Building your financial future

Team Chartier, Grandmaison

Wealth Management Advisors and Portfolio Managers

2018 Awards of Excellence

Portfolio Management Excellence
National Winner

2018 Awards of Excellence

Wealth Management Excellence of the Year
Montreal

1st QUARTER 2019 SUMMARY

Asset Allocation Strategy

We have made adjustments to our target asset allocation, first at the beginning of February:

- Decrease in US equities (sale of *Renaissance U.S. Equity Income* and *IShares S&P US Mid-Cap Index*) and EAFE[1] equity (sale of *Manulife World Investment Class*)
- Decrease in Canadian equities (sale of *Cambridge Pure Canadian Equity*)
- Increase in foreign fixed income securities (addition to *Manulife Strategic Income*)
- Increase in alternative investments (addition to *Renaissance Global Bond*)
- Introduction of an Emerging Markets Equity position (*RBC Emerging Markets Equity*).

We took advantage of the stock market rebound in developed countries that started on December 26, 2018 and began reducing our overweight position in equities.

About emerging market equities, we believe that they have the potential to outperform those of developed countries in this maturity phase of the economic cycle, and they are cheaper on the basis of their price / earnings ratio. We were looking for a diversified and actively managed vehicle (not a passive index investment) to better control the volatility inherent with these types of stocks. After a thorough analysis of the available options, we selected the *RBC Emerging Markets Equity Fund* for the quality of its management and rigorous security selection process that has allowed managers to maintain a good risk / return ratio over time.

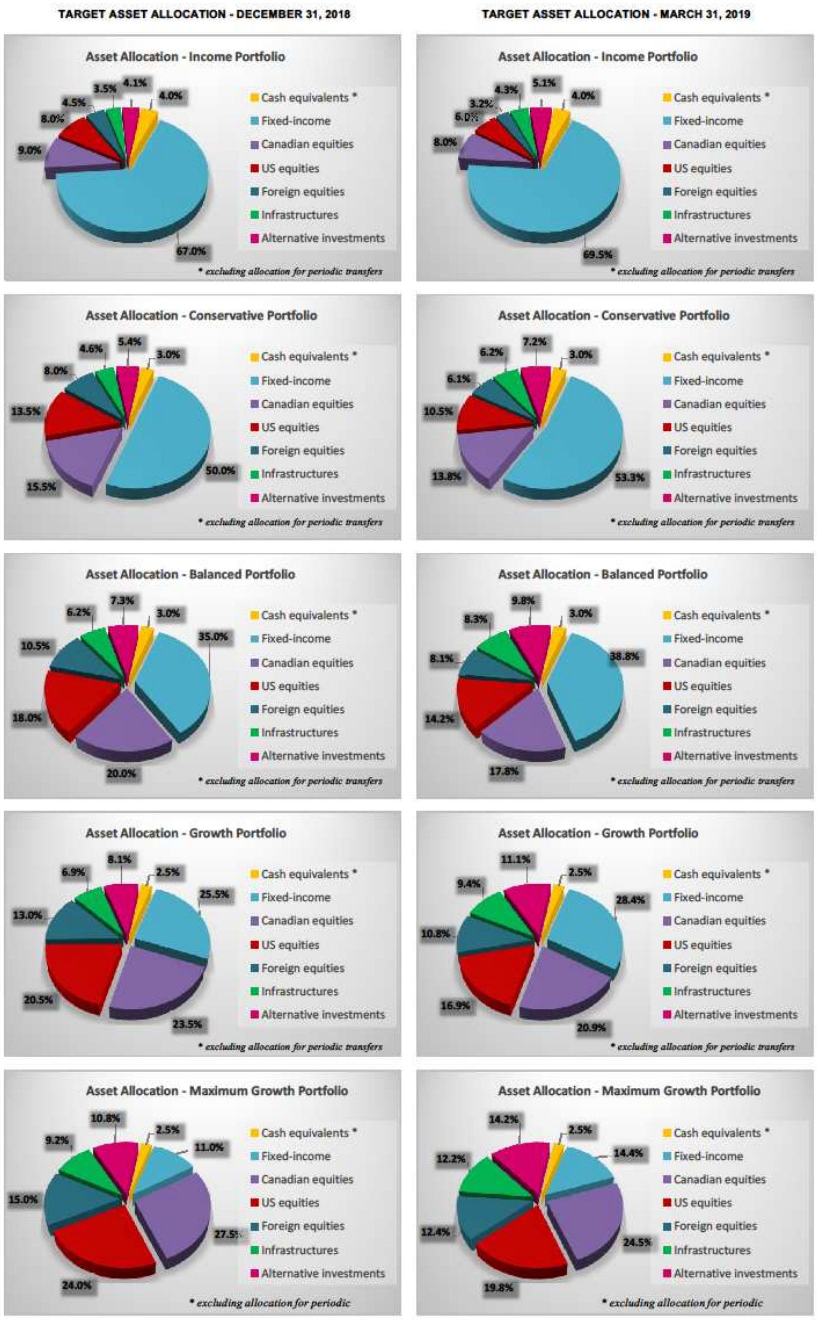
With the same objectives in mind, we made additional adjustments towards the end of March:

- Further decrease in international equities (sale of *TEVA Pharmaceuticals* and of the passive EAFE[1] equity index); the proceeds from these sales have been set aside for an upcoming investment in a structured note (alternative investment) when circumstances are right.
- Decrease in Canadian equities (sale of CCL Industries) to add to fixed income securities.

[1] Europe, Asia, Far-East

- In the Revenue, Conservative and Balanced profiles, sale of *Invesco Global Endeavour* (global equities) to also add to fixed income securities.

The charts below depict our current target asset allocation compared to the previous quarter:



1st Quarter 2019 Highlights

In the first Quarter, our goal is to maximize your contributions to registered accounts so that returns are tax-sheltered as quickly as possible:

- TFSA and Education Savings Plan as soon as possible in January
- 2018 RRSP for late contributors and 2019 for early ones.

It is also the Quarter of tax compliance, where we strive to make available the information you need to complete your tax return.

As alluded to above, our 2019 portfolio management strategy aims to gradually reduce the relative weight of equities to the "neutral" position and gradually increase the relative weight of fixed income and alternative investments.

Our strategists and economists do not foresee the arrival of a recession, despite the recent inversion of the yield curve (short-term bonds having a higher interest rate than bonds maturing in 5 to 10 years) in the United States and Canada. Although this indicator has been associated seven times since 1957 with a future recession, there have been two occasions (1966 and 1998) where the signal was false (inversion of the curve but no subsequent recession). Employment figures are a more reliable barometer of recession risk, and sustained job creation in the United States (over two hundred thousand new jobs on average per month) gives little credence to a recession scenario at this point.

Finally, a few words of wisdom to remember:

- Selling in times of heightened uncertainty usually means heavy losses; it often rhymes with selling at a low price and missing the rebound.

- Investing will always come with a certain degree of uncertainty; it is the price to pay for capital appreciation in the long run.

- It is not in the media's best interest to report the latest news with nuance and perspective; fear and pessimism are more catchy. Letting emotions get the upper hand may sometimes allow for a short-term gain, but it is a surefire recipe for long-term pain.