

PALOS

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Weekly Commentary

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Vision Pro Highlights Apple's Worldwide Developers Conference

Last Monday, Apple (AAPL:NASDAQ) kicked off its annual Worldwide Developer Conference (WWDC) at its Apple Park campus in Cupertino, CA. The weeklong event showcases new Apple products, software and technological advances made by the company. Arguably the most intriguing announcement surrounded the unveiling of Apple Vision Pro, a virtual reality (VR) headset that's Apple's first major new product release since the debut of the Apple watch in 2014.

Vision Pro will be made available for purchase next year and will be priced at a breathtaking US\$ 3,499. The announced pricing is roughly seven times greater than the price of Meta's Quest3 VR headset. Some analysts contend that the high price will render the device unaffordable to most consumers, however less pricey versions are expected over time as scale will reduce the cost of production. Apple is targeting two very different segments: business users that could justify the lofty price tag and consumers who would use the device solely for personal entertainment and might take a pass based on price.

In his keynote address, CEO Tim Cook referred to the newest addition to the Apple ecosystem as "the most advanced personal electronics device ever" and furthered that a "new dimension to powerful personal technology" has arrived. Differentiating Vision Pro from competitors including Meta, Google and Microsoft, Apple views the new product as a revolutionary device that integrates the "virtual world" into your "real world" through what the company calls spatial computing. The "same way that Mac introduced us to personal computing, and iPhone introduced us to mobile computing, Apple Vision Pro will introduce us to spatial computing" according to Cook.

Cook continued to say that Vision Pro will change the "way we communicate, collaborate, work, and enjoy entertainment" and further, compared the device to a "new TV, surround sound system, powerful laptop, and games console" all in one. A competitive advantage is the fact that Apple has a vast library of existing apps, games, movies, Apple TV+ and software. Bob Iger, CEO of Disney, disclosed that the company will develop new content and experiences specifically for the headset. This includes 3D film, sports and virtual experiences. Content is king and, according to feedback from participants at WDC who had the opportunity to try the device, the quality of graphics was mind blowing.

The headset has Bluetooth capability allowing connectivity to other Apple devices. Using built-in downward looking camera technology, a user can swipe, scroll or command the device through typical hand gestures, finger movements or by waving their arms in the air. Using an inward infrared camera that can track eye movements, a user can highlight

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and select specific apps by simply looking at them. Cutting-edge graphics are a result of pixels that are 64 times smaller than those on an iPhone. With its proprietary M2 processor and by integrating the R1 chip, Apple has leapfrogged to the top of VR technological hierarchy.

As with any new tech, nothing's perfect, and challenges exist. The battery is carried separately and lasts only two hours on a single charge; however, the device can be plugged in to facilitate continuous usage. As with any face-worn device, some remarked that the headset became uncomfortable after an hour or two. Others pointed to latency and lack of synchronization when using an avatar which allows others to view a user hologram when using video apps. Allowing time to make improvements and Apple's history of product excellence, we believe that VR technology is poised to change the way humans interact with their computer devices.

The initial reaction in markets was favorable with AAPL shares trading just shy of \$184.95 per share, a new all-time high. However, as investors began to grapple with pricing of the headset and questions surrounding affordability, shares turned lower. Trading stabilized through the remainder of the week and by Friday's closing bell APPL was trading at \$180.96. Since marking an 18-month low of \$125.02 on January 5, and with Friday's closing price of \$180.96, AAPL shares are higher by 44.8%. Since the pandemic low in March 2020, AAPL has gained a split-adjusted 223% and remains the world's largest company with a market capitalization exceeding \$2.8 trillion.

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Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$8.30	3.01%
Palos Equity Income Fund - RRSP	PAL101	\$6.64	2.41%
Palos WP Growth Fund - RRSP	PAL213	\$11.46	-8.03%
Palos-Mitchell Alpha Fund ³	PAL300	\$9.58	18.29%
S&P TSX Composite (Total Return with dividends reinvested)			4.03%
S&P 500 (Total Return with dividends reinvested)			12.81%
S&P TSX Venture (Total Return with dividends reinvested)			7.10%
Chart 2: Market Data ¹			Value
US Government 10-Year			3.74%
Canadian Government 10-Year			3.37%
Crude Oil Spot			US \$70.17
Gold Spot			US \$1,962.20
US Gov't10-Year/Moody BAA Corp. Spread			208 bps
USD/CAD Exchange Rate Spot			US \$0.7496

¹ Period ending June 9th, 2023. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

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