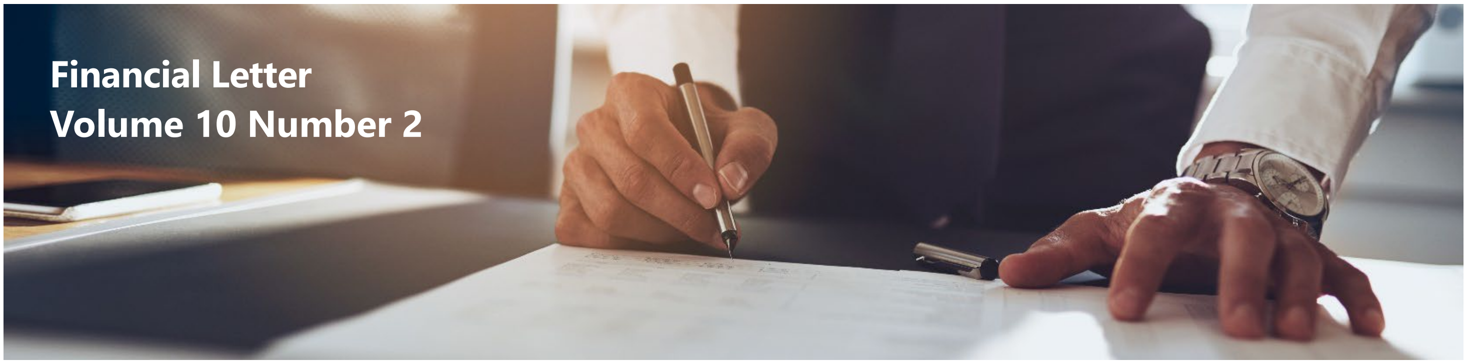

May 1st, 2019

IN THIS ISSUE

Introduction

Hello everyone,

We can never say it enough: the current market has a knack for surprising us and continues to show unfailing resilience. While the last quarter saw global stock markets lose ground and almost trigger a bear market, 2019 began in the opposite direction, with a rapid and solid rebound, particularly for major North American indexes. Yet, these returns mask some interesting, albeit somewhat less positive realities, which we will discuss in this letter.

We will begin with a review of the first quarter of 2019, explaining our specific positioning and our forecasts for the major sector trends for the coming months. We will then provide you with a more detailed presentation of the Rivemont MicroCap Fund, which has outperformed with a return of more than 32% since January 1, 2019. As usual, we will wrap up with our outlook for the various asset classes and the largest positions in our traditional management.

Enjoy!

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First quarter 2019

We started the year by adopting a very defensive stance. Our cash ratio was high, and we had only retained the fundamentally strongest securities such as Telus, Intact and Royal Bank. We invested capital during the quarter as the market returned to attractive growth. To find out more about the performance of our moderate growth strategy, check out the link below:

https://rivemont.ca/wp-content/uploads/2019/04/Moderate-Growth-2019-03-31.pdf

"We had only kept the most solid stocks fundamentally."

Naturally, our more conservative positioning did not allow us to capture all of the stock market gains generated. However, it is clear from the chart above that there is less volatility. Our declines are clearly less pronounced, which is of course in the interest of long-term investors. We took advantage of this period to position our portfolios to include less well-known securities, a number of which are highlighted below:

CareTrust REIT – CTRE

As its name suggests, CareTrust is a real estate investment trust. This legal entity allows the organization to avoid paying tax on its profits, which are taxable instead in the hands of unitholders, thereby increasing the amount of dividends payable to unitholders. The current dividend is about 4%—a very attractive rate in these low-interest rate times.

However, it was not the dividend that drove this purchase, but the organization's business sector. This firm acquires and leases seniors' residences and residential and long-term care centres. Like many, we anticipate a sharp upsurge in demand for this type of service over the next two decades. We also believe that today's leaders have a significant head start due to the significant investments required to break into the market, not to mention that the firm is already present in 27 U.S. states.

The table below shows the aging trend projections for the United States (silvereco.org). Clearly, 2020 is an important turning point, especially for people aged 65 and over.

Older Population as a Percentage of the Total Population: 1900 to 2050

Census Year	Age 60-64	Age 65-74	Age 75-84	Age 85 and older	Age 60 and older	Age 65 and older
1900	2,4%	2,9%	1,0%	0,2%	6,4%	4,1%
1910	2,5%	3,0%	1,1%	0,2%	6,8%	4,3%
1920	2,8%	3,3%	1,2%	0,2%	7,5%	4,7%
1930	3,1%	3,8%	1,3%	0,2%	8,5%	5,4%
1940	3,6%	4,8%	1,7%	0,3%	10,4%	6,8%
1950	4,0%	5,6%	2,2%	0,4%	12,2%	8,1%
1960	4,0%	6,1%	2,6%	0,5%	13,2%	9,2%
1970	4,2%	6,1%	3,0%	0,7%	14,1%	9,9%
1980	4,5%	6,9%	3,4%	1,0%	15,7%	11,3%
1990	4,3%	7,3%	4,0%	1,2%	16,8%	12,6%
2000	3,8%	6,5%	4,4%	1,5%	16,3%	12,4%
2010	5,4%	6,9%	4,2%	1,9%	18,4%	13,0%
2020	6,2%	9,5%	4,7%	1,9%	22,2%	16,1%
2030	5,4%	10,4%	6,6%	2,3%	24,7%	19,3%
2040	5,1%	9,1%	7,4%	3,5%	25,1%	20,0%
2050	5,4%	9,1%	6,7%	4,3%	25,5%	20,2%

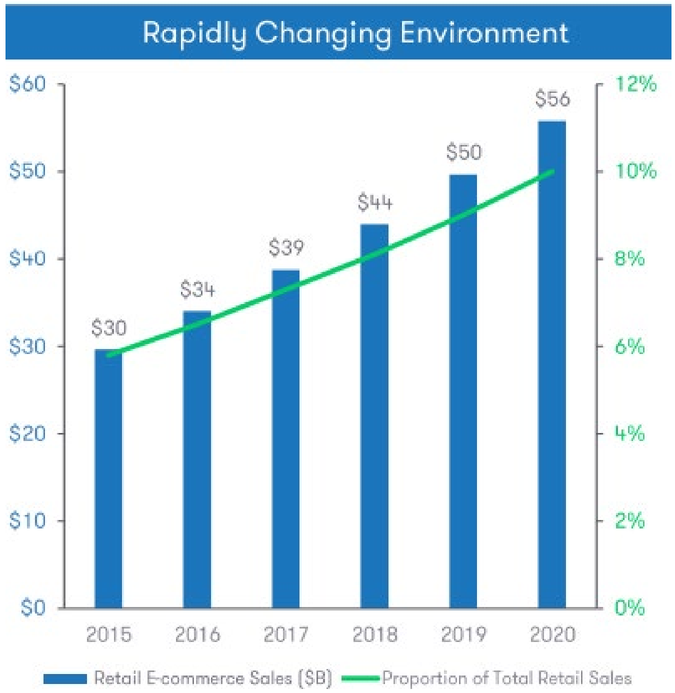
USA : Older Population – 1900 to 2050

"A shift towards dividends for our traditional strategies."

Lastly, we anticipate some consolidation in the industry, and the real estate giants are expected to be quick to jockey into position. As a result, CareTrust REIT clearly represents a prime target.

Dream Industrial REIT – DIR.UN

Dream Industrial, another REIT, specializes in the construction and rental of warehouses. There are two factors are behind this purchase. First, it pays a lucrative dividend of 5.8% per year. Second, the warehouse sub-sector is booming nationwide. More and more companies are delivering goods directly to their customers without going through a physical location, and it is surprising to learn that e-commerce requires about three times more space than traditional distribution. This phenomenon is illustrated in the following chart (source: dir.un):

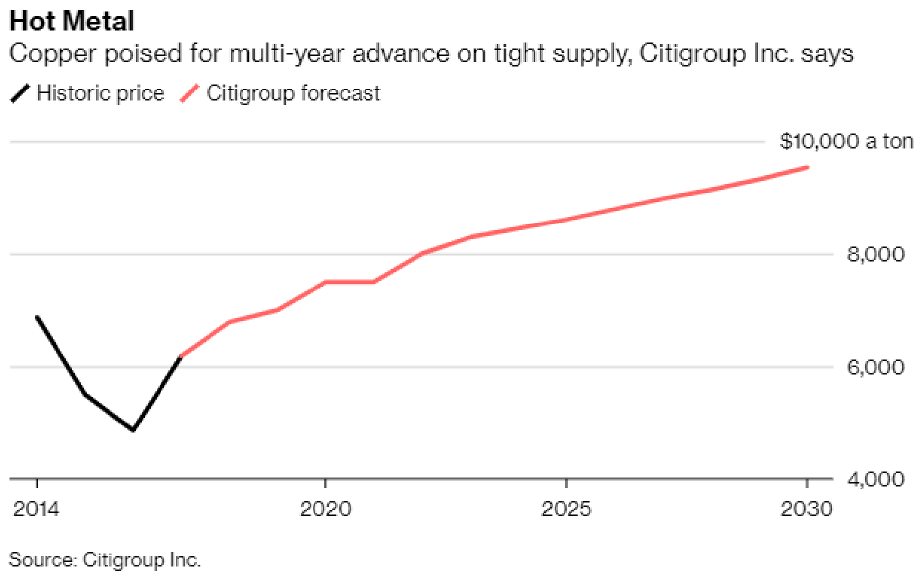


"The warehouse sector is rapidly growing."

For every additional $1 billion in online sales, 1.3 million sq.ft. of warehouse space is required. Dream Industrial REIT is therefore very well positioned to capitalize on this systemic change, while offering a very attractive dividend rate.

BHP Group – BHP

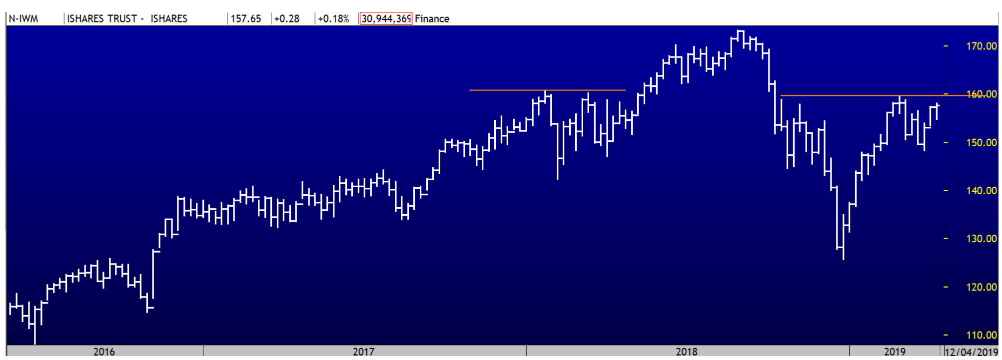
Here, we are dealing with a whole different ball game, but with a significant similarity: the dividend rate, which stands at 4.2%. With a capitalization of over $200 billion, BHP is a mining giant whose tentacles span the globe. But what is of particular interest is the company's exposure to the price of copper, a barometer of global industrial development. After more than 10 years in the doldrums and a decline in industry investment, we share Citigroup's view (see below) that copper prices are poised to rise steadily in the coming years.



Markets

"Large caps responsible for the majority of the gains."

Although we have regained several long positions in recent months, our optimism is not completely restored, for two reasons. First, the U.S. small-cap index has not managed to break through its previous resistance, which is cause for concern.



A breakthrough above 160 on the graph above would eliminate a huge technical obstacle for us, and possibly allow a more broad-based rally in equity markets, while currently only a small number of mega-caps are responsible for the vast majority of the gains in the past quarter.

Our second concern is the inverted U.S. interest rate curve. This occurs when long-term rates are lower than short-term rates, or below zero as in the following graph:

"Beware of the reversal of the yield curve."

As you can see, all recessions over the past 30 years have been preceded by an inverted curve. Fortunately for us, there is an average of 18 months between this inversion and the onset of the recession. In addition, in the late 1990s, stock markets saw some boom years after the inversion, before the dot-com bubble, that is. It is therefore a slight long-term concern, but one that must definitely be kept in mind in 2020.

Rivemont MicroCap Fund

The first quarter of 2019 was quite impressive for the Rivemont MicroCap Fund. While most experts predicted relatively poor performance for North American markets in 2019, all major indexes rebounded sharply in the first quarter compared to the low point of the holiday season in 2018.

The following are some key figures for the Fund as at March 31, 2019:

- $5.62 million in net assets under management, up $1.55 million from the previous quarter
- 91.7% invested in securities and 8.3% in cash
- 26 portfolio positions, the largest accounting for 9.9% of assets
- The top five holdings represented 36.8% of the portfolio
- Value per unit of $6.02*, for a return of 32.3%** for the quarter

** Series B units (MAJ724)*
*****Return net of all costs**. Note that the return varies from person to person depending on the price paid per unit.*

To measure our performance for the period from January 1 to March 31, 2019, we chose the S&P/TSX Small Cap Index as our benchmark, which reflects the performance of the Canadian small-cap market. To obtain an overview of U.S. market performance, we used the LD Micro Index as our benchmark. During the quarter, the Fund performed against the two benchmarks as follows:

Q1 2019 Returns	
S&P/TSX Small Cap	10,7%
LD Micro	21,2%
Rivemont MicroCap Fund	32,3%

"More than 32% return in the first quarter alone."

As you can see, this was an outstanding quarter for North American microcap and small cap stocks. The recovery that began just after Christmas continued throughout the quarter and of course fuelled the Fund's performance. As a result, we outperformed both indexes, placing us 30.4% ahead of the S&P/TSX Small Cap Index since the Fund's inception 15 months ago.

We cannot attribute the strong quarterly performance of the portfolio to any one security. As we have indicated in previous letters, our objective is to hold a small number of high-quality companies at all times that we believe will outperform the market index over the long-term. In the first quarter, it became clear that many of our stocks experienced an upswing, with their price moving closer to what we consider to be their intrinsic value.

We capitalized on the sharp increase in some positions to take profits and restore our cash position, which was quite low at the end of 2018. As at March 31, 2019, we had 8.3% in net cash, a much more comfortable situation, although still slightly below our 10% target. Despite the portfolio's significant appreciation during the quarter, we feel no need to increase our cash position, as we believe most our securities still offer excellent long-term prospects.

"Still excellent return potential!"

Over a year ago, when we decided to launch a microcap fund, our objective was to do what no one else in the asset management industry had dared to do: find the smallest and most misunderstood opportunities, those that no professional investor would want to touch because of their insufficient size. By adopting a largely untapped investment style, we are able to achieve different and superior results. We believe that this divergence from more conventional strategies is what will allow us to stand out from the norm over longer horizons.

Market Prospects

Rivemont Investments			
Subject	**Question**	**Recommendation**	**Comments**
Allocation between equities and fixed income securities	Which are most interesting, stocks or bonds?	Underweight in bonds and stocks.	We recommend adding alternative investments to portfolios.
Distribution between Canadian, U.S. and international securities	Which securities are most interesting: Canadian, U.S. or international?	International Equities are starting to look more attractive.	We are keeping a close eye on a potential resurgence of the commercial real estate sector.
Distribution between corporate and government bonds	Which are more interesting, corporate or government bonds?	Long-term government bonds have little attraction.	We recommend bonds with short-term maturities.
Investments in Canadian dollars or in foreign currency	Do investments in other currencies increase or decrease the total yield?	U.S. assets are still just as essential to portfolios.	We do not anticipate any sharp movement in currencies.

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.

As of April 29, 2019

1) Symbol: CAE
Name: **CAE**
Description: Flight simulators.
Dividend Yield: 1.4%
Total Return: 60.5%

2) Symbol: CTRE
Name: **CareTrust REIT**
Description: Elderly housing.
Dividend Yield: 3.8%
Total Return: 20.0%

3) Symbol: RY
Name: **Royal Bank**
Description: Financial services.
Dividend Yield: 4.1%
Total Return: 31.7%

4) Symbol: DIR.UN
Name: **Dream Industrial REIT**
Description: Industrial real estate.
Dividend Yield: 5.9%
Total Return: 12.0%

5) Symbol: T
Name: **Telus**
Description: Telecommunications.
Dividend Yield: 4.4%
Total Return: 17.7%

6) Symbol: MDT
Name: **Medtronic**
Description: Medical technologies.
Dividend Yield: 2.2%
Total Return: -6.6%

7 Symbol: BHP
Name: **BHP Group**
Description: Mining.
Dividend Yield: 4.3%
Total Return: 1.6%

8) Symbol: IFC
Name: **Intact Financial**
Description: Casualty insurance.
Dividend Yield: 2.7%
Total Return: 14.6%

Conclusion

I would like to thank the many new clients who have joined Rivemont in recent months and for whom this letter is their first quarterly communication. We offer several niche products that are very different from traditional banks to create a portfolio tailored to each investor, regardless of age or risk profile.

Sincerely,

Martin Lalonde, MBA, CFA
President