

GINGRAS BARRETTE GROUP

Portfolio managers

July 1, 2018

QUARTERLY UPDATE

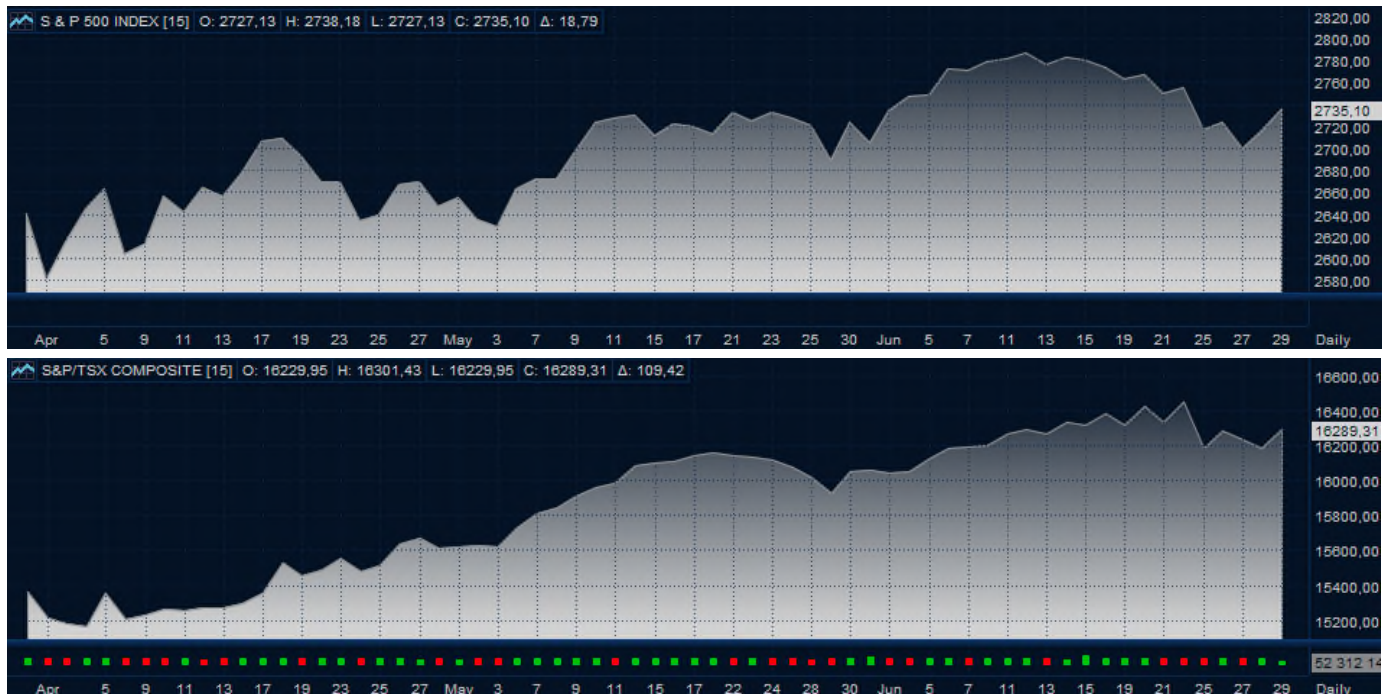
For the quarter beginning on April 1 and ending on June 30, 2018

Following a tumultuous first quarter, market volatility has receded slightly as the TSX Composite and S&P 500 indices posted strong growth during the last 3 months.

Main Indices Performance in 2018

	1st Quarter	2nd Quarter	Year-to-Date
S&P/TSX Composite	-4.85%	5.29%	-0.18%
S&P 500	-4.33%	2.86%	1.60%
MSCI World	-7.50%	3.55%	4.22%

Source: Market-Q



Q2 performance of S&P 500 and S&P/TSX Composite indices. Source: Market-Q

While the main stock markets stabilized during the first quarter, the world's geopolitical circumstances took a turn for the worst. After a warming of the relations between the U.S. and North Korea, our

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southern neighbours imposed trade tariffs on not only China but also on their key allies. While bilateral tariff barriers are added every week, we can't deny that we're possibly facing a particularly erratic trade war that could be disruptive for the world economy. Every day, our team is closely following the situation and is ready to take prompt action in the event of new developments.

A review of the last quarter wouldn't be complete without mentioning the strong comeback of oil prices. The continued increase in global demand outpaced supply as Venezuelan production continues to collapse and a veil of uncertainty hovers over Iranian exports. As you'll see in our transactions list for the second quarter, we positioned our portfolios to take advantage of this rebound by increasing our exposure to the Canadian oil sector.

While an increase in oil prices is usually linked to a strong Canadian dollar, our currency has weakened slightly against the U.S. dollar during the last quarter. The positive effect from oil prices did more than offset the negative effect coming from higher U.S. interest rates. The reasoning is that higher interest rates attract capital flows towards the U.S., which boosts the U.S. dollar.

In addition to the key events, the world economy keeps strengthening and U.S. interest rates continue going up, which results in lower Canadian rates. Bank of Canada eased its concerns about our housing market and household debt levels, 2 factors that we thought could throw the Canadian economy off track not so long ago. Despite the consequences arising from the questionable decisions of the Trump administration, the current context could almost be considered promising.

However, in light of the current geopolitical situation, we continue to maintain a defensive position in order to protect your assets. The coming years may be a bit more volatile than the previous years but we believe in the strength of our portfolios and their capacity to grow despite short-term fluctuations. Turbulence is an inevitable part of the journey, but just like an experienced commercial flight crew, our priority is to get you to your destination safely while constantly making sure you're comfortable.

We trust that this letter meets your needs. If you have any questions, please feel free to contact us..

Sincerely,

Gingras Barrette Group

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