



February 2015

Oil is political not cyclical

The Energy Sector: Still an investment worthy of consideration? #timeforsharks

News outlets of all kinds are busy reporting a variety of theories regarding what is driving today's oil pricing:

Is it a political game between the OPEC countries that refuse to cut production while the US and other western countries such as Canada maintain production growth? Does OPEC fear losing their position of control?

Might OPEC and The West be 'ganging up' on Russia to bankrupt them with manipulation of the price of oil?

Is someone manipulating the market to their advantage?

Is it a surplus of oil? Have we finally reduced consumption and facing a situation of oversupply?

But do not miss the fine mystery theories including the *missing barrels of oil* that have been produced and are unaccounted for. Do it! Google: Missing barrels ...!

Inflammatory rhetoric is just a distraction. What should the canny investor do? In our view, buy while there is blood on the floor! But, what??

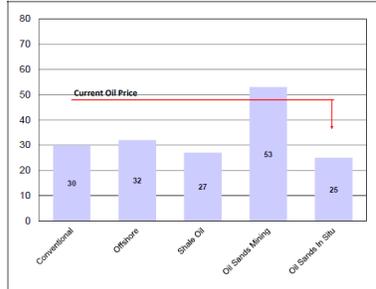
Rather than rely upon colourful articles that sell papers and air time, clients of The Kingsmill Saar Wealth Management Group benefit from insights from Gordon Tait, and the Nesbitt Burns' award winning analysts from whom we source charts such as these, along with our conversations with top Energy Sector professionals such as Steve Smith of Norrep. We all agree on many things, but in particular: there are many hot deals in the market, right now.

Energy Sector Securities: some will survive and profit exponentially. Some will not. Will the company you are looking at or hold be a 'predator' or its 'prey' in response to market forces, and when their balance sheet is stretched? There is no question that this is a major financial and political issue.

The charts below demonstrate the supply cost to meet demand. Oil is much more than a commodity and insights as to how its pricing affects the business to maintain, sustain or grow in this sector are clearly important to assessing the value of such assets in your portfolio.

“Keep the lights on”

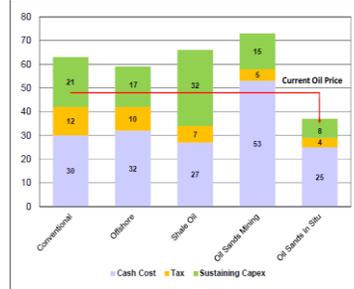
Chart 5: Crude Oil Cash Costs (\$/bbl)



Source: BMO Capital Markets

“Sustain the business long term”

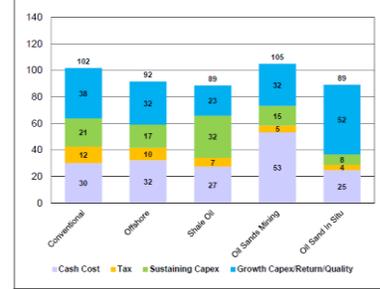
Chart 8: Cash Costs + Sustaining Capital (\$/bbl)



Source: BMO Capital Markets

“Put your \$\$ in and make a profit”

Chart 9: Full Cycle Supply Cost by Type (\$/bbl)



Source: BMO Capital Markets

In our view, this is certainly not the time to hold an ETF, that bundles energy sector assets that intermixes the 'prey' and the 'predators'.

The best insight we will give you here is: In rough times, ensure you have culled the prey.

These are complicated subjects. With investment products that have unique tax advantages, clients of The Kingsmill Saar Wealth Management Group have access to 'predators' that may well prove the rule. These are conversations well worth having, but the detail of those insights are for our clients only.

Our clients know the difference between 'predator' and 'prey'. What was that advice? Buy when there is blood on the floor. It may seem harsh, but it will pay longer-term.

We are The Kingsmill Saar Wealth Management Group. Thank you for taking the time to read the Income Advisor. What can we do for you?

Robin Kingsmill, B.Sc.
Sr. Vice President &
Investment Advisor
(905) 897-5212

Joanna Saar, CFP, TEP
Investment Advisor &
Financial Planner
(905) 897-1347

Susan Taptelis, B.A.
Investment Advisor
(905) 897-5227



Teresa Wilejto
Administrative Assistant
(905) 897-1204

Jennifer Bannon
Marketing & Sales Coordinator
(905) 897-5208

BMO Nesbitt Burns • Ste 1400 • 50 Burnhamthorpe Road West • Mississauga, Ontario • L5B 3C2

www.kingsmillteam.com



The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. ("BMO NBI"). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO NBI or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. BMO NBI -will buy from or sell to customers securities of issuers mentioned herein on a principal basis. BMO NBI, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO NBI or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. Member-Canadian Investor Protection Fund.