

PALOS

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The Palos - Mitchell Report

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The Markets - February

The sharp rally in North American markets that began on December 26th, has carried through to February. In the U.S., the Dow Jones Industrials have retraced to levels last seen on November 8th. The Dow Transports, NASDAQ and the S&P 500 have rebounded in similar fashion and the Dow Utilities Index, which is sensitive to interest rates, is very near all-time highs. North of the border, the TSX Composite Index has returned to the October 1st level, which is where the Q4 correction began. Oil prices were approximately \$3 higher for the month while gold prices have corrected marginally. The Canadian dollar traded in a tight range between \$0.7500 and \$0.7650 (in USD for \$1.00 CAD).

Globally, we are absorbing the news that Trump's meeting with Kim didn't achieve much. Contentious Brexit issues have not been resolved, China trade hasn't been resolved, and the White House circus carries on. Despite what should be viewed as worrisome events, the equity markets continue to march upward. We are comforted when investors remain focused on economics, earnings and fiscal policy rather than politics. Sentiment remains positive and we are cautiously bullish.

Health Care and AI

In a recent interview, Johnson & Johnson (JNJ) Chairman and CEO Alex Gorsky spoke about how artificial intelligence and technological advancements are impacting health care. On February 13th, JNJ announced that it had acquired surgical robotics company Auris Health who specialize in the field of surgical robotics. According to Gorsky, 'less than 5 percent of surgeries are performed digitally or with a robot'. Integrating innovative technologies and robotics into healthcare will ultimately lead to advanced data collection and diagnostics, improved surgical precision, better outcomes for patients, and improved efficiencies in health care.

In addition to the Auris acquisition, Gorsky spoke about JNJ's collaboration with Apple (AAPL). The idea centers on integrating diagnostic capabilities into the Apple Watch. Built into each watch would be sensors designed to monitor and record critical information, and subsequently employ algorithms to analyze the data. The significant benefit, according to Gorsky, is in diagnostics; using artificial intelligence to 'monitor real-time and detect anomalies far before they manifest themselves into something more serious; things the wearer can't recognize'.

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Apple (Health) Care

APPL CEO Tim Cook has gone on record as stating that looking out to the future, 'we believe Apple's most important contribution to mankind will be in health.' Imagine a future where your watch could integrate an electrocardiogram (ECG) to monitor your heart rate, detect irregularities, and alert you see your physician? In December, Apple released its ECG App via a software update to its Apple Watch Series 4. Should an anomaly be detected, the watch would allow you to create a PDF that contains a chart of your ECG and send it to your doctor. According to information on the Centers for Disease Control and Prevention website, an estimated 2.7 to 6.1 million people in the U.S. suffer from a heart condition called Atrial Fibrillation, or 'Afib'. These numbers will surely increase as the population ages. If your watch could detect Afib and potentially warn of a potential heart attack or stroke, who wouldn't want to wear the watch?

There's more. One of the recently added apps is 'Fall Detection', an app that can detect a fall and call 9-1-1 on your behalf; certain to be of interest to seniors and their family members. Apps are also being developed that can potentially detect early signs of Parkinson's, hypertension, abnormal glucose levels (diabetes), sleep apnea and your temperature. Personal data, which would be protected, could be gathered anonymously and used for purposes of medical research. Could the Food and Drug Association (FDA) approve an Apple watch or a health app as a medical device? In fact, Apple has already received approval on several apps. With FDA approval, it may become possible to have insurers approve and finance a portion of the cost of your watch. The end game for insurers; healthier customers and reduced payouts.

Apple-Aetna Partnership

Apple has also teamed up with Aetna on a new app that will assist individuals in enhancing their personal health regimen. Since 2016, both companies have collaborated on a new health app called 'Attain'. Aetna, who recently merged with U.S. pharmacy giant CVS, will offer its members access to the Attain app as part of a comprehensive, personalized health improvement program. Users of Attain will be able to monitor and record their health history, receive appointment reminders, monitor caloric intake, customize an exercise regimen, access dietary recommendations, and receive reminders to take medication or automatically renew a prescription. The belief is that health care providers would welcome the benefits derived from reduced insurance-related costs.

Attain users could be incentivized by earning rewards points for using the app, with points applied to an Apple upgrade, reduced insurance premiums, or a gift card. A win-win-win for Apple, health insurers and adopters. Health care is undergoing rapid and disruptive change. It's very conceivable that within a relatively short period of time we will all be compelled to have a device strapped to our wrist that will enhance our collective health care experience. What were once futuristic concepts that I fondly remember from episodes of the original Star Trek, are rapidly becoming a reality. 'Paging Dr. McCoy?'

Disclosure: The Palos-Mitchell Alpha Fund holds shares in both Apple and Johnson & Johnson.

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The Palos-Mitchell Alpha Fund

If you have looked for the NAV (Net Asset Value) for the Palos-Mitchell Alpha Fund (PAL 300), you may have noticed on your statements that the NAV's value was 'stuck' at \$10.00. This was due to a communication glitch where the NAV was not being transmitted. This has been corrected. You should also note that the fund's NAV will be calculated on a weekly basis (Tuesday). Following the Tuesday valuation, the information is sent to National Bank and subsequently reflected on your statement.

PAL 300 NAV per unit (as of February 26, 2019) = \$10.3383

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Our mission is to continuously earn our clients’ trust by growing, sustaining, and protecting their wealth over many generations.

We invest our clients’ money as we do our own.

Our interests are aligned with yours.

William Mitchell, B Comm., CIM

I am a portfolio manager at Palos Wealth Management based in Montreal, Quebec, Canada. My experience in the investment industry is extensive, having spent more than twenty-nine years analyzing, trading and investing in global financial markets.

At Palos, we are driven by our values. We believe in the principles of honesty, integrity and transparency. We subscribe to a strong work ethic and we have a passion for investing. The pursuit of excellence is our motivating force. We take our fiduciary duty to heart and we always act in the best interests of our clients.

If you have any questions about investing, our services, or becoming a client of Palos Wealth Management, please contact me at:

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