



Financial Letter  
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## Introduction

Hello everyone,

In spite of fiery media coverage of the U.S.-China trade war and U.S. President Donald Trump's impeachment proceedings, markets were relatively calm during the past quarter with positive returns of about 3%. It's unsettling how much investors are affected by economic uncertainty at a time when economic data have never been so compelling. Corporate profits are at an all-time high and unemployment is very low, yet inflation remains completely unaffected, shy of central bank targets. This troika is a rare occurrence, and it's essential for investors to cash in on it. Of course, Rivemont's primary objective is to protect investor capital in the event of a bear market, and we stand ready to act. In the meantime, everything is copacetic!

We're delighted to kick off a special collaboration with *Le Droit AFFAIRES* magazine. Every month, you'll find our column on finance and economics. Here's the link to our first article entitled, "*La bulle japonaise*": [Chronique – Le Droit AFFAIRES](#) (in French only).

As our client portfolios consist of various asset classes, such as equities, bonds and alternative funds, making performance comparisons with the stock market or other managers can be difficult. For this reason, we've prepared a chart for the portfolios we manage showing the performance of the equity sleeve alone. It's worth checking out!

[Equity performance](#)

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We'll begin the newsletter with some corporate strategic changes we're implementing at Rivemont to better serve our clients. Then, we'll review the past quarter and discuss our latest transactions. As usual, we'll wrap up with our outlook for the various asset classes and the largest positions in our traditional management mandates.

Enjoy!

## Operational changes

At the same time as young Greta Thunberg was visiting Quebec, Rivemont embarked on an ambitious project to move to a paperless environment. We're fully aware that many of our clients are far more comfortable with a sheet of paper in their hands than staring at a screen. The first phase of the project will thus focus on our internal processes and eventually include client communications.

With the help of a young Montreal firm, we first put all of our accounting online. No more bills spilling out binders or glove compartments. We use PDF documents, when available, or an image of the invoice scanned by data extraction software. This information is then automatically sent to the accounting system, which directly reconciles transactions against the bank account. This all translates into significant savings in time, resources and paper.

e-Signing is the second phase of our paperless environment project. Our current annual update process, for instance, requires printing dozens of pages. We are currently implementing a method to provide access to a number of innovative options. To do this, we chose DocuSign technology. As a result, in the coming months, we'll be able to send all the documentation required for annual updates or account openings via secure email for e-signing by clients. Similarly, this technology will be used in face-to-face meetings, but with a tablet to record each signature. Naturally, paper will always be an option for clients who prefer it.

This change seeks to make life easier for our investors, optimize our processes and reduce our environmental footprint. We believe the firms

*"Rivemont started a migration towards a paperless environment."*

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that best adapt to technological change will enjoy the strongest growth in these times of digital opportunity. And Rivemont will certainly be one of them!

### Third quarter 2019

Rarely has a quarter been this quiet, with all bonds and equity indexes finishing practically flat. But we're still finding opportunities in this calm market, such as the position we added to complement our portfolio. As a result, we're currently fully invested, except for a slight 5% underweight in bonds, which matches our current cash ratio.

Before discussing the above-mentioned purchase, let's first look at bonds. Like many observers, we were quite surprised to see no interest rate hikes during the year, and it appears increasingly plausible that Japan's zero-rate policy will spread to the West. Bonds—whose yields are inversely proportional to their prices—are up 9.69% since the beginning of the year (Core Canadian Universe Bond Index ETF), which is why they are an important part of our portfolios, despite waning expected returns. The market always surprises us when we expect it the least.

To fully understand our last purchase, we have to go back a few years to February 2017. At that time, Rivemont decided to set aside fax machines for a new technology for sending and receiving faxes via an online application developed by U.S. firm Ring Central. We're quite keen on pioneering technology solutions, which is why we're often among the first adopters of these technologies. At the time, Ring Central shares were trading for about \$25 on the New York Stock Exchange, and we took a serious look at incorporating the stock into our strategies. Here's how the share has performed over the past few years:

*"It is surprising that interest rates continue their downward trend."*

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*"DocuSign has been added to the private wealth portfolios."*

It breaks my heart to share this graph, as RNG now trades at over \$175. It's OK to make a mistake, but it's important not to repeat it. As we mentioned earlier, we're implementing a new e-signing process for documents and forms, both in person and via email. And the shares of our chosen firm, DocuSign, trade under the DOCU ticker on the Nasdaq... Guess what happened next! We didn't think twice about adding a DocuSign position for our clients following the September 6 announcement by senior management of better-than-expected results. More on that in two years' time!

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## Market Prospects

Rivemont Investments			
Subject	Question	Recommendation	Comments
Allocation between equities and fixed income securities	Which are most interesting, stocks or bonds?	Still 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?	U.S. equities still lead the pack.	Gold is potentially starting an uptrend.
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.

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## 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 October 28, 2019

1) Symbol: DIR.UN

Name: **Dream Industrial REIT**

Description: Industrial real estate.

Dividend Yield: 5.3%

Total Return: 32.6%

2) Symbol: IRT

Name: **Independence Realty Trust**

Description: Housing units.

Dividend Yield: 4.8%

Total Return: 30.6%

3) Symbol: DOCU

Name: **DocuSign**

Description: Electronic signature software.

Dividend Yield: 0.0%

Total Return: 16.8%

4) Symbol: CAE

Name: **CAE**

Description: Flight simulators.

Dividend Yield: 1.3%

Total Return: 73.7%

5) Symbol: RY

Name: **Royal Bank**

Description: Financial services.

Dividend Yield: 4.0%

Total Return: 37.9%

6) Symbol: MDT

Name: **Medtronic**

Description: Medical technologies.

Dividend Yield: 2.1%

Total Return: 13.4%

7) Symbol: CTRE

Name: **CareTrust REIT**

Description: Elderly housing.

Dividend Yield: 3.8%

Total Return: 21.1%

8) Symbol: IFC

Name: **Intact Financial**

Description: Casualty insurance.

Dividend Yield: 2.3%

Total Return: 39.4%

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## Conclusion

With a return of about 3% since the beginning of the quarter, we managed to slightly outperform our benchmark. Our approach continues to deliver the expected results.

Thank you again for your loyalty. We'll talk again in 2020!

Sincerely,

Martin Lalonde, MBA, CFA  
President

# RIVEMONT

The information presented is dated October 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.

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