

# NCM Energy Update

## 2018 Year End Review



Mark Heim, CFA

Portfolio Manager

Cumberland Investment Counsel Inc.

**2018 was another lost year for energy investors. While crude oil prices rallied ~25% through the first nine months of the year, the stocks barely moved, resulting in significant underperformance and multiple compression to levels not seen for almost two decades.**

The fourth quarter witnessed a massive sell off as OPEC was hoodwinked by Trump to increase production ahead of Iranian sanctions, only to see large waivers granted for the next six months, creating a near term glut. This resulted in WTI crude oil prices falling from \$76.90 USD on October 3, 2018 to a low of \$42.36 USD on December 24, 2018.

**We view the improving macro backdrop and washout in equity valuations as a compelling combination that should help drive energy performance this year.**

Further compounding issues in Canada were oil differentials blowing out due to lack of egress. This resulted in the S&P/TSX Capped Energy Index declining 35% over the period. For the year the S&P/TSX Capped Energy Index was down 27%, although once again this was strengthened by two names representing around half the weighting of the index.

As we start 2019 we have seen both crude oil prices and the energy stocks recover from the Christmas Eve lows to the tune of 20%. OPEC and Alberta mandated cuts have helped strengthen both differentials and benchmark prices. Egress is looking better as rail in Canada continues to ramp up and Enbridge is reaffirming its fourth quarter 2019 start up of the Line 3 expansion, which adds around 370,000 B/d of takeaway capacity. We view the improving macro backdrop and washout in equity valuations as a compelling combination that should help drive energy performance this year.

**For more information on NCM Energy Plus Class, contact your local NCM Sales Representative or visit [ncminvestments.com](http://ncminvestments.com).**



**FOLLOW US**  
For company news,  
analysis and links to the  
latest fund information

The contents of this document are for informational purposes only and are not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. NCM Asset Management Ltd. as manager and portfolio manager of the NCM Mutual Funds may engage one or more sub advisors to provide investment management services to certain Funds, including its affiliate, Cumberland Investment Counsel Inc.

**NCM**  
INVESTMENTS

[www.ncminvestments.com](http://www.ncminvestments.com)