

PALOS

CONTENTS

Weekly Commentary

Issue No. 10 | MARCH 8, 2021

Farmer's Edge – Innovation on the Farm	1
Important Reminder to Contribute to Your RRSP and TFSA	3
Disclaimer & Contacts	4

By [Charles Marleau CIM[®]](#) and [William Mitchell CIM[®]](#)

Farmer's Edge – Innovation on the Farm

Farmer's Edge Inc. (TSX: FDGE) is a Winnipeg based agriculture technology company that provides farmers with a slate of services that includes land optimization, field agronomy, soil and yield analysis, digital connectivity, and local weather surveillance. The company serves clients in Canada, the U.S., Brazil, and Europe. On February 24, Farmer's Edge filed an Initial Public Offering (IPO) of 7.35 million shares at \$17/share thus raising CAD\$125 million. The first day of trading saw shares surge by 17.5% to close at \$19.89 on the Toronto Stock Exchange.

Among the company's services is a subscription-based **Software as a Service (SaaS)** platform labelled "**FarmCommand**". The platform utilizes artificial intelligence and multiple data sources to provide farmers with valuable real-time information (e.g., data analytics, weather alerts, predictive yield modelling). On January 21, FDGE announced a long-term strategic agreement with **Google Cloud** to market and enhance the **FarmCommand** service to farmers and agriculture related businesses around the world. FarmCommand is powered by in-field sensors, artificial intelligence capable of predicting weather related incidents and satellite imagery used to assess, report, and optimize crop production.

The company is also transforming and disrupting other areas of the "Ag" business. That includes strategic partnerships with specialty insurance partners. Utilizing Farmer's Edge proprietary data and predictive tools, specialized insurers can offer improved insurance reporting, a better customer experience, and a scalable business model that will realize greater efficiency, customer satisfaction and profitability. Field agents can access **Smart Claim**, an artificial intelligence-based tool that streamlines the agriculture risk management process in terms of efficiency, transparency, assessments, estimations, disaster detection, and settlements – important drivers of customer satisfaction and revenue growth.

In September of 2020, the company announced a partnership with **Radicle Group Inc.**, the largest North American developer of agricultural carbon credits. The collaboration highlights a competitive advantage for both companies by jointly developing a robust program that addresses hot topic ESG issues like greenhouse gas emissions, sustainability, and the environment. Farmer's Edge brings its cutting-edge technology to the table while Radicle will manage the carbon credit program and growers' access to the carbon credits marketplace.

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Farmer's Edge is transforming traditional agriculture by developing digital solutions that are revolutionizing the Ag industry. Food quality, safety and supply chain traceability are attracting increased scrutiny from regulators, industry participants and consumers alike. It is anticipated that the adoption of blockchain technologies will lead to a global standardization of food source trackability and supply chain integrity. Farmer's Edge is at the forefront of data collection and analysis and therefore sits in a tremendous position to become a global industry disruptor. Through relationships with equipment dealers the company aims to rapidly grow IoT (internet of things) connectivity by transmitting data directly to the fleet, yet another SaaS opportunity.

We believe Farmer's Edge is well positioned to capitalize on the incredible technological advances being applied to the Ag industry. The **Palos Income Fund LP** and the **Palos Equity Income Fund** participated in the IPO.

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Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$9.39	7.37%
Palos Equity Income Fund - RRSP	PAL101	\$6.84	7.19%
Palos Merchant Fund L.P. (Dec 31, 2020) ²	PAL500	\$1.35	-21.15%
Palos WP Growth Fund - RRSP	PAL210	\$22.46	40.68%
Palos-Mitchell Alpha Fund ³	PAL300	\$13.20	10.94%
S&P TSX Composite (Total Return with dividends reinvested)			5.92%
S&P 500 (Total Return with dividends reinvested)			2.56%
S&P TSX Venture (Total Return with dividends reinvested)			4.94%
Chart 2: Market Data ¹			Value
US Government 10-Year			1.57%
Canadian Government 10-Year			1.50%
Crude Oil Spot			US \$66.09
Gold Spot			US \$1698.50
US Gov't10-Year/Moody BAA Corp. Spread			211 bps
USD/CAD Exchange Rate Spot			US \$0.7900

¹ Period ending March 5, 2021. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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