take time post a vaccine to improve to pre-covid levels

Comparing Valuation to Post 2009 Recovery

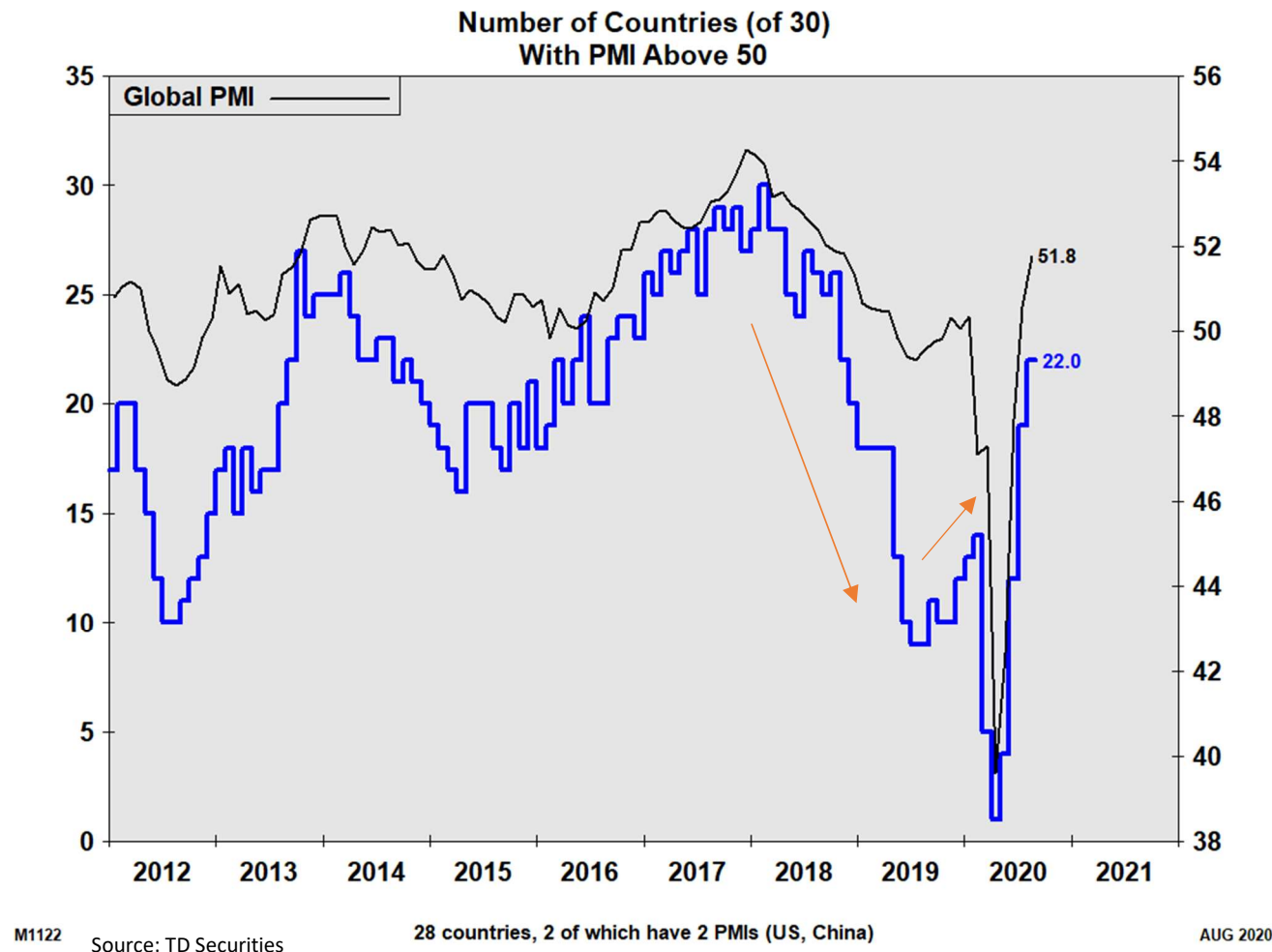


Data source: FMRCo, Bloomberg, Haver Analytics, FactSet. Data as of 08/14/2020. Past performance is no guarantee of future results.



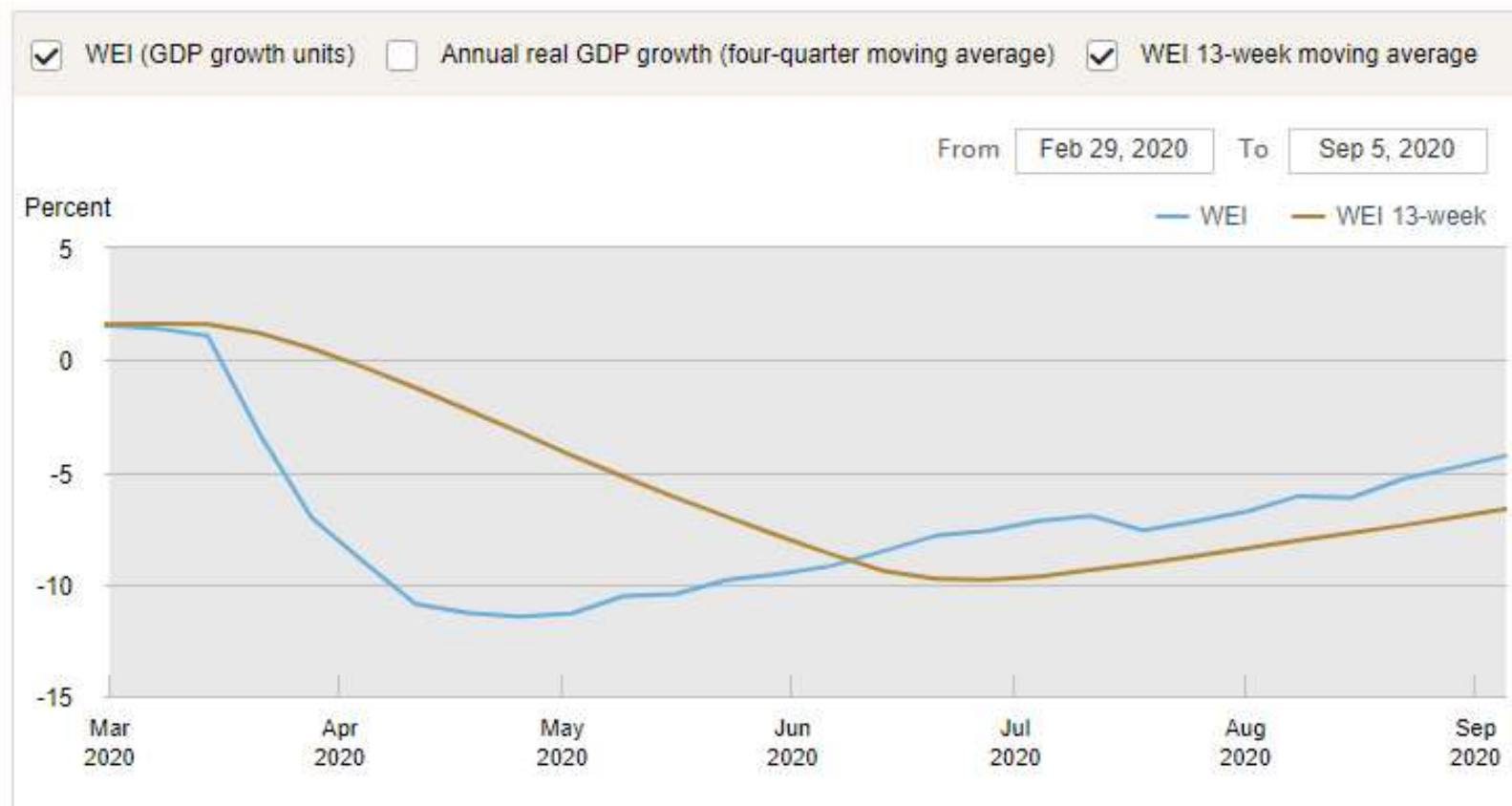
- Bounce from market lows in 2020 looks similar to 2009 from a time and valuation perspective
- In 2009 the market was able to continue its ascent because corporate earnings continued to rise and backfill what looked like expensive valuation

Economic Data – Momentum Continues



- This is a global (28 countries) reading of economic activity
- Data had been deteriorating since mid 2018 with early recovery in late 2019

Weekly Economic Indicators – Still Improving



Source: Federal Reserve Bank of New York

- We highlighted this data in July when there had been a slight dip that corresponded with a brief sell off in the markets
- Steady improvement has been evident since that time

Dow Jones Transportation Average

SeventhFloorCapital published on TradingView.com, September 10, 2020 09:54:53 MDT
DJCFD:DJT, 1D 11244.67 ▼ -0.31 (0%) O:11255.02 H:11335.04 L:11172.59 C:11244.67

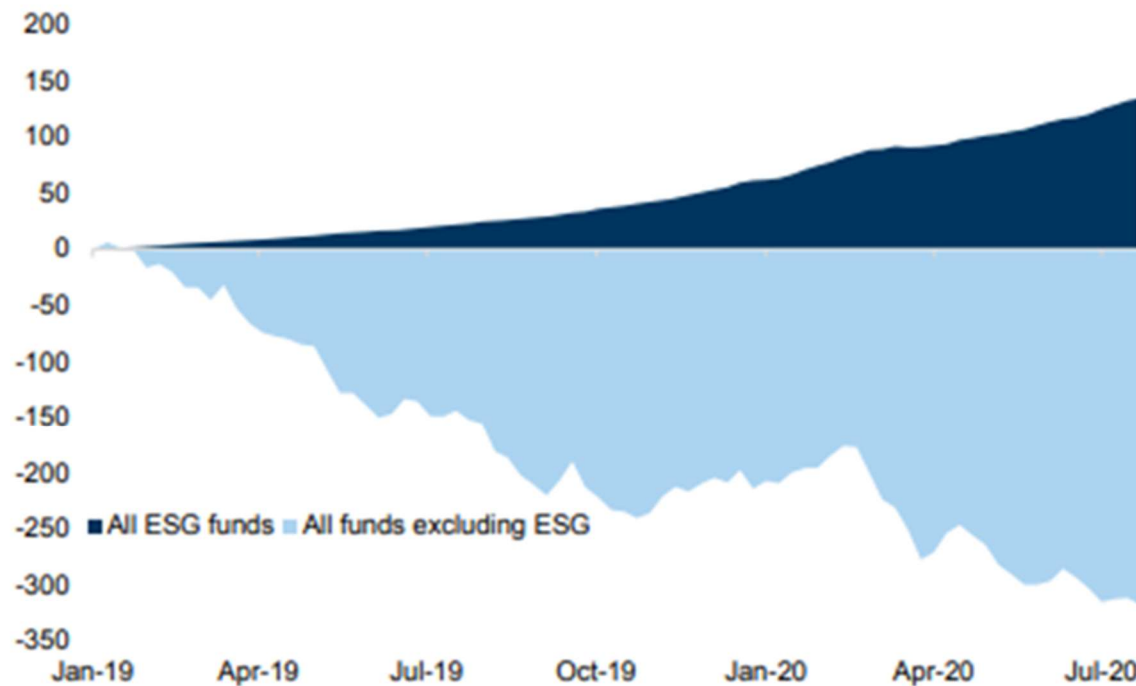


TradingView

- Index comprised of truckers, rails, etc. Core component of economic activity
- Recent market sell off has hardly had an impact in these names. Positive for economy and rotation potential

ESG Fund Flows – Large and Consistent

Cumulative global flows for ESG and non-ESG equity funds, 2019 to July 2020



Source: Goldman Sachs

- Since Jan 2019 ESG oriented fund flows have been positive \$150 billion
- Over same time period all other equity fund flows have been negative \$300 billion!

Current Fund Positioning

Select Fund

- 36% Oil and Gas. 12% Infrastructure. 21% Renewable, 20% Energy Tech, 3% Cash
- Added incremental oil and gas exposure on recent pullback
- Will look to trim some recent winners and re-allocate within growth themes

Vantage Fund

- 2% Cash. 23% Financials. 14% REITs. Balance in Telecom, Utilities, Diversified
- Have made minimal changes since last month. Clearly has exposure to value movement in the markets. Significant upside in the fullness of time

Absolute Fund

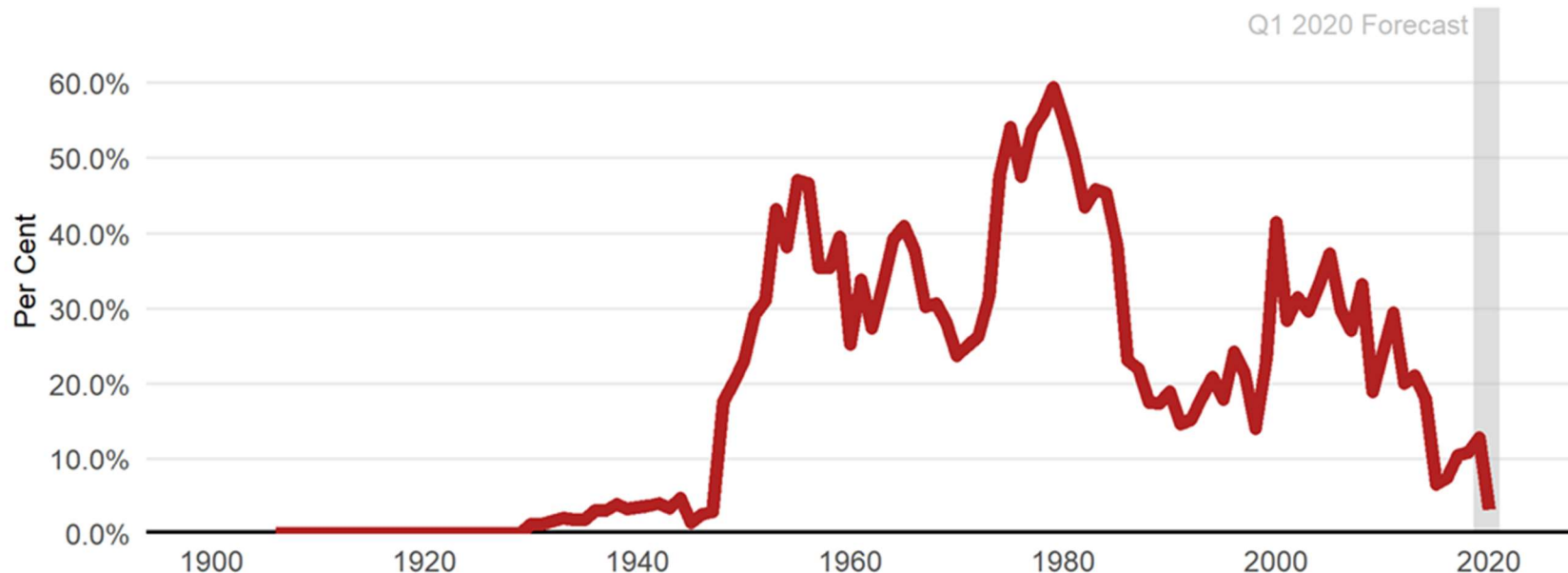
- 76% Long. 25% Short. 51% Net Long. Have trimmed minor exposure from several winning themes. Gold, Lumber and Tech have been trimmed
- Recent dips in winners (ex. Gold) could be buying opportunity

Alberta Provincial Revenue

Alberta Natural Resource Revenues as a Share of Total Revenues

Displays the share of Alberta government revenue that comes from non-renewable resource revenue.

Sources: Boothe (1995) for 1905-1985; Kneebone and Wilkins (2017) for 1985-2014; and various Alberta budgets since.



Graph by @trevortombe

- As at the Q1 2020 Alberta government fiscal update the percentage of government revenue from natural resources was at 3% of the total
- When oil bottomed at \$10 in 1998 government revenues were still comprised of approximately 13% from natural resources
- Now is the time to aggressively work together to enhance diversification efforts while still working to ensure a strong oil and gas industry

Contact Information

A founding principle of Palisade has always been transparency and communication with our clients. We would encourage anyone with questions to reach out at anytime.

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