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PALOS

Weekly Commentary

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By Charles Marleau CIM® and William Mitchell CIM®

The Evolution of Green Mining: Teck Resources

In our November 28 weekly newsletter we introduced the subject of **Green Mining** (Issue No. 48 – The Evolution of Green Mining). Government and industry participants agree that enshrining better mining practices will positively impact the environmental footprint mining has on land, water, ecosystems, and communities. Green mining practices encompass better management of fresh water (consumption amounts, recycling and substitution), improved management of waste materials (repurposing and disposal), incorporating greater use of clean energy (a lowering of greenhouse gas emissions), and the rehabilitation of lands after a mine has closed (sustainable ecosystems and communities).

Getting new mines built is a daunting endeavor. With heightened societal awareness of climate change, the demands placed on the mining industry to drastically reduce its environmental impact are growing. On the flip side, we also know that to further the progress of renewable energy sources and electrification of transportation, vast supplies of metals like copper, lithium, cobalt and nickel will be required. Hence the challenge we collectively face: if we don't have the inputs to manufacture solar panels, wind turbines, and batteries for electric vehicles, nothing will change for the better.

We recently attended an investor day hosted by National Bank featuring Jonathan Price, CEO of Vancouver based **Teck Resources (TECK: TSX/NYSE)**. Teck claims to be amongst the world's lowest carbon intensive producers of copper, zinc and metallurgical coal. In fact, last week Teck was recognized by ***Corporate Knight***, a leading sustainable-economy media and research company, as one of the **Global 100 Most Sustainable Corporations.** The "Global 100" are chosen from over 6,900 public companies with at least $1 billion in revenues. This marks the fifth consecutive year that TECK has been selected. "Teck is committed to providing the essential resources needed for a decarbonizing and growing world" said CEO Jonathan Price.

Teck has been rebalancing its portfolio of assets with the objective of turning the focus to producing low-carbon metals. In October 2022, Teck announced the sale of its 21% ownership stake in the Fort Hills oil sands project thus divesting from fossil fuels. In December Teck announced the sale of its Quintette steelmaking coal mine located in British Columbia. The strategic plan is to shift Teck's focus to become a dominant global producer of copper, a material growing in demand as the world strives to reach Net Zero carbon emissions by 2050.

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Teck is proactively doing its share to help fight climate change. The Quebrada Blanca 2 copper project in northern Chile (QB2) is currently reducing its environmental impact by sourcing 50% of energy needs from renewable sources. The long-range plan is to reach 100% by 2025. Current pilot projects include the adoption of carbon capture and storage technologies at its Trail, B.C. zinc operations, and the electrification of transport trucks at the Highland Valley Copper mine in central B.C. Regarding water management, the company plans to transition to saltwater or low-quality water sources in all water- scare regions by 2040. In 2021, Teck advanced construction of a desalination plant at QB2 and continued to implement a water treatment plan at coal operations in B.C.

Ongoing initiatives include adopting wider utilization of zero emissions vehicles. In an agreement with **Caterpillar (CAT: NYSE)**, Teck plans to reduce fossil fuel usage by deploying thirty zero-emissions hauling trucks by 2030. Tailings and waste rock are unavoidable by-products of mining activities and plans are being made to reduce industrial waste across all operations. By 2025, the company intends to establish waste-management initiatives designed to eliminate all industrial waste by 2040. Teck's approach to managing waste includes taking measures to mitigate potential mishaps by formalizing a company-wide "best practices" policy addressing safety, surveillance, monitoring, maintenance, and emergency response. An independent review board will ensure compliance and reporting.

Teck Resources is a recognized leader in advancing and formalizing a "green mining" initiative that's both credible and sustainable. By taking a proactive approach, management can reduce environmental, operational, reputational, and legal risks – all of which are integral to long-term sustainability as ever-increasing scrutiny is placed on corporate boards and executives. In our view, Teck Resources is an exemplary leader in environmentally responsible mining. Disclosure: The **Palos Income Fund LP**, the **Palos Equity Income Fund** and the **Palos-Mitchell Alpha Fund** are currently invested in Teck Resources.

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Save for your future by contributing to a Registered Retirement Savings Plan (RRSP)

RRSP Benefits:

- RRSP contributions are a good way to reduce your taxable income
- Your investments grow tax deferred while held in your RRSP
- When you retire you can use your RRSP to receive regular income
- A spousal RRSP can reduce your combined tax burden
- You can borrow from your RRSP to buy your first home or pay for your education

RRSP Contribution Details:

- The **deadline** for making your 2022 RRSP contribution is March 1, 2023.
- Your **2022 RRSP contribution limit** is calculated as 18% of your 2022 earned income up to a maximum of $29,210. The maximum will increase to $30,780 in 2023.
- If you've already made your 2022 RRSP contribution, consider making your 2023 contribution in January 2023 to benefit from the power of tax-deferred growth.
- Unused contributions can be carried forward from a previous year. You can find your RRSP contribution information on your most recent CRA ***Notice of Assessment***, or by calling the ***CRA Tax Information Phone Service (TIPS)*** at 1-800-267-6999.

The sooner you start contributing to an RRSP or TFSA, the more time you'll have to grow your money until it's time to retire. There's nothing like the power of tax-free compounding returns.

If you would like to open an RRSP account, contribute to an existing or Spousal RRSP, or if you have any questions about RRSPs, please contact your Palos Advisor.

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Save for your future by contributing to a Tax Free Savings Account (TFSA)

TFSA Benefits:

- TFSA investments grow tax free (Interest, capital gains and dividends are tax exempt)
- Withdrawals can be made whenever you wish and unlike an RRSP, they are tax-free
- TFSA contribution limits are not reduced following a withdrawal
- Withdrawals can be re-contributed in a subsequent calendar year(s)

TFSA Contribution Details:

- The TFSA contribution limit for 2022 is $6,000 and will increase to $6,500 in 2023
- TFSA contribution limits are cumulative since TFSA's were introduced in 2009. If you were born after 1991, your lifetime contribution limit including 2023 is $88,000
- Canadian residents 19 years of age and who have a Social Insurance Number are eligible to open a TFSA
- To determine your TFSA contribution limits, you can refer to your most recent CRA ***Notice of Assessment***, or by calling the ***CRA Tax Information Phone Service (TIPS)*** at 1-800-267-6999

TFSAs are an excellent way to save for your future
TFSAs can complement your taxable retirement income from a taxable account (RRSP, RRIF, LIRA)
The sooner you start contributing to TFSA, the more time you'll have to grow your money.

If you would like to make a TFSA contribution or open an TFSA account, please contact your Palos Advisor.

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Épargnez pour votre avenir en cotisant à un régime enregistré d'épargne-retraite (RÉER)

Les avantages d'un RÉER:

- Les cotisations à un REER sont un bon moyen de réduire votre revenu imposable.
- Vos placements bénéficient d'un report d'impôt lorsqu'ils sont détenus dans votre RÉER.
- Lorsque vous prenez votre retraite, vous pouvez utiliser votre RÉER pour recevoir un revenu régulier.
- Un RÉER de conjoint peut réduire votre charge fiscale combinée.
- Vous pouvez emprunter de votre RÉER afin d'acheter votre première résidence ou pour financer des études.

Les choses à savoir :

- **La date limite** de cotisation au RÉER pour 2022 est le 1er mars 2023.
- Votre **plafond de cotisation au RÉER pour 2022** est calculé à partir de 18% de vos revenus gagnés en 2022, jusqu'à un maximum de 29 210 $. Ce maximum sera augmenté à 30 780 $ en 2023.
- Si vous avez déjà cotisé à votre RÉER pour 2022, envisagez d'effectuer votre cotisation de 2023 en janvier 2023 afin de bénéficier dès maintenant de l'effet différé des impôts.
- Les cotisations non-utilisées peuvent être reportées d'une année précédente. Vous pouvez vous renseigner sur vos cotisations à un RÉER en consultant votre ***avis de cotisation le plus récent de l'ARC*** ou en appelant ***le Système électronique de renseignements par téléphone (SERT)*** au 1-800-267-6999.

Le plus tôt vous commencerez à cotiser à un RÉER ou à un CELI, le plus longtemps vous disposerez pour faire fructifier votre argent jusqu'au moment de la retraite. Rien ne vaut la puissance des rendements composés non imposables.

Si vous souhaitez ouvrir un compte RÉER, contribuer à un RÉER existant ou à un RÉER de conjoint, ou si vous avez des questions sur les RÉER, veuillez communiquer avec votre conseiller Palos.

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Épargnez pour votre avenir en cotisant à un compte d'épargne libre d'impôt (CELI)

Les avantages du CELI:

- Faire fructifier votre épargne à l'abri de l'impôt (les intérêts, les gains en capital et les dividendes seront non taxables)
- Vous pouvez effectuer des retraits quand vous le désirez et contrairement à un REER, ils ne seront pas taxables.
- Vos limites de contribution à un CELI ne seront pas réduites à la suite d'un retrait de celui-ci.
- Vos retraits peuvent être de nouveau cotiser dans les années subséquentes.

Les choses à savoir :

- Le montant limite de cotisation à un CELI pour 2023 est de $6,500
- Depuis leur introduction en 2009, les limites de contributions à un CELI sont cumulatives. Si vous êtes nés après 1991, votre limite de contribution à vie est de $88,000 (2023 compris) .
- Si vous êtes un résident canadien de plus de 19 ans et que vous détenez un N.A.S. Vous êtes alors éligible à un CELI.
- Si vous voulez connaitre vos limites de contribution, vous trouverez toutes les informations pertinentes sur votre plus récent ***avis de l'ARC***. Vous pouvez obtenir également ces renseignements par l'entremise du ***Système électronique de renseignements par téléphone (SERT)*** en composant le 1-800-267-6999.

Le CELI est un excellent moyen d'épargner pour votre avenir
LE CELI est un appoint de revenu qui vient compenser les montants qui sortiront des régimes enregistrés et qui eux sont imposables (REER, FERR & CRI)
Le plus tôt vous commencerez à faire des contributions à votre CELI, plus vous aurez du temps devant vous pour faire fructifier votre épargne.

Si vous souhaitez ouvrir un compte CELI ou faire une cotisation à votre CELI, veuillez contacter votre conseiller à Palos.

Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) [1]	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	$8.75	6.13%
Palos Equity Income Fund - RRSP	PAL101	$6.86	5.40%
Palos WP Growth Fund - RRSP	PAL213	$13.58	8.81%
Palos-Mitchell Alpha Fund [3]	PAL300	$8.58	7.64%
S&P TSX Composite (Total Return with dividends reinvested)			5.90%
S&P 500 (Total Return with dividends reinvested)			3.55%
S&P TSX Venture (Total Return with dividends reinvested)			9.39%
Chart 2: Market Data [1]			**Value**
US Government 10-Year			3.48%
Canadian Government 10-Year			2.84%
Crude Oil Spot			US $81.31
Gold Spot			US $1,928.20
US Gov't10-Year/Moody BAA Corp. Spread			199 bps
USD/CAD Exchange Rate Spot			US $0.7474

[1] *Period ending January 20th, 2023. Data extracted from Bloomberg*

[2] *Fund is priced annually*

[3] *Fund is priced weekly on Tuesdays*

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