Les investissements Rivemont Investments

Rivemont Investments
Tel: 819-246-8800
Email: info@rivemont.ca
Address : 160 de l'Hôpital, suite 202, Gatineau, Québec, J8T 8J1

Financial Letter
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Martin Lalonde, MBA, CFA

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Introduction

Hello everyone,

When navigating the stock markets, it is more important to know how to avoid losses than to know how to achieve major gains. The year 2015 was great for those of us who believe in this approach. From its peak at 15,657 points, the Toronto Stock Exchange S&P/TSX has now lost more than 20% of its value. We are no longer dealing with a simple market correction but a bear market that may be structural. Fortunately for us, the factors that support this downward trend have created favorable opportunities for investment, especially with the rising US dollar against our weak loonie.

As a result, in 2015, all of our strategies managed to produce positive returns of 8 to 10% for our investors. So we exceeded our benchmarks by 10 to 15%, and the performance of the Rivemont Absolute Return Fund is a main factor in this exceptional result. Since its launch in May 2015, the Class F fund ranks among the best in Canada and has a yield of 19%. It outperformed the S&P/TSX by almost 30%.

Obviously, this type of performance has not gone unnoticed. In 2015, our assets under management increased by nearly 50%, and interest in our innovative methods continue to grow. It is with pleasure that I announce that, in 2016, we will expand into new larger offices. They are on the 4th floor of the same building. We will have access to a more modern conference room and a cutting edge trading room. We are also planning to expand our ranks by hiring an additional analyst.

I will start this newsletter with a review of the stock market in 2015, which will include a lot of interesting financial data. I will continue with an overview of our performance and will explain in detail how we were able to manage so well. As usual, I will conclude with our outlook on the markets and the preferred securities in our portfolios.

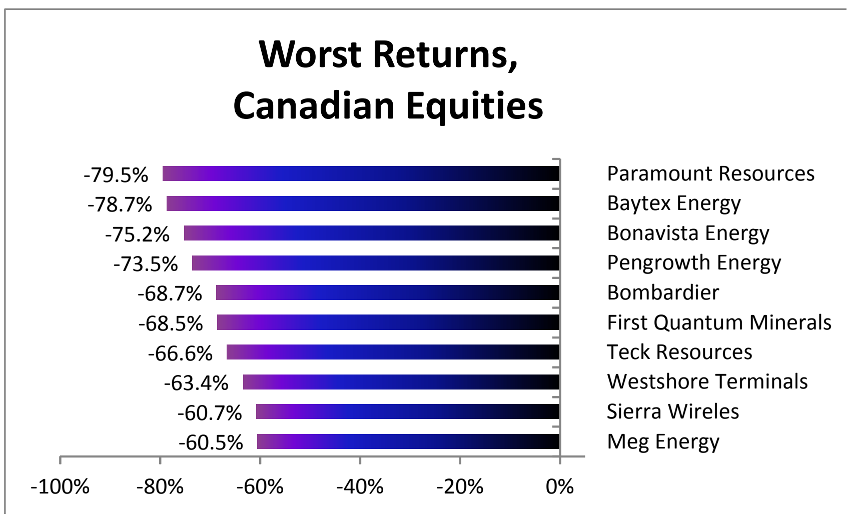
Happy reading!

The Year 2015 in Review

One of the foundations of our method is the persistence of trends. Thus, we believe that price increases and decreases in the markets will be longer and more pronounced than key data suggests. Physics show that it takes more energy to stop a moving body than it does to let it continue on its way. The same goes for asset prices traded on markets. I recently re-read our review of the year 2014, and many of the key themes recur this year, which is not surprising.

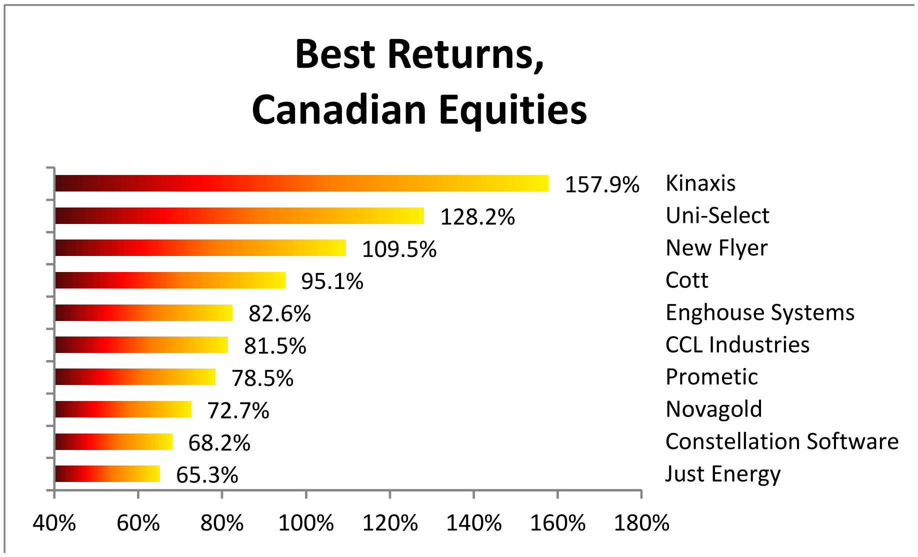
This first chart shows the ten Canadian securities that posted the worst returns on the Toronto Stock Exchange. Not surprisingly, all of them, with the exception of Bombardier, belong to the resource and commodity sector, which continued to take a pounding.

« It is unlikely that the price of a barrel of oil will go up in the short term. »



The fall of the price of the barrel oil below $40 has accelerated the decline in oil sector stocks. There have not yet been any major bankruptcies among these companies. We believe consolidation will start after a decline in North American production, which will be caused by a lack of liquidity. Nevertheless, in 2015, modern Russia and the United States surpassed their oil production record, which does nothing to help stabilize prices. The biggest news in the oil industry, however, is the announcement that Aramco –a Saudi Arabian Crown corporation – might become a publicly traded company listed on the stock exchange. Aramco is currently the largest oil producer in the world. This change would break up the OPEC cartel, which is already quite weak. The collapse of a cartel is usually positive for consumers because of the lower prices that follow. In our view, it is very unlikely that the price of a barrel of oil will go up in the short term.

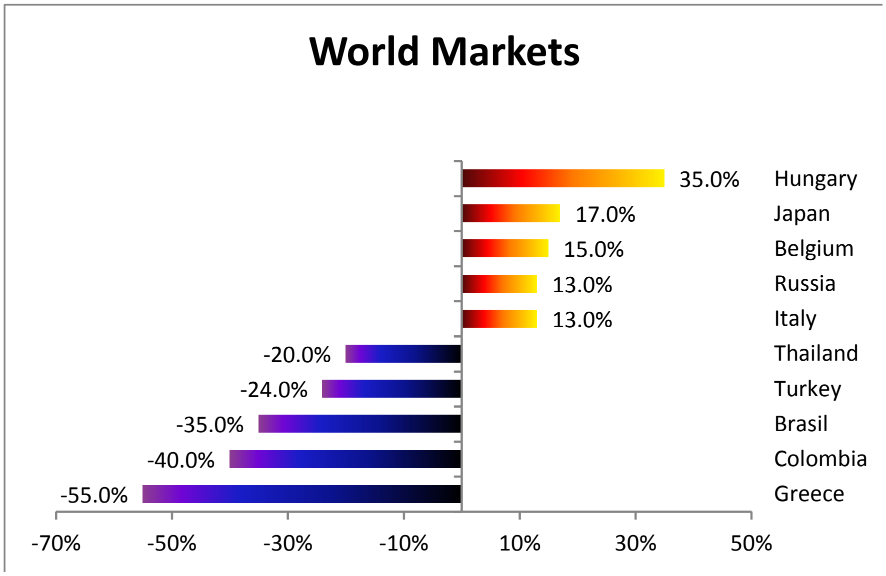
Fortunately, it was not all doom and gloom on the Toronto stock market. Some stocks more than doubled this year. Here were the best horses in the stable in 2015.



« The Canadian stock market underperformed the US index. »

While generally a sector stands out, on an upward or downward trend, this list is composed of shares in several sectors. However, studying these securities more closely, we see that Kinaxis, Enghouse Systems and Constellation Software are all companies that offer IT solutions. This technology sub-sector was the best performing in Canada over the past five years, experiencing a return of over 500% during this period. However, since most of the increase is probably behind us, and the S&P/TSX is on a down trend, we pulled out of this sector by selling Descartes Systems, a few months ago.

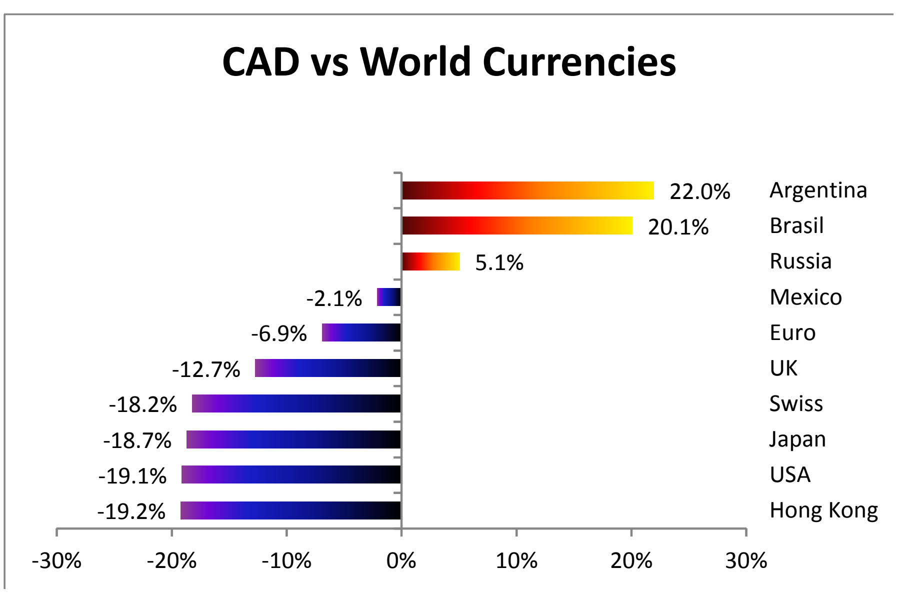
Posting a return of -10% in 2015, the Canadian stock market underperformed the US index which itself was completely flat at almost 0%. However, our investment options are not limited to North America, and we invest anywhere in the world using exchange traded funds traded on the NYSE. Here are the five best and the five worst stock markets in the world.



Certain elements are particularly interesting in this chart. First, Colombia and Greece were also among the worst markets in the world in 2014, with approximate yields of -30%. This means that the value of these markets is now less than a third of what it was at the end of 2013, which is unfortunate. Moreover, the performance of Brazil, which settled at -35%, deserves our attention. It is not unusual for advisors to recommend emerging market funds, particularly from the so-called BRIC (Brazil, Russia, India and China). However, with this kind of performance, the aim to diversify would prove disastrous and threaten the long-term performance.

« It is not only the US dollar that is strong. »

We will conclude this section by presenting the performance of the Canadian dollar compared to many currencies. This analysis helps to answer the following question: is the US dollar strong or is the Canadian dollar weak?



In reading the data, we see immediately that the Canadian dollar has lost value compared to most currencies, demonstrating that it is not only the US dollar that is strong, but that the loonie is also weak. However, Canada is doing better than many emerging countries that are greatly affected by the global slowdown and falling commodity prices.

Performance

Net performance as of December 31, 2015

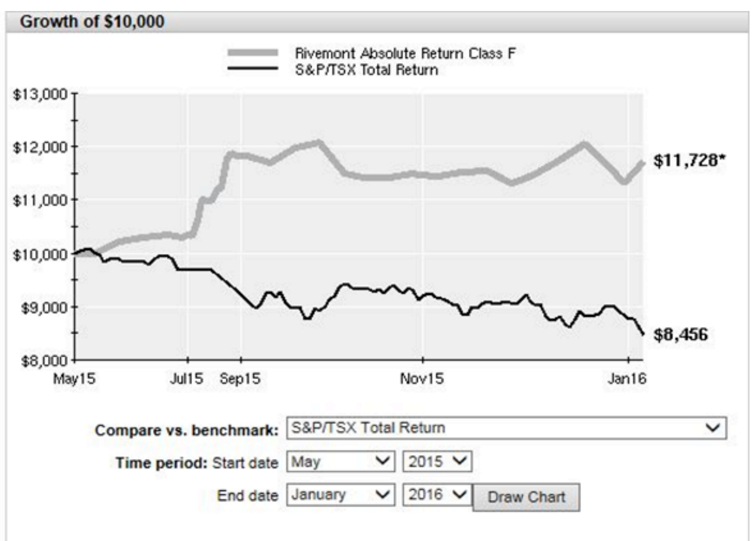
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 years	Inception
Hedge Fund								
Rivemont Absolute Return Class F	**2.1%**	**-3.7%**	**12.5%**					**18.6%**
Traditional								
Aggressive Growth	**0.0%**	**2.3%**	**3.8%**	**8.1%**	**7.6%**	**13.6%**	**8.6%**	**8.6%**
Index	-2.4%	-1.0%	-7.7%	-6.8%	1.4%	4.3%	2.4%	2.4%
Growth	**0.5%**	**3.0%**	**4.3%**	**9.9%**	**8.7%**	**13.1%**	**8.0%**	**8.0%**
Index	-1.6%	-0.6%	-5.8%	-4.6%	2.4%	4.1%	2.9%	2.9%
Moderate Growth	**0.3%**	**2.5%**	**2.5%**	**7.7%**	**7.1%**	**10.7%**	**6.4%**	**6.4%**
Index	-0.9%	-0.2%	-4.2%	-2.6%	3.2%	3.9%	3.3%	3.3%

See the www.rivemont.ca/performance website for additional information, including on calculating indices.

It is hard to imagine a better scenario than this one for our portfolios. Not only did we avoid the commodities sector and are underweight in the Canadian market, our US equities also produced a positive return. In addition, the Rivemont Absolute Return Fund took advantage of the precipitous decline of certain securities to benefit from short selling. You will find below the performance of the Class F fund compared with the S&P/TSX Total Return, according to the Globefund website on December 31, 2015.

Returns as at December 31, 2015

	Fund	Group Avg	Index*
1 month	2.25%	-1.22%	-3.07%
3 months	-3.63%	-0.39%	-1.40%
6 months	12.73%	1.37%	-9.14%
1 year	-	1.56%	-8.32%
2 year avg	-	2.56%	0.68%
3 year avg	-	4.08%	4.62%
4 year avg	-	2.25%	5.26%
5 year avg	-	0.06%	2.30%
10 year avg	-	2.83%	4.38%
15 year avg	-	6.81%	5.13%
20 year avg	-	-	7.63%
since inception	18.75%	-	-
2015	-	1.56%	-8.32%
2014	-	6.12%	10.55%
2013	-	9.58%	12.99%
3 year risk	-	15.84	8.45
3 year beta	-	0.30	1.00



As I explained in a previous newsletter, in traditional portfolio management, there are three major ways to alter a portfolio relative to its benchmark: to change the weighting of asset classes; to modify security selection within asset classes; and, to diversify geographically. Here is how our portfolios were positioned in 2015.

Weighting of Asset Classes

Throughout the year, we were underweight in equities and bonds. The positive bond yield in 2015 meant that this portion of our portfolio produced weaker results. Thus, despite the decline of the stock market, our most conservative portfolios are the ones that produced the lowest yields. For the past several years, I expected an increase in interest rates, but it never happened. I am beginning to seriously doubt that it ever will, and it is possible that the underweight in bonds will disappear in 2016. As for equities, our position was obviously the right one when the index fell by over 10% in 2015. We don't plan to increase our weighting in the short-term, even if this means that the liquidity of our portfolio is currently very high. However, given the way the year has started for the markets, not many people will complain.

« Our best decision was to abandon the Canadian market. »

Security Selection within Asset Classes

We have made no changes on the bond side. We continue to hold the same medium-term corporate bonds and government bonds. We are very pleased to have avoided high-yield bonds and preferred shares, as they collapsed during the year. The majority of our holdings performed well in 2015, including a very successful year for Alliance Grain Traders, Sirona Dental and Factset Data Systems.

Geographical Diversification

Once again, the decision to remain in North America was a good one since emerging markets collapsed due to a possible slowdown in the Chinese economy. Our best decision was to abandon the Canadian market for the US market. Not only has it performed better, but the weakness of the Canadian dollar has given us an unexpected additional return. We enter the year 2016 holding few positions on both sides of the border and with no exposure to emerging markets.

The Rivemont Absolute Return Fund

Short sales are the principal reasons for the fund's outstanding performance. The American media sector was put to good use when shares of Viacom and Disney melted in late summer. The oil sector also contributed to our success. Our best move was to sell Teekay (TK) shares at $27, only to re-purchase them at $8 two weeks later.

Market Prospects

Rivemont Investments			
Subject	Question	Recommendation	Comments
Allocation between equities and fixed income securities.	Which are most interesting, stocks or bonds?	Underweight in both asset classes	We recommend adding alternative investments to portfolios.
Distribution between Canadian, U.S. and international.	Which markets are most interesting: Canadian, U.S. or international?	Underweight in Canadian and American assets	The American market has also begun a downward trend.
Distribution between corporate bonds and government bonds.	Which are more interesting, corporate bonds or government bonds?	We recommend corporate bonds and government bonds.	We recommend short and medium-term corporate bonds and Canadian government bonds.
Investments in Canadian dollars or in foreign currency.	Do investments in other currencies increase or decrease the total yield?	The Canadian dollar's progress will be modest and not sufficient to discourage foreign diversification.	A further decline of the Canadian dollar is possible.

Favorite Securities

You will find below a list of the individual securities with the largest weight in our "growth" portfolio. These stocks were selected based on their respective potential to outperform the stock market. You will find a short description of their activities, the annual dividend, if any, and the total return since their first inclusion in our portfolio.

Dated : January 22, 2015.

1) Symbol: AGT
Name : **AGT Food and Ingredients**
Description : Lentil and pea splitting company.
Dividend Yield: 1.6 %
Total Return: 110.0 %

2) Symbol : SIRO
Name : **Sirona Dental Systems**
Description : Dental equipment.
Dividend Yield: N/A
Total Return: 46.4 %

3) Symbol : HMN
Name: **Horace Mann Educators**
Description : Insurances.
Dividend Yield: 3.4 %
Total Return: 5.2 %

4) Symbol : IFC
Name : **Intact Insurance**
Description : Insurances
Dividend Yield: 2.5 %
Total Return: -11.5 %

5) Symbol: SLF
Name : **Sun Life Financial**
Description : Insurances and investments.
Dividend Yield: 2.8 %
Total Return: 1.5 %

6) Symbol : PBCT
Name : **People's United Financial**
Description : Regional banks.
Dividend Yield: 4.8 %
Total Return: -6.3%

Conclusion

2015 was a pivotal year during which we reached a critical mass of assets, allowing us to invest more in the development of our company. We are still the leader in private management in the Outaouais region and our presence in Montreal also helps us to serve this market. But what really sets us apart is the addition of an alternative class to our clients' portfolios. We don't fear market declines as much because we can now benefit from them.

Rivemont now has over 5 years of recorded performance, and we've greatly exceeded our benchmark and, needless to say, those of our competitors. Our innovative methods have proven themselves, which of course helped convince many investors of the added value of our strategies.

I thank you again, dear clients (who are more and more numerous) for your trust. And for those of you who have not yet made the leap, do not hesitate to contact us so we can start a profitable relationship. Because performance matters.

Sincerely,

Martin Lalonde, MBA, CFA
President

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