

# Team Chartier, Grandmaison

Wealth Management Advisors  
and Portfolio Managers



## 2<sup>nd</sup> Quarter Summary

### Asset Allocation Strategy

#### Fixed Income

- Income, Conservative and Balanced portfolios have maintained the same fixed income weighing targets while the Growth and Maximum Growth portfolios have seen a slight decrease.

#### Equities

- We decreased the Canadian and US equity weighing targets to bring them back to neutral positioning.
- Slight increase in foreign equity weighing target.

#### Alternative Investments

- Increased target up to 2/3 of the maximum weighing for this category.

#### Cash & Cash Equivalents

- To increase the weighing in alternative investments, a decrease in cash was required. Our current cash weighing target remains slightly higher than the neutral benchmark.

### Portfolio model revisions

#### U.S Equities

*Sold **NOBL** – Proshares S&P 500 Dividend Aristocrats and bought **DGRO** - Ishares Core Dividend Growth*

- NOBL-US holds 51 stocks that make up for 43% of DGRO total holdings.
- 58 other stocks represent about 55% of DGRO and roughly another 300 stocks represent less than 2% of DGRO.
- DGRO and NOBL share the same objective with a slight difference in their methodology; (DGRO requires 5 years of uninterrupted annual dividend growth while NOBL requires 25 years).
- The internal fees (MER) charged in DGRO are significantly less than in NOBL (0.08% vs. 0.35%), adding to the long-term performance potential.

"A goal without a plan is just a wish." – *Antoine de Saint-Exupéry*

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Due to increasing interest rates, we continue to believe that it is preferable to have a portfolio consisting mainly of dividend growers' vs high dividend yielding stocks, the former being less sensitive to increases in interest rates.

### Global Equities

- Our comparative analysis of the Manulife Mawer Global Equity fund (**MMF4606**) in our model portfolio against the Manulife World Investment Class fund (**MMF8621**), both managed by Mawer Investment Management Ltd on behalf of Manulife, showed that the latter had a higher probability of outperforming its benchmark. Consequently, we decided to transfer our investment in Global Equity fund to the International equity fund.
- We also introduced Trimark Global Endeavour in its PTF version (**ITGE**), a concentrated grouping of approximately 35 American and foreign companies, mainly mid-size.

### Foreign Equities

- Following the switch of the Manulife Mawer funds, we withdrew **XFI** (a grouping of stocks based on 4 drivers: value, momentum, quality and smaller size); we believe that Mawer's active management and discipline are more likely to be successful in the current economic environment.

### Alternative Investments

- Following our decision to increase the weighing target in this investment category, we introduced 2 new solutions to provide more stability to the portfolio through their capacity to generate returns regardless of market conditions. The respective weight of the various components in this category have also been modified.
- NEI Environment Leaders fund (**NWT8988**) was added to this category because it stands out with its forward-looking and innovative approach to environmental issues and investment opportunities. It focuses on fast-growing companies active in the resource optimization markets. This global equity fund also offers greater diversification due to its lower correlation with the broad stock market.
- We also added Mackenzie Diversified Alternatives Fund (**MFC4859**) which gives access to alternative (non-traditional) investment strategies designed to enhance risk-adjusted returns with a low correlation to the other components of the portfolio.

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## Second Quarter Highlights:

### 1. *Currency Hedge*

On May 12th we hedged half of our American positions against a possible decline of the U.S. dollar. Our economists and analysts were forecasting a ceiling for the American dollar of \$1.38 that would be reached by the third quarter before gradually settling down to \$1.34 by the end of the year. This view was supported by other economists in the industry.

## Hedging Strategy

Sale of non-hedged versions		Purchase of hedged versions	
<b>ATL2492</b>	Renaissance U.S. Equity Income F	<b>ATL3280</b>	Renaissance U.S. Equity Income FH <b>(CAD-Hedged)</b>
<b>XUU</b>	iShares Core S&P U.S. Total Market Index ETF (non couvert)	<b>XUH</b>	iShares Core S&P U.S. Total Market Index ETF <b>(CAD-Hedged)</b>
<b>XMC</b>	iShares S&P U.S. Mid-Cap Index ETF (non couvert)	<b>XMH</b>	iShares S&P U.S. Mid-Cap Index ETF <b>(CAD-Hedged)</b>

### 2. *1<sup>st</sup> Semi-Annual Partners Meetings 2017*

In May, we reviewed with our partners from more than 20 investment firms (mutual funds and ETF) their best investment(s) solutions(s) that met our selection criteria (which included their embodied management fees).

### 3. *StockPointer*

We subscribed and began using *StockPointer*, a stock evaluation system based on the measurement of the Economic Value Added generated by a company for its shareholders and how it compares to its competitors. This tool improves our stock selection methodology.

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