

Financial Letter
Volume 10 Number 3

August 1st, 2019

Introduction

Hello everyone,

The second quarter of 2019 was eventful for Rivemont. First, I would like to welcome Louis Natier to our Montreal office, where he will serve as an investment and administration analyst. Louis has a degree in finance and is pursuing the CFA designation. I would also like to wish a very special welcome to the clients of Christopher Roche, who are joining Rivemont. In partnership with Christopher, our team will offer you expert and personalized support in creating a high-performance portfolio that matches your risk profile.

We have also, for the first time in our history, received an investment mandate from a leading Quebec family office. This investment in the Rivemont MicroCap Fund marks a major milestone for a firm such as ours. We hope that this is only a beginning and that other institutions will take an interest in our innovative products.

On the markets, meanwhile, our traditional strategies slightly underperformed their respective indexes, by between 1% and 2%, over the last three months. An uneventful performance in an uneventful market. However, the alternative strategy on which most of the attention was focused in the last quarter was beyond a doubt related to cryptocurrencies. Although clearly very risky and volatile, and not for your average investor, the Rivemont Crypto Fund generated a return after fees of more than 140% during the period. We believe that, in a not-too-distant future, all firms will

IN THIS ISSUE

1. Introduction
2. The Last Quarter
3. Market Prospects
4. Favorite Securities
5. Conclusion

Gatineau

160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal

300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300



have to include this asset class in their clients' portfolios. Let's hope that the Rivemont Crypto Fund will be the product they choose at that time.

In this newsletter, we will review the last quarter and present our new purchases. As usual, we'll wrap up with our outlook for the various asset classes and the largest positions in our traditional management mandates.

Enjoy!

The last quarter

Here is how our growth strategy performed:

<https://rivemont.ca/wp-content/uploads/2019/07/Growth-2019-06-30.pdf>

As you can see, we continue to do well while displaying less volatility than our benchmark index. We believe that it's important to combine growth and income stocks in order to build a portfolio that performs well over the entire market cycle.

In recent weeks, we completed our purchases with two very different securities. First, we added Independence Realty Trust (IRT.N) to our strategies. This company owns 15,734 housing units in 58 communities throughout the United States. Most of these modern complexes include training facilities as well as swimming pools and spas.

Financially, the most attractive aspect of this investment is the annual dividend yield of over 6%. We obviously made sure that the company's fundamentals could sustain it. In an environment of very low interest rates, with a potential further cut by the Fed later this year, we believe this industry is really well positioned for sustained growth over the next few years.

Our portfolio now holds three trusts, with a weight of about 15%. Operating in vastly different industries, these trusts complement each other well to generate high income, something that is increasingly difficult for bonds.

"The portfolios now hold three real estate trusts providing a good dividend yield."

Gatineau

160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

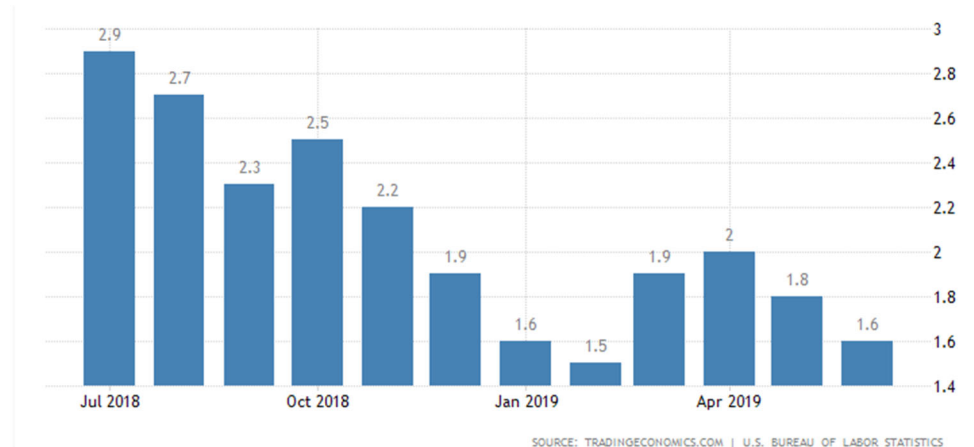
Montréal

300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300

US Economy

“Despite a strong job market, the US economy is slowing down in certain sectors.”

Our other purchase, although very different, is based on the same premise: the decline in U.S. interest rates. We believe that these rates will be trimmed from 0.25% to 0.50% this year. Indeed, inflation south of the border is lower than anticipated and trending downward due to a slowdown in certain components of GDP.



US Interests

“Lower US interests rates leads to a depreciation of the US dollar.”

As shown on the chart above from the U.S. Bureau of Labor/Trading Economics, inflation remains below 2% despite a historically spectacular job market. Lower interest rates should cause the U.S. dollar to depreciate against other currencies, including the Canadian dollar since our economy is not experiencing the same concerns.



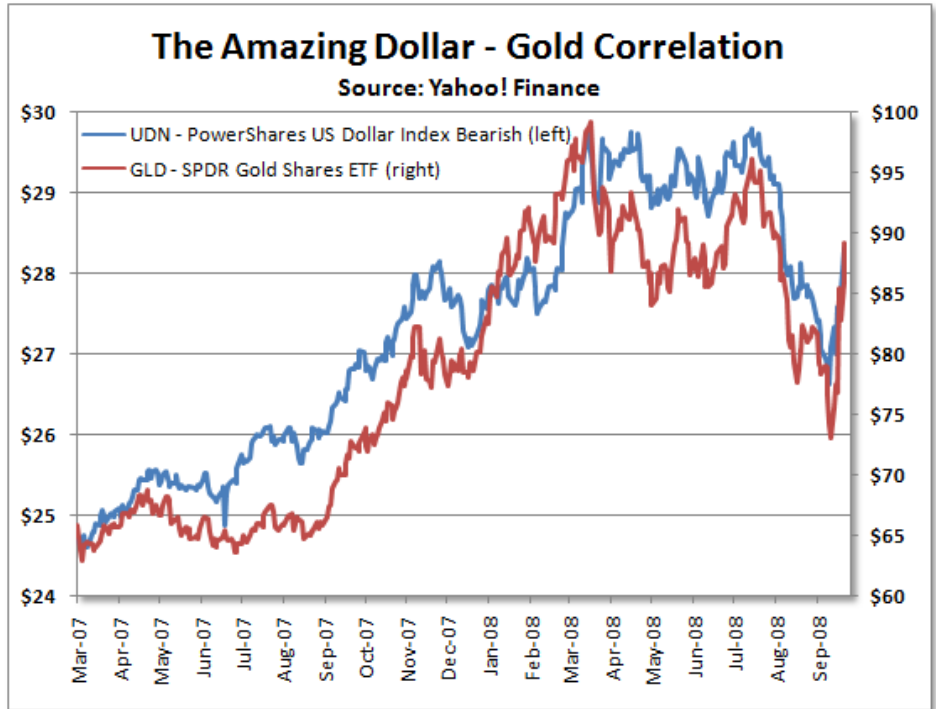
Gatineau
160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal
300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300

As the above graph shows, the loonie has gained nearly 4% over the past four months. And what asset class performs best when the U.S. dollar falls? Gold, obviously! The graph below illustrates this correlation.



“Gold should perform well in a depreciating US dollar environment.”

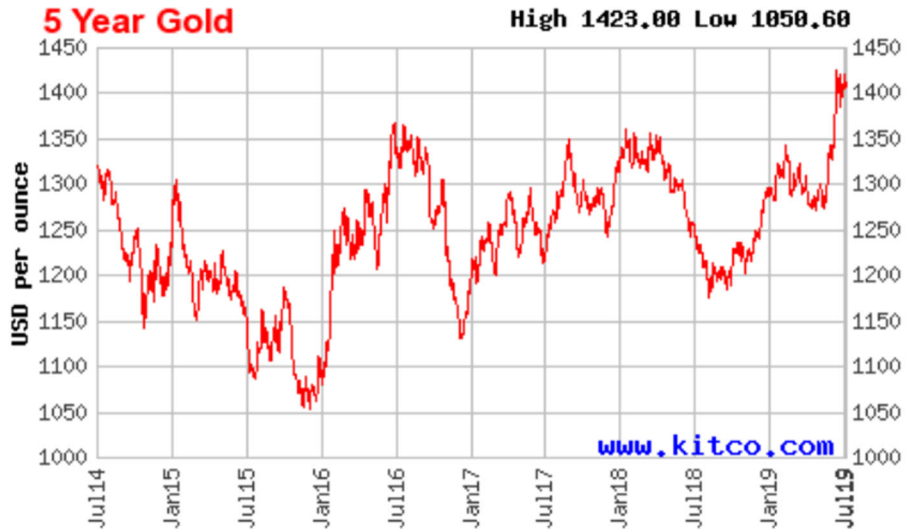


Source : Tim Iacono, Seeking Alpha

In order to take advantage of this relationship, we added the XGD Global Gold ETF to the portfolios. The largest positions in that ETF are Newmont Goldcorp, Barrick Gold and Franco Nevada. It's important to note that we prefer to invest in gold companies rather than in the price of gold itself. We believe that the leverage created by rising commodity prices is always beneficial to mining companies in the industry when the market is on the rise. The graph below shows the price of gold over the past five years. An interesting upward trend is taking shape.

Gatineau
160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal
300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300



Gatineau

160 de l'Hôpital, bureau 202
 Gatineau, Québec, J8T 8J1
819-246-8800

Montréal

300 rue du Saint-Sacrement, bureau 320
 Montréal, Québec, H2Y 1X4
438-387-3300



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.	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?	Canadians equities are making a strong come back.	Gold may be making a much-anticipated return.
Distribution between corporate and government bonds	Which are more interesting, corporate or government bonds?	Long-term government bonds are not very attractive.	We recommend bonds with medium-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.

Gatineau

160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal

300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300

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 July 29, 2019

1) Symbol: CAE

Name: **CAE**

Description: Flight simulators.

Dividend Yield: 1.1%

Total Return: 85.1%

2) Symbol: MDT

Name: **Medtronic**

Description: Medical technologies.

Dividend Yield: 2.1%

Total Return: 9.9%

3) Symbol: DIR.UN

Name: **Dream Industrial REIT**

Description: Industrial real estate.

Dividend Yield: 5.7%

Total Return: 20.4%

4) Symbol: IFC

Name: **Intact Financial**

Description: Casualty insurance.

Dividend Yield: 2.4%

Total Return: 31.7%

5) Symbol: RY

Name: **Royal Bank**

Description: Financial services.

Dividend Yield: 3.9%

Total Return: 34.0%

6) Symbol: BHP

Name: **BHP Group**

Description: Mining.

Dividend Yield: 4.2%

Total Return: 6.9%

7) Symbol: CTRE

Name: **CareTrust REIT**

Description: Elderly housing.

Dividend Yield: 3.9%

Total Return: 18.0%

8) Symbol: IRT

Name: **Independence Realty Trust**

Description: Housing units.

Dividend Yield: 6.0%

Total Return: 4.1%

Gatineau

160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal

300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300



Conclusion

Active management is again becoming critical if we wish to direct our portfolios to securities that reflect dominant economic trends. In Canada, we don't expect the petroleum industry to bounce back, as a decline in global consumption is anticipated over the next decade. Rates should remain low and the second half of the year could see the start of a race to currency depreciation.

Unlike several other observers, we're not so convinced that a trade deal between China and the U.S. is imminent. China will probably stick to its guns and it will take a reasonable Trump to break the deadlock. Is this possible?

Sincerely,

Martin Lalonde, MBA, CFA
President

RIVEMONT

The information presented is dated July 31, 2019 unless otherwise specified and is for information purposes only. The information comes from sources that we deem reliable, but its accuracy is not guaranteed. This is not financial, legal or tax advice. Rivemont Investments is not responsible for errors or omissions with respect to this information or for any loss or damage suffered as a result of reading it.

Gatineau

160 de l'Hôpital, bureau 202
Gatineau, Québec, J8T 8J1
819-246-8800

Montréal

300 rue du Saint-Sacrement, bureau 320
Montréal, Québec, H2Y 1X4
438-387-3300