



**Financial Letter**  
**Volume 14 Number 2**



**April 2023**

## Introduction

Hello everyone,

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The year is starting off with a bang at Rivemont as we experience significant operational changes. First, I would like to announce the appointment of David Blouin as Director, Client Services. A graduate of HEC Montréal, David has several years of experience in the Canadian financial sector and will be the first point of contact for existing and prospective clients. As a result, we are gradually implementing the Salesforce CRM software to improve our internal processes and increase staff efficiency. These changes will allow Valérie Marquis to focus more on business development with a view to continuing to make Rivemont a partner of choice for high-net-worth investors.

In this bulletin, I will begin by discussing the current state of the markets and interest rate levels. I will continue with a few words about the insurance needs of some investors and wrap up, as usual, with our market outlook and top positions.

Good reading.

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## Markets

The year 2022 was undoubtedly very difficult for investors, as large caps collapsed and bonds also fell. A certain rebound was expected, which happened in January. Since then, things have been relatively calm. However, some sectors are beginning to emerge from the pack and present potential buying opportunities. The first sector that comes to mind is gold.

*“The price of gold is approaching its highest level ever.”*



TradinView

The price of gold is approaching its highest level ever, and we believe that a closing price above \$2,100 would signal a new long-term bull market. In order not to miss the boat, whose engines are already revved up for departure, we added the stocks of gold producer Lundin Gold (LUG.to) to the portfolios. The company's prized holding is the Fruta del Norte gold mine in southeastern Ecuador, one of the richest and cheapest gold mines in the world. The underground deposit is part of the La Zarza concession, located in the Suarez Pull-Aparé basin. Lundin Gold acquired the asset at the end of 2014, began construction of the operation in July 2017, poured the first ounce of gold in November 2019, and launched commercial production in February 2020.

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For an investor, it is usually preferable to hold the stocks of commodity producers in their portfolio rather than the commodity itself. In times of rising prices, margins improve and capital is more readily available for growth.

Copper is another commodity on our radar.

*“Copper is essential for the electrification of transportation.”*



TradingView

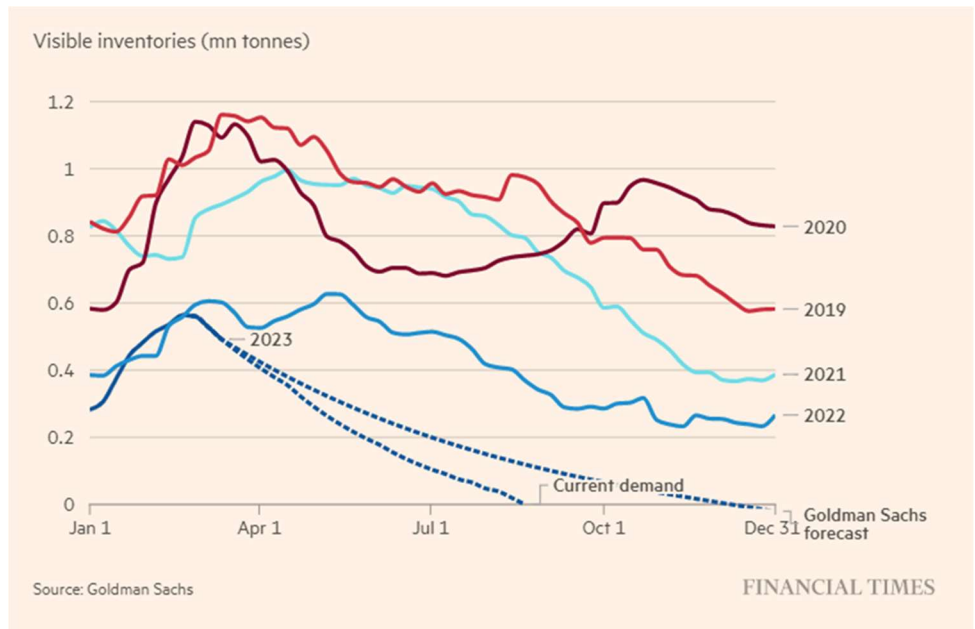
Essential for the electrification of transportation and with many applications, copper is the industrial input most likely to see its price skyrocket due to production growing at a much slower rate than consumption needs. In that respect, Goldman Sachs has said: *“On copper, the forward outlook is extraordinarily positive. We’ll be at the lowest observable inventories that have ever been recorded at 125,000 tonnes. We have peak supply occurring in 2024.... Near term we put (the copper price) at \$10,500 and longer term our price target is \$15,000 a tonne.”* As a result, reserves are depleted, while the significant investments needed to balance them are slow to follow suit.

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Goldman Sachs and Financial Times

## Interest Rates

For the first time since Rivemont was founded, interest rates are high enough for the bond portion of the portfolios to help enrich investors. In addition, we are offering an increasingly appealing offer for those seeking attractive returns, cash and low volatility. Money market funds are financial instruments used to invest in short-term, low-risk securities such as treasury bills, certificates of deposit and corporate bonds. They are designed to preserve the investor’s capital while providing regular interest.

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These funds are used by Rivemont for clients seeking to protect their capital against inflation or financial market volatility, while having easy access to cash. They can also be an alternative to traditional savings accounts, providing higher returns (between 4.5% and 5%) while maintaining a high level of security.

Money market funds are regulated and must meet strict standards in terms of credit quality, diversification and liquidity.



*“Insurance is a fiscal tool.”*

## Insurance

In addition to brokerage services, most investors offer different types of insurance that provide death, serious illness or disability coverage. Unfortunately, due to the current structure of the industry, there is significant pressure on insurance distributors to obtain a large number of sales without taking into account the other available options or actual needs.

It is important to understand that insurance is only really useful in two specific cases:

1. To guard against temporary risk;
2. To reduce the tax impact at death when all retirement needs are covered.

At Rivemont, we integrate these aspects into our thinking, while assuming that in 90% of cases, savings is the preferred option in the long term. In other words, insurance is not an investment tool but rather a protection or tax planning tool.

So our approach is not about selling but about maximizing wealth. Please do not hesitate to contact us to review your insurance needs.

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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?	Balanced portfolio.	The commodities sector is back on track.
Distribution between Canadian, U.S. and international securities	Which securities are most interesting: Canadian, U.S. or international?	Canadian equities are attractive.	Rotate from a growth approach to a value approach
Distribution between corporate and government bonds	Which are more interesting, corporate or government bonds?	Bonds are becoming attractive again.	We recommend a combination of government and corporate bonds.
Investments in Canadian dollars or in foreign currency	Do investments in other currencies increase or decrease the total yield?	US assets are essential, but carry additional risk	Possible downward movement of the US dollar

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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 April 21, 2023

1) Symbol: IFC

Name: **Intact Insurances**

Description: Insurances.

Dividend Yield: 2.0%

Total Return: 90.8 %

2) Symbol: LUG

Name: **Lundin Gold**

Description: Gold producer

Dividend Yield: 3.2 %

Total Return: 3.1 %

3) Symbol: IVN

Name: **Ivanhoe Mines**

Description: Copper producer

Dividend Yield: 0.0 %

Total Return: -7.5 %

4) Symbol: RY

Name: **Royal Bank**

Description: Financial services.

Dividend Yield: 3.9%

Total Return: 41.4 %

5) Symbol: CTVA

Name: **Corteva**

Description: Agri-food products

Dividend Yield: 1.0%

Total Return: 21.8 %

6) Symbol: BSX

Name: **Boston Scientifics**

Description: Medical devices

Dividend Yield: 0.0%

Total Return: 1.9 %

7) Symbol: HWM

Name: **Howmet Aerospace**

Description: Aerospace engineering

Dividend Yield: 0.0%

Total Return: 3.5 %

8) Symbol: SANM

Name: **Sanmina**

Description: Electronic components.

Dividend Yield: 0.0%

Total Return: 18.7 %

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## Conclusion

We have currently significantly reduced our cash in portfolios to benefit from the movements observed in specific sectors. However, we will not hesitate to sell stocks if the economy and markets become difficult again. Active management enables us to navigate more smoothly and react quickly to changing conditions. Let's hope, however, that the worst is behind us, while still preparing for it.

Sincerely,

Martin Lalonde, MBA, CFA  
President

# RIVEMONT

The information presented is dated March 31, 2023 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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