



Our expertise, your success

2018 Awards of Excellence

Portfolio Management Excellence  
National Winner

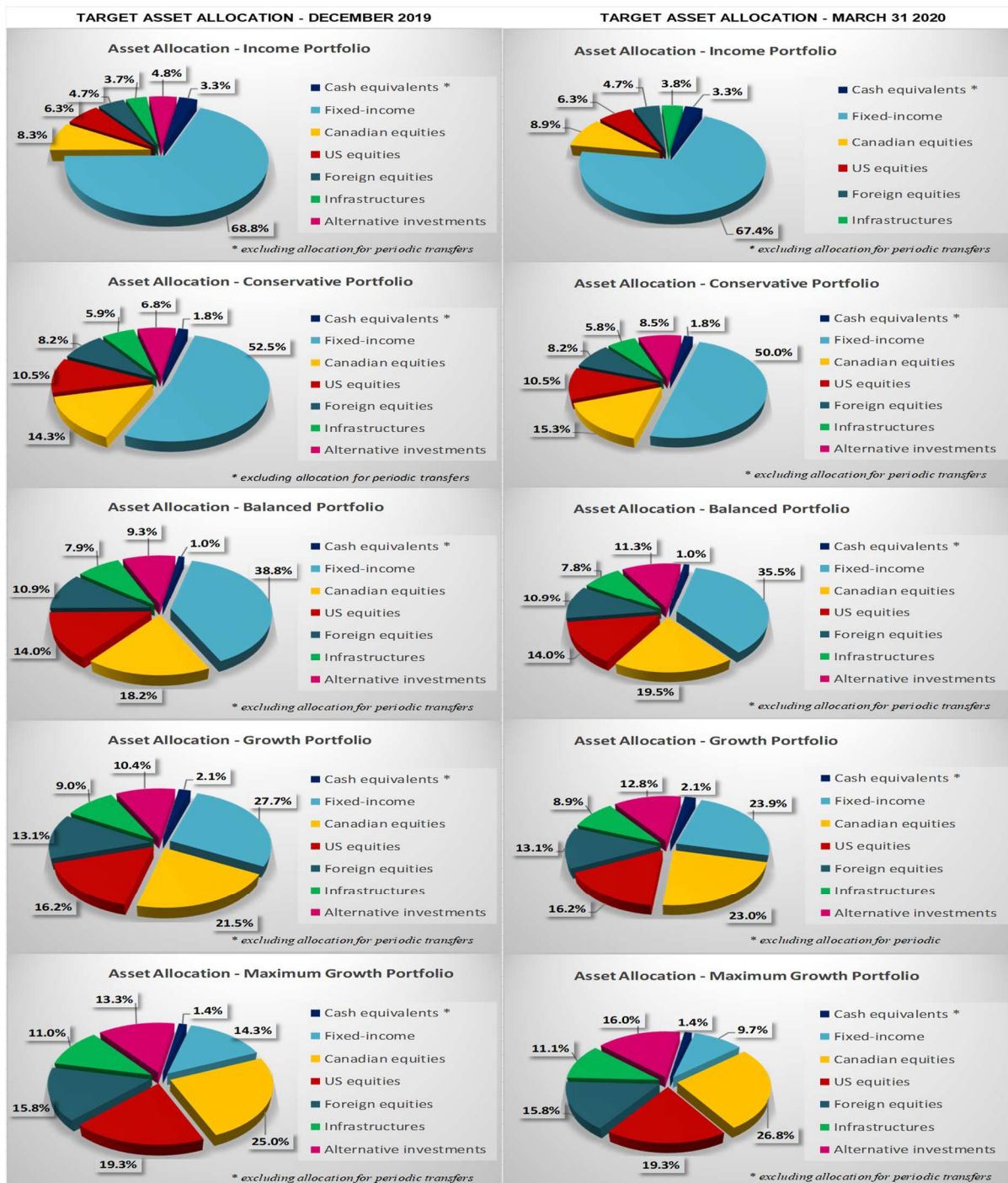
2018 Awards of Excellence

Wealth Management Excellence of the Year  
Montreal

## 1<sup>st</sup> QUARTER 2020 SUMMARY

### Asset Allocation Strategy:

During the quarter, we slightly reduced our fixed income target allocation and increased Canadian equities and Alternative investments:



### **Portfolio Model Revisions:**

We have decided to incorporate gradually an additional Canadian stock, **Canadian Tire Corporation (CTC)**. This nearly centennial Company operates 13 banners (including the Canadian Tire stores, gas stations Gas+, the Helly Hansen and Mark's brands and the SportChek, Atmosphere and Sports Expert stores; it is also involved in real estate and financial services). Its growing annual sales exceed \$14 billion and it is profitable. In our opinion, the stock of CTC offers an interesting growth potential in addition to its current 4.8% dividend.

We have increased our target allocation to **UBS (Canada) Global Merger Arbitrage Fund**, an alternative investment described in our 3<sup>rd</sup> Quarter 2019 Summary.

Also in the Alternative investments category, we have taken advantage of the stock markets decline to launch at the beginning of March an income-generating Note, the **NBC Auto Callable Contingent ROC XSP 12MR27 – NBC21135**, linked to the U.S. stock market as represented by the *iShares Core S&P 500 Index ETF (CAD-Hedged)* – ticker XSP, which can be summarized as follows:

- The Note is issued by National Bank of Canada with a \$100 par value.
- The objective of the Note is to provide its holder a 6.65% annual cash return paid in two semi-annual coupon of 3.325%.
- Every six months (the “anniversary date”), beginning September 4, 2020, if the closing price of XSP is equal to or higher than \$25.90, the coupon will be paid; otherwise, it won't. As a reference, the closing price of XSP on March 31, 2020 was \$28.22.
- The Note provides a tax benefit: coupons will become taxable only upon maturity.
- From September 2021, in addition to the payment of the semi-annual coupon, the original capital will be reimbursed if the closing price of XSP on the anniversary date is equal to or higher than \$37.99 and the Note will mature.
- If the Note has not been reimbursed by March 7, 2027, it will mature on that date. If the closing price of XSP on that date is equal to or higher than \$24.18, the original capital will be reimbursed in full. This level corresponds to a 30% decline from the price of XSP at inception of the Note in March 2020. If the decline was larger, a portion of the capital would not be reimbursed

The structure of the Note aims at providing an interesting return, not guaranteed but highly probable, even in adverse market conditions like those we're experiencing. We had been planning that Note for almost a year but were waiting for a stock market decline to launch it. The 25% decline of XSP since the beginning of the Covid-19 crisis to this date would not have been enough to jeopardize the payment of the coupons and the full reimbursement of the capital.

While we intend to hold the Note until maturity, it can be sold at any time and is subject to a daily valuation; however, this daily valuation will tend to be low during times of high volatility.

### 1<sup>st</sup> Quarter Highlights:

Covid-19... do we need to add anything?

The decline has been abrupt, but the reaction of central banks and governments to safeguard the economy has been up to expectations. This allows us to hope that this “Great Shut-down” of the economy could be followed by a “Grand Re-opening” and a strong recovery.

Historically, investors who sell during volatile times tend to underperform or may fail to meet their objectives (retirement or others).

You know our opinion: in circumstances such as these, it is more important than ever to stay calm and keep our focus on our plan, even when the winds are blowing hard!



Photo : 123rf

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