

RIVEMONT

Microcap Strategy - Annual Letter - 2020

January 22nd, 2021

Rivemont is the portfolio manager responsible for the investment decisions of the Rivemont MicroCap Fund.

Dear investors,

What an eventful year was 2020! Last January, as we wrote our 2019 annual letter, we certainly had no idea of the global scale COVID-19 would take and its financial repercussions.

We have once again witnessed how unpredictable the stock market can be. After

a period of unprecedented decline and volatility in February and March, the market began to rally steadily, finally reaching new highs at the end of the year.

For Canadian microcaps, 2020 was an exceptional year. While large caps were reaching all-time highs and company valuations were elevated compared to historical norms, microcaps still presented plenty of bargains in mid-year. We saw a significant inflow of institutional capital into the sector in the second half of the year, which pushed many of our stocks higher. As you will see, this led to a strong performance for the fund in 2020.

Let's now take a look at some of the fund's metrics, as at December 31, 2020:

- \$12.3 million in net assets under management.
- 95% invested and 5% in cash.
- 32 positions. The largest represented 13.5% of the portfolio.
- The top 5 positions represented 37% of the portfolio.
- Fund unit value of \$9.51*, for a return of + 25.4%** during the quarter.
- Return of + 52.7%** for 2020.

* Series B units (MAJ724)

** **Net return after all fees.**

To compare our performance during the fourth quarter (October 1 to December 31, 2020), we use the S&P/TSX Small Cap Index as our benchmark. This index reflects the small cap market performance in Canada. To get an overview of the US market performance, we refer to the LD Micro Index. Here is the performance of the two indices during the quarter:

Q4 2020 Returns	
S&P/TSX Small Cap	23.5%
LD Micro	31.8%
Rivemont MicroCap Fund	25.4%

As you can see, the Rivemont MicroCap Fund had an excellent fourth quarter. Relative to indices, the fund did slightly better than the Canadian index and

slightly worse than its US counterpart.

As we have mentioned in the past, quarterly results can fluctuate for a number of reasons, both for the fund and for the indices. We recommend comparing our performance against the indices on an annual basis and even over a horizon of several years.

For the full year, here is a table comparing the total returns (including dividends) of several major North American indices:

2020 Returns	
Small and Micro Caps - Canada	
TSX Venture Composite	51.6%
S&P/TSX Small Cap	12.9%
Small and Micro Caps - US	
LD Micro	35.8%
Russell MicroCap	21.0%
Large Caps - Canada	
S&P/TSX Composite	5.6%
Large Caps - US	
S&P 500	18.4%
Dow Jones	9.7%
Nasdaq Composite	44.9%
Rivemont MicroCap Fund	52.7%

2020 has been a phenomenal year for the Rivemont MicroCap Fund, outperforming all the major indices. In addition, the fund went through a second period of high volatility (the first being in December 2018) and once again demonstrated its resilience and ability to rebound.

Of course, we shouldn't expect to see returns like this every year. However, we believe that with a reliable and proven investment process, we will continue to do well against the indices in both good and bad times (yes, unfortunately, there will be bad times one day).

Finally, a significant highlight that marked 2020 for the fund was obtaining a first "10-bagger", meaning a stock that multiplies its initial value more than ten times. Our first "10-bagger" was Xebec Adsorption (TSX: XBC), a Quebec-based company that we initially bought at \$0.70 per share in 2018. The stock ended 2020 at \$9.00 per share, for a return of 1,186 % on the first shares we purchased!

Two New Members Join The Team

We are excited to announce that at the beginning of January 2021, Mathieu Martin joined the Rivemont MicroCap Fund team as a senior analyst. You will recall that Mathieu had acted as an external consultant for the fund since its inception three years ago.

As an analyst, Mathieu will now be able to become more involved in the fund's decision-making process and integrate the culture at Rivemont. In the coming months, we also intend to promote him to portfolio manager of the Rivemont MicroCap Fund once his application has been reviewed and approved by the Autorité des Marchés Financiers.

We believe this is excellent news for investors, as it demonstrates Mathieu's willingness to get involved for the long term with Rivemont.

We are also happy to announce the arrival next week of Philippe Lapointe as a junior analyst for the Rivemont MicroCap Fund. A graduate in finance from McGill University, Philippe is curious, creative, and a great self-learner. He will certainly be a major asset to help the Rivemont MicroCap Fund team search and analyze new investment opportunities.

We wish to give a warm welcome to our two new team members!

Main Portfolio Positions

At the request of several investors, we have decided to take advantage of this annual letter to share with you the main positions that make up the fund's portfolio. That will provide you with a better idea of the type of businesses you have exposure to as a unitholder.

Here are the five most important positions in the portfolio, which together make up 37 % of the invested capital:

1. Ackroo (TSX-V: AKR)

Ackroo provides marketing, payment and point-of-sale solutions for merchants of all sizes. Ackroo's self-serve, cloud-based marketing platform helps merchants in-store and online process and manage loyalty, gift card and promotional transactions at the point of sale. Ackroo's payment services provide merchants with low-cost payment processing options through some of the world's largest payment technology and service providers. Ackroo's hybrid management and point-of-sale solutions help manage and optimize the general operations for niche industry's including golf, yacht, tennis clubs and more. The company is pursuing a disciplined acquisition strategy to increase its revenue, breadth of product offerings, and talent pool.

Average purchase price: \$0.11

Current price: \$0.21

Return: + 91 %

2. Xebec Adsorption (TSX: XBC)

Xebec is a global provider of gas generation, purification and filtration solutions for the industrial, energy and renewables marketplace. Well-positioned in the energy transition space with proprietary technologies that transform raw gases into clean sources of renewable energy, Xebec's 1,500+ customers range from small to multi-national corporations, governments and municipalities looking to reduce their carbon footprints. Headquartered in Montréal, Québec, Xebec has several sales and support offices in North America and Europe, as well as two manufacturing facilities in Montréal and Shanghai.

Average purchase price: \$1.17

Current price: \$10.73

Return: + 817 %

3. ImmunoPrecise Antibodies (TSX-V: IPA / Nasdaq: IPA)

ImmunoPrecise is a global technology platform company with end-to-end solutions empowering pharmaceutical and biotech companies to discover and develop therapies against any disease. The company's experience and cutting-edge technologies enable unparalleled support of its partners in their quest to bring innovative treatments to the clinic. IPA's full-service capabilities dramatically reduce the time required for, and the inherent risk associated with, conventional product development. The company also develops its internal intellectual property of antibody assets to monetize through sales or partnerships. IPA is currently working on the development of a treatment and vaccine for COVID-19.

Average purchase price: \$4.45

Current price: \$20.00

Return: + 349 %

4. Kraken Robotics (TSX.V: PNG)

Kraken Robotics is a marine technology company dedicated to the production and sale of software-centric sensors, subsea batteries and thrusters, and underwater robotic systems. Kraken's products and technologies are used for several military applications worldwide, such as the detection of underwater mines. The technology is also used for commercial applications like underwater exploration and infrastructure inspection. The company is headquartered in St. John's, Newfoundland, with offices across North America and Europe.

Average purchase price: \$0.40

Current price: \$0.65

Return: + 63 %

5. WeCook Meals (Private)

Founded in 2013, WeCook is the Quebec leader in freshly prepared meals delivered to the home. The company's home delivery network stretches across Quebec and Ontario and includes over 100 pick-up locations. With approximately 400 employees working in its food production facilities in Dorval and Saint-Hyacinthe, WeCook serves more than 20,000 active customers and delivers over 50,000 meals per week. WeCook is currently contemplating the possibility of going public in 2021. This will be one to watch!

Average purchase price: \$100

Current price: \$184.36

Return: + 84 %

Outlook

We live in an extraordinary economic situation right now, as interest rates are at record lows and governments are pumping massive amounts of money into the economy to weather the COVID-19 crisis. We believe that these stimulus measures have had a significant favorable impact on stocks' performance (and several other asset classes like real estate, gold, cryptocurrencies, etc.) in 2020.

Now, the question to ask is: is this sustainable in the long term?

It's challenging to predict the direction of the economy and the stock market, especially in the short term when we find ourselves in a situation where there is not much of a historical precedent to rely on. Our current approach is slowly turning to caution, as we are taking profits on some stocks that have performed exceptionally well lately. We then reinvest those profits in companies where the valuation is much more attractive and provides better downside protection.

In finance, we often talk about the diversification of a portfolio. Diversification

can take many forms, such as investing in different asset classes, industries, or geographies. For the Rivemont MicroCap Fund, one way that we diversify is by investment styles. While we have generally preferred high-growth tech companies trading at a reasonable price, it's getting a little harder to find this type of opportunity these days, given the higher valuations.

Therefore, we turn to criteria that are more akin to value investing. We often find these opportunities in sectors other than technology, sectors with more moderate growth or that don't benefit from a strong narrative that catches investors' attention (as is the case with electric vehicles, plant-based foods, or renewable energy, for example). Value-type opportunities generally offer excellent protection against downside risk while having the potential to generate moderate growth.

Rest assured, this is not a change of course for the fund's investment strategy, and we are not putting all our eggs into one basket (or one investment style). It's merely the result of our disciplined process and how we analyze and value companies, which leads us to find the right opportunities in other industries right now.

This diversification of different investment styles across the portfolio should allow the fund to continue to perform well in a bull market but partially reduce downside risk if we experience a significant correction.

Closing Remarks

As you may have noticed, the Rivemont MicroCap Fund's assets under management increased significantly in 2020, going from \$6.3 million to \$12.3 million, a growth of 95%! The fund also celebrated its third anniversary on January 18, posting a compound return of 26.9% per year (net of all fees) since inception.

We are very proud of these results and would like to thank each and every one of you for placing your trust in us from the start and reiterating your confidence

during times of market turbulence. Thank you also to everyone who introduced us to new investors. These references are of great value for a growing firm like Rivemont.

2021 has already started strong, and we look forward to continuing to grow your portfolios alongside ours for many years to come.

We wish you a healthy and prosperous year ahead, and we look forward to our next communication in April!

Rivemont Investments

Portfolio Manager of the Rivemont MicroCap Fund

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