

May was another good month for the Conservative Growth LP. The fund rose 5.98% during May, substantially outperforming the broader markets, which were generally flat to down during the month (TSX up 0.06%, S&P 500 up 0.18%). This brought the 1-year return to +35.36%. Best returns once again came from our energy and short positions, which substantially outperformed and offset the overall weight of a lackluster market. Strongest individual contributors during the month came from Spartan Delta, Tourmaline, and Element Fleet, all of which appreciated by north of 20% during the month.

Historical Performance	1 yr	3 yr	5 yr	10 yr	ITD
NR Conservative Growth Fund LP	35.36	21.52	11.78	10.76	10.01

Returns as of May 31, 2022

NATURAL GAS HITS 14 YEAR HIGHS

We have discussed our successful thesis that oil markets were substantially undervalued numerous times over the last several years. While oil continues to be undervalued, the most interesting story this month came from North American natural gas prices hitting 14-year highs of \$8 per mcf of gas, up substantially from the \$1.50 lows we saw in 2020.

While gas has always been oil’s poor little brother in the energy industry, due to its more difficult transportability coming from its natural gaseous form instead of being a liquid, its increasing portion of the energy pie is finally starting to overcome the structural oversupply situation that we have seen over the last decade. Over the last 30 years, a majority of North American electrical power generation has transitioned from coal to natural gas, a trend that continues today. Natural Gas is a cleaner, easier to use fuel and has helped both the US and Canada to reduce CO2 emissions from the electricity industry.

At the same time, over the last 15 years North America has transitioned from a net importer of natural gas through a few LNG import terminals to one of the world’s largest exporters of gas. Currently North America exports over 12 BCF (Billion Cubic Feet) per day of LNG to overseas markets, representing about 13% of North American gas production.

The combined effect of increased power generation from gas, LNG exports, and growth of the economy has substantially increased consumption of North American natural gas to the point that the 15-year bubble of excess natural gas supply is now coming to an end. To meet future gas deliverability requirements, the energy industry will be required to once again increase exploration and development activities, which is likely only going to occur if we have relatively high gas prices to justify the capital expenditures by energy companies to do so.

So, while \$8 natural gas may be coming as a shock to North American consumers paying their heating bills today, economically it is just the popping of an oversupply bubble that increasing demand has now fixed. The stock market effect is just starting to be felt by natural gas producing companies, which are seeing rapidly increasing streams of free cash flow coming from their production.

Similar to oil companies, natural gas producers are seeing their share prices start to recognize the extremely large free cash flows these companies are generating. As each quarter proceeds, we expect more investors to come to the realization that natural gas prices over \$5 per mcf (thousand cubic feet) are the “new normal” and that the normal of the last 15 years of gas under \$3 is unlikely to be revisited for any length of time. The stock market is just starting to come to this realization, and we are seeing the natural gas stocks like Tourmaline and Spartan (two of our top performers) rise in price. Despite this months gains, we expect more gains to come in the coming periods as these stocks continue to trade at discounts to their intrinsic values.

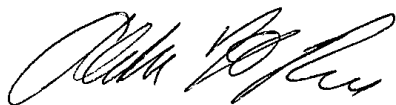
ADDITIONAL INSIDER BUYING IN APRIL

Once again, May saw insider buying at a number of our portfolio holdings. During the month, we saw corporate insiders at Profound Medical, Tourmaline, and Boyd Group buying stock in their own companies as they see the same substantial upside opportunity that we do. Buying of stock by insiders at our companies is just one more point of support for the value opportunity of our holdings, as these are the very people that know their businesses best.

JUNE 30TH... NEXT LP CLOSING

The next closing for the NR Conservative Growth Fund LP is June 30th, 2022. Please feel free to contact Daria Krikun at 416-364-8591 or Aaron Sniderman at 416-847-3979 for more information or to set up an appointment, or call 416-323-0477 to speak with any one of us directly concerning the Conservative Growth LP. Our toll free number is 1-877-327-6048.

Warmest Regards,



Alex Ruus, CFA, MBA, P.Eng
Portfolio Manager
Arrow Capital Management Inc

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