MONTRUSCO BOLTON

MBI Corporate Update

First Quarter 2019

www.montruscobolton.com

GLASS HALF FULL OR HALF EMPTY

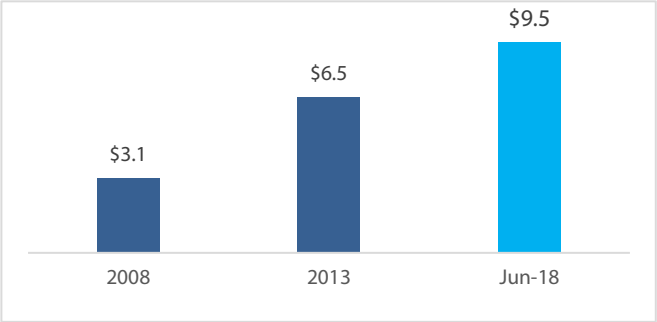
Not in the so distant past, December 3rd, 2018 to be exact, markets began to retreat facing headwinds that many believed were unsurmountable. In the 3 weeks that followed, the S&P 500 Index tumbled by 15.75% on worries that spanned from slowing global growth to trade wars, rising interest rates and Brexit. Fast forward to March 29th, 2019, the picture has totally changed as trade issues are getting resolved and the risk of higher interest rates has been lifted allowing the benchmark for U.S. stocks to rally 21.48% from December 21st to March 29th, a stunning turnaround that raises the question: what has changed? The short answer, the denominator.

At the heart of the decline, a widely criticized speech given by Federal Reserve Chairman Jerome Powell, a speech during which he reasserted the Fed's commitment to raising interest rates to a neutral stance all while continuing to reduce the size of its balance sheet. A double dose of tightening that markets judged to be aggressive. if implemented, many believed that it would halt the momentum that the U.S. economy is still enjoying. Having witnessed the result of his blunder, the Fed Chair has since then given numerous speeches reversing his stance. In his last speech that was delivered in March he told markets that the Fed will be on hold for the rest of 2019, given that rates in the U.S. are now at neutral. Here at home, the Bank of Canada echoed the Fed's comments and is now expected to keep its foot off the pedal for the remainder of 2019, while in Europe and China, the ECB and PBOC have decided to inject more money in their respective economies, to stimulate and rejuvenate on signs that both economies are stalling.

The equity markets reaction across Canada, Europe and China was swift. Declining interest rates prompted investors to increase exposure to equities, allowing multiples to expand further.

ALTERNATIVES - GATHERING MOMENTUM

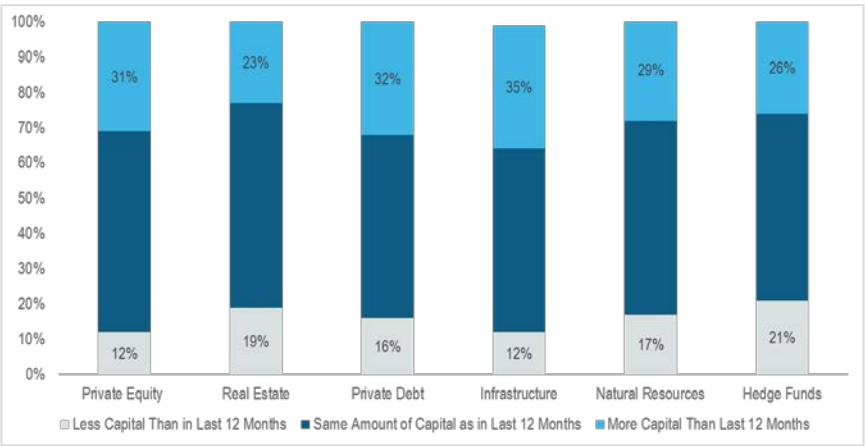
For a few years, momentum in alternatives has been gathering. The one question that remains unanswered is about the ceiling. According to data provided by Preqin (chart on the right), total Assets Under Management in alternatives have grown from $US3.1 to $US9.5 trillion over the last decade.



Source: www.preqin.com

The share of private capital as a percentage of the grand total grew to 61%, the bulk of which (36%) is invested in private equity. Real estate, private debt and infrastructure, which have also been growing at a healthy clip made up 23% of the total.

That being said, private capital fund raising slowed in 2018 from the torrid pace of 2017, mainly from private equity and private debt. On the other hand, fundraising in real estate and infrascture maintained a positive trend.



Source: www.preqin.com

Heading into 2019, investors intend to increase exposure to each alternative class as suggested by the latest Preqin survey.

Based on the chart shown here to the left, investors intend to increase allocations to infrastructure, private debt and private equity at a rate of more than 30%, while intents for real estate are expected to lag.

MONTRUSCO BOLTON INVESTMENTS AND TRANS-CANADA CAPITAL – NEW INVESTMENT OFFERING TO INVESTORS

Montrusco Bolton Investments (MBI) and Trans-Canada Capital (TCC) joined forces to offer investors the TCC Master Multi-Strategy Fund, L.P. The new offering is an open-ended fund that aims to achieve an attractive risk-adjusted, non-market correlated absolute return, over a medium to long-term horizon, investing primarily in developed markets across all asset classes.

The TCC Master Multi-Strategy Fund, L.P. uses a multi-strategy/multi-asset class market neutral approach. The Fund invests in different instruments across many asset classes, including bonds, currencies, commodities, credit and equity indices. The Fund allocates capital to multiple complementary discretionary and systematic strategies, which are designed to have an uncorrelated return to equity markets on an aggregate basis.

Trans-Canada Capital (TCC) is a wholly-owned subsidiary of Air Canada (a TSX listed company: AC). TCC is based in Montreal and manages the assets of Air Canada pension plans (approximately CAD20 billion).

TCC is composed of investment professionals with skillsets spanning liability-driven investing, derivatives, fixed income, alternative investments, short/medium term asset allocation and risk management. The strategy has a track record of more than 5 years and approximately $1B in Assets under Management.

ON THE ESG FRONT

As with every quarter, our commitment to ESG prompted us to act on multiple fronts. In terms of shareholder support, we voted on a proposal for Starbucks to report on sustainable packaging. We also voted in favour of a shareholder proposal asking CGI Group to adopt an advisory vote on executive compensation and to separate disclosure of voting results by class of shares.

In terms of actionable items, we sold our position in Total SA in the Global Equity Fund due to an increase in ESG issues that included:

- The CEO has a "Golden Parachute" provisioning his compensation agreement
- The CEO attended "Davos in the Desert" conference in the wake of journalist Jamal Kashoggi's murder in 2018
- The company kept lobbying Brazilian regulators to obtain the permit to drill in the environmentally sensitive Foz do Amazonas Basin

Finally, we are happy to announce that Montrusco Bolton Global Equity ex Fossil Fuels Fund, which was launched in the third quarter of 2018 has now reached $70M in assets. Increasingly, investors are looking to reduce the carbon footprint of their investment portfolios. Our strategy, which excludes the Energy sector and coal-fired Utilities, is 75% less carbon intensive than the MSCI ACWI Index.