

Team Chartier, Grandmaison

Wealth Management Advisors
and Portfolio Managers



3rd Quarter 2018 Summary

Asset Allocation Strategy

We have made some adjustments to our target asset mix:

- Slightly decreased Fixed Income securities weighting (between 0.5% and 1.5%), except in our "Income" profile model portfolio where we increased it by 1%
- Increased Canadian Equity weighting (between 1% and 3.5% depending on the profile)
- Decreased Foreign Equity weighting according to profile (up to 6% in the "Maximum Growth" profile)
- Increased US Equity weighting (1% to 2.5%) in the "Balanced", "Growth" and "Maximum Growth" profiles
- Slight adjustments to Cash to balance.

Portfolio Model Revisions

We made several purchases and sales during the quarter:

In the healthcare sector, we sold our shares of **Cardinal Health** whose earnings growth was disappointing. **Instead we purchased Teva Pharmaceuticals shares**, the world's largest generic drug company that also operates a specialty product segment. After undergoing downward pressure on generic prices and some operational problems over the last two years, Teva is in the process of successfully implementing a major restructuring and cost reduction program that should reinvigorate its operational results and share performance. Berkshire Hathaway (Warren Buffet) recently more than doubled their investment in Teva, becoming its third largest shareholder.

In the United States financial sector, we acquired shares in **Ares Management LP**, an asset management firm that specialized in three segments (fixed income, private equity, real estate), which we believe will experience strong growth in the next few years while being well positioned for an eventual recession.

In Canada, we sold our shares of **Telus** because of its limited growth potential, and bought shares in **Alimentation Couche-Tard**, the second largest convenience store chain in North America, also present in Europe. Its stock offers superior growth potential and a significant discount on its intrinsic value.

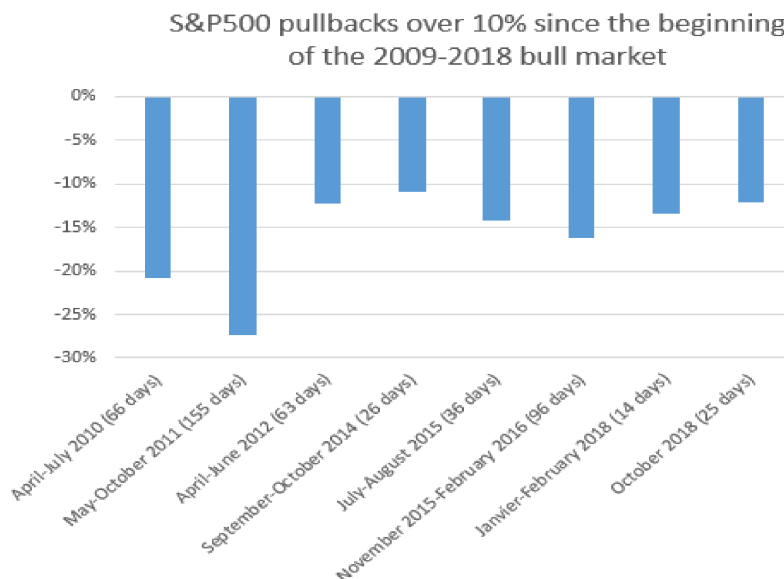
We had for some time on our radar screen the share of **Broadcom**, a technology company (semiconductors) generally considered one of the best managed. It suffered a market discount of 15% in July following the announcement, badly received by investors, that it was acquiring another company. Being of the opinion that this price decrease was not warranted, we took the opportunity to add Broadcom to the portfolio for its significant growth potential.

Furthermore, we sold the **RBC Canadian Equity Income Fund**, which, as a result of its popularity, was finding it increasingly difficult to distinguish itself from its benchmark, and for similar reasons the **Sun Life MFS International Value Fund**. We also sold the **BMO Global Infrastructure Exchange Traded Fund**, which is concentrated in the pipeline and utilities companies and reinvested the proceeds in our more diversified infrastructure positions (**Russell Global Infrastructure** and **NEI Environmental Leaders**).

On August 1, Brookfield Infrastructure Partners entered into an agreement with **Enercare** to purchase all of its shares for \$29 per share in cash. We had introduced Enercare in our model portfolio at the end of July 2017 at the price of \$ 20.69. This transaction generated a 40% gain in addition to the 4.75% annual dividend we were receiving. The purchase of Enercare was paid by Brookfield in mid-October.

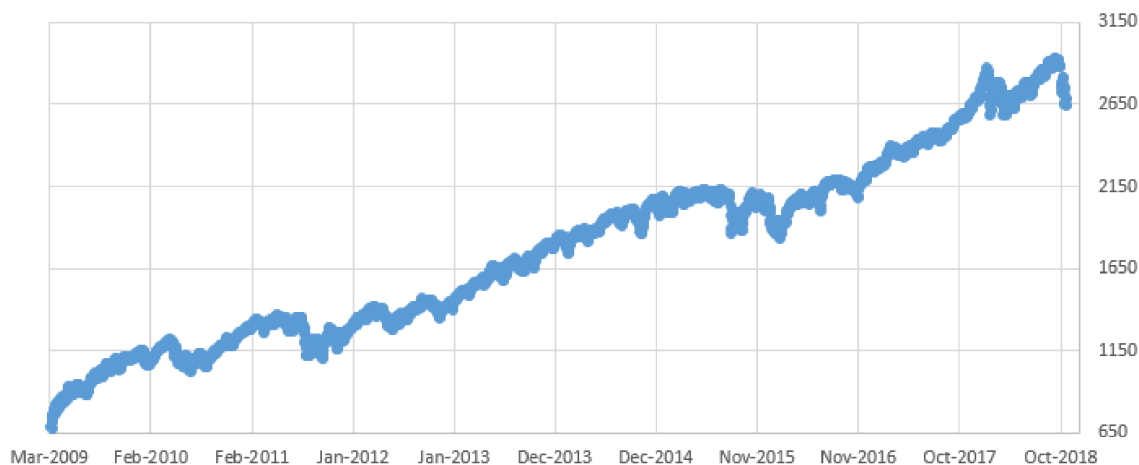
3rd Quarter 2018 Highlights

After a strong performance in July and August, Canadian and International equity markets declined in September, continuing in October. At the time of writing, the US market had also declined by nearly 8% in October. It is good to remember that history tends to repeat itself. In this current bull market for US equities, the main S&P500 index experienced 8 episodes of declines of more than 10%:



Despite these declines, the S&P500 has still increased by more than 400% since the beginning of the bull market:

S&P500 evolution through the 2009-2018 bull market



Because of the strength of the economy, in spite of trade tensions induced by the United States, we are of the opinion that the stock market declines that we are going through will probably be short-lived and are not yet announcing a coming recession. The best strategy is, in our opinion, to stay invested!



On a more athletic and charitable note, a member of our team participated this summer to the National Bank Grand Tour Cycliste, a 3-day road race, which raised \$ 170,000 for the *Fondation Jeunes en Tête*, whose mission is to prevent psychological distress among youth aged 11 to 18, as well as for eight organizations in Western Montérégie that support the development and well-being of young people.

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