INFOFERIQUE / **VOL.27_ N°2** / FALL 2018

NEWSLETTER for FERIQUE Funds' unitholders

FÉRIQUE FUND MANAGEMENT

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VOLATILITY: A TYPE OF RISK?

In early 2018, a stock market correction occurred and while some investors were caught off-guard, others were not as surprised. Indeed, since the 2008 financial crisis and subsequent recession, unprecedented interventions by major central banks worldwide drove down volatility across stock and bond markets (except for a few brief periods). It goes without saying that such a state of affairs could not last forever.

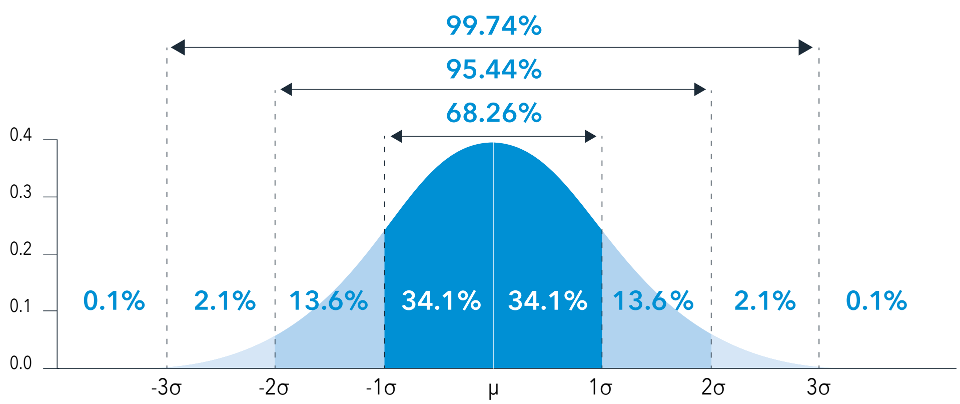
Among the consequences of resurging volatility, some bolder investors who upped their risk tolerance level curbed their enthusiasm. Are you one of them? If so, your reaction may stem from a tendency to mistake volatility for risk. Here are a few clarifications that should help you tell them apart.

WHAT IS MARKET VOLATILITY?

When it comes to stocks, volatility represents their projected fluctuations over a given period. Traditionally, in the financial sector, volatility reflects the standard deviation of returns, which measures their spread against their average. The less a stock's returns deviate from this average, the lower the standard deviation will be, with a more homogeneous overall picture.

Moreover, at the statistics level, when looking at a normal distribution against this average, 68% of returns are in the -1 to +1 standard deviation range, and 95% of returns are in the -2 to +2 standard deviation range.

NORMAL DISTRIBUTION OF YIELD PROBABILITIES



Note: The standard deviation is represented by the sigma symbol. The mean is represented by the mu symbol.

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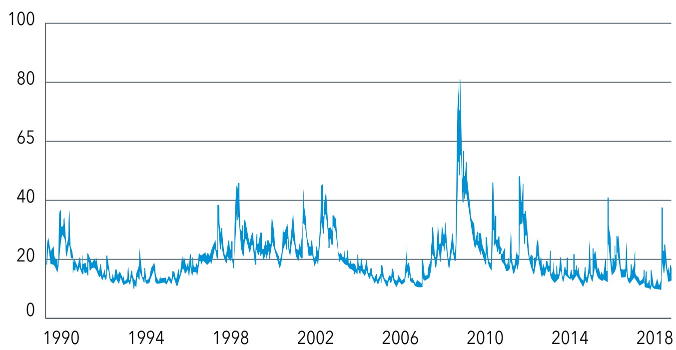
MEASURING STOCK MARKET VOLATILITY

While buying a given security is sometimes recommended based on its specific attributes, it is still subject to market risk. A quick and easy way to gauge said risk is to look at the VIX Index.

Often called the "fear index", it is a common means to assess the U.S. financial market's expected volatility.

EVOLUTION OF THE VIX INDEX



Note: From January 1, 1990 to March 30, 2018.
Source: BCA Research

DOES VOLATILITY MEAN RISK?

In the investment world, risk isn't limited to market volatility. In fact, it may take different forms and vary based on investors' perceptions and concerns. As a result, what might seem risky for some could not be so for others.

The market fluctuations of a given portfolio's component securities, as measured by the standard deviation (of the individual securities or portfolio as a whole), is one of these forms. Indeed, for many investors, these downward fluctuations represent a loss of money. Bottom line, they end up fearing negative yields.

Among retirees in particular, longevity or inflation risks are very real concerns. The longevity risk means retirees could run out of funds before their death, while the inflation risk represents a loss of purchasing power, which degrades over time. Basically, the dollar may not have the same value tomorrow it has today in terms of purchasing goods and services.

On top of that are all the investment-specific risks found in the simplified prospectus detailing a given investment fund. As many risks come into play, it's important to fully understand them to avoid any surprises.

BUT WHAT ABOUT RETURNS?

As we've seen so far, volatility is just one aspect of overall risk. A combination of various factors could lead investors to tolerate investments in securities with varying degree of risk. In fact, a key step is determining one's own risk tolerance, as it derives from expected returns.

Risk and returns usually follow the same trend: the higher the risk, the more likely potential returns will also be high. However, the reverse is also true.

For example, let's look at Canadian Treasury bills. As they are guaranteed by the Government of Canada, which only has a very slim chance of defaulting on its debts, these investments are considered relatively safe. As a result, their returns are also relatively low.

Common shares are riskier, since they are not guaranteed and shareholders are always the last to be paid should a given company have issues or go bankrupt. Consequently, they are expected to generate more attractive returns than other products.

However, wise investors only choose this type of investment if they believe it will provide sufficient returns, compared to treasury bills, for the risk they take. This is what's known as a risk premium, which exists for ALL asset classes.

Modern Portfolio Theory

Harry Markowitz's modern portfolio theory sheds light on the relationship between returns and risk. In essence, an efficient portfolio security selection process achieves maximum profitability for minimal risk. The key to this theory is diversification, which enables to reduce risk and respect the investor's risk tolerance level without cutting down on expected returns.

Risk Levels

The Canadian Securities Administrators require that mutual funds be classified according to the risk level defined by standard deviation. The method detailed in the relevant regulation involves calculating the standard deviation of monthly returns over the previous ten years. The annualized return represents the fund's risk level. However, the issue with this approach is that the scales are broad, meaning that several types of funds are combined within a single category.

RISK CLASSIFICATION OF FERIQUE FUNDS AND PORTFOLIOS

RISK LEVEL	HISTORICAL VOLATILITY	FERIQUE FUNDS AND PORTFOLIOS
Low	0% to 6%	Short-Term Income
		Conservative Portfolio
		Bond
Low to Medium	6% to 11%	Diversified Income
		Moderate Portfolio
		Balanced Portfolio
		Growth Portfolio
Medium	11% to 16%	Aggressive Growth Portfolio
		Dividend
		American
		Equity
		European
		World Dividend
Medium to High	16% to 20%	Asian
High	> 20%	Emerging Markets

WHAT ABOUT WHEN VOLATILITY'S ON THE RISE?

When markets become volatile, it's perfectly reasonable to wonder if some securities could be more attractive or specific strategies could help limit the damage. A diversified portfolio enables investors to weather market upheavals.

The principle of diversification provides an opportunity to stay invested at all times in several types of investments and markets. As a result, portfolio returns should remain stable, as they don't rely on a single asset class or specific sector.

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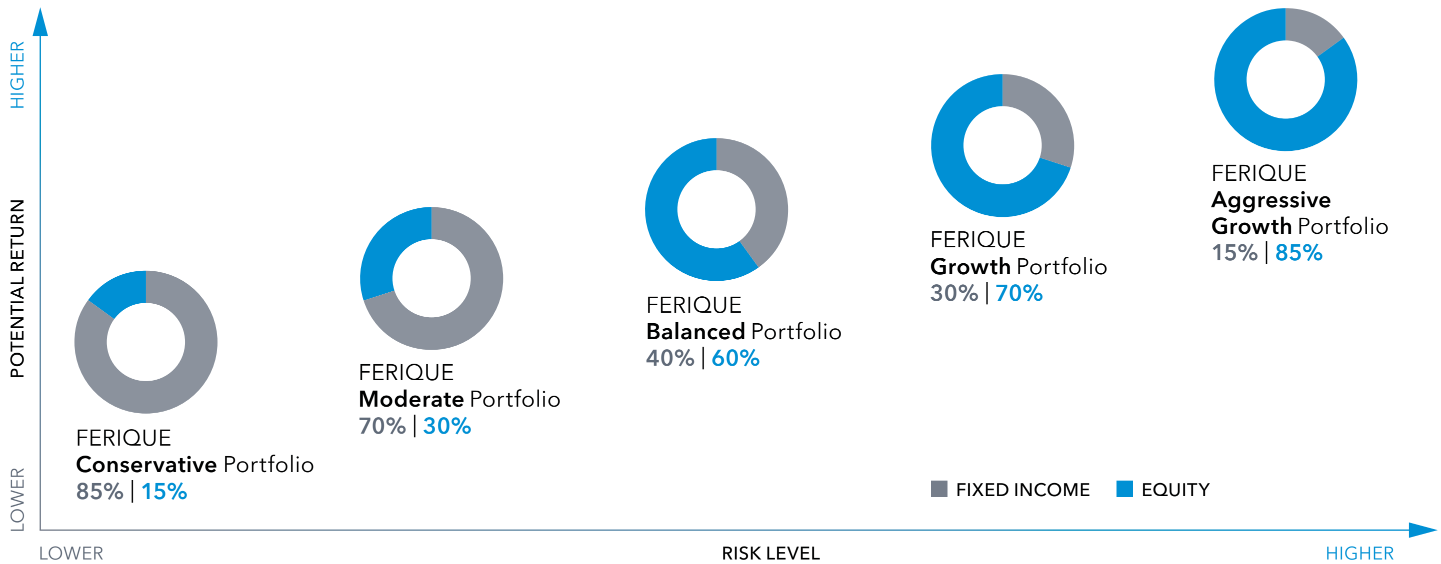
WHERE IS YOUR BALANCE POINT?

The FERIQUE Portfolio Family



FERIQUE Fund Management offers five Portfolios, whose respective asset distribution aligns with investor profiles. These Portfolios are rebalanced when necessary to maintain their risk level. Moreover, they are generally constructed and managed according to a long-term approach and an active, responsible management strategy that aims to exceed the median return with a reasonable level of risk.

Bottom line, if your financial objectives remain the same, you most likely won't have to change your investment strategy, as periods of volatility are an integral part of this process. /

A RANGE OF ACCOUNTS FOR YOUR FINANCIAL NEEDS AND THOSE OF YOUR LOVED ONES

FERIQUE Fund Management offers you a wide range of accounts, including the TFSA, RRSP, RESP, RRIF, LIF, LIRA and non-registered accounts. Do you have short- and long-term projects?

You can achieve all your objectives with a savings product tailored to your situation.

Your loved ones may also benefit from FERIQUE's comprehensive offering. Indeed, your **children**, **parents**, **grandparents**, **grandchildren**, **siblings** and their **spouse** are also eligible for FERIQUE Funds.

To open an account or to get advice, all at no additional cost, contact FERIQUE Investment Services' Advisory Services. /

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RESPONSIBLE INVESTMENT FOR IMPROVED RISK MANAGEMENT

For fund manufacturers like FERIQUE Fund Management, integrating responsible investment in its business practices enables it to better manage the risks linked to mutual funds.

Indeed, integrating environmental, social and governance (ESG) criteria in the investment analysis and decision-making process can help avoid major issues.

FERIQUE Fund Management believes that this enables our Fund managers to have a clearer picture of a given business and take a more comprehensive range of investment risks into consideration. That's why all our managers are required to submit a report on the state of their ESG practices every year. Moreover, all equity portfolios are assessed based on ESG risks. This process helps us improve our tracking, as well as identify risky securities to discuss with our managers. /

RESP AND GOVERNMENT GRANTS: A FEW REMINDERS

A new school year has officially begun! If you have underage children and haven't thought about financial planning for their post-secondary studies, it's not too late! The Registered Education Savings Plan (RESP) is a great savings tool to invest in your children's future. It enables you to grow your capital tax free and get access to generous government grants.

A FEW KEY CHARACTERISTICS

First off, while parents are often the main subscribers, a family relationship with the child is not mandatory to open an RESP and take advantage of its benefits.

You may begin contributing whenever you see fit, but the earlier the better. In fact, in order for the child's RESP to be eligible for the **Canada Education Savings Grant** (CESG), you must start contributing before the end of the calendar year of his/her 15th birthday.

While there is no yearly cap on contributions, lifetime contributions are limited to $50,000.

THE CESG

The federal government provides the CESG to every child beneficiary of an RESP from birth to the year of their 17th birthday. The CESG is capped at $500 per year, per beneficiary, representing 20% of the first $2,500 in contributions paid annually. Low- and medium-income families have access to an additional CESG. Each child is eligible for a cumulative total of $7,200.

Unused grant rights for the ongoing year are carried over into the following year, on the condition that the child remains eligible for them. Since the CESG was created to foster long-term savings for post-secondary studies, specific requirements apply to contributions when the beneficiary is aged 16 or 17.

A family that hasn't contributed to their child's RESP for a year or more, meaning that it has unused contribution rights from previous years, can receive a maximum CESG of $1,000 in a single year (meaning a CESG on a maximum contribution of $5,000).

THE QESI

The **Québec Education Savings Incentive** roughly follows the same principles. This grant given by the Government of Québec may total up to $250 per year. In order to access the full amount, you must contribute $2,500 to the child's RESP. Should you contribute a lower amount, the grant shall represent 10% of your RESP contributions. This year, you can benefit from both the 2018 and 2017 grant amounts (up to $500 available). /

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