



Quarterly Newsletter

Q2 - 2015

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Dear investors,

Stop losing sleep over the markets.....

I am writing to you in the midst of a severe correction of the Chinese stock market which has had a collateral effect on other Asian markets. There are a number of issues overhanging the markets today:

- consensus expectation for a global slowdown have negatively impacted commodity prices, U.S. stocks no longer trade at a discount and face a potential increase in interest rates.

- Despite Greece having accepted the European Union terms, the jury is still out regarding Greece's on going membership in the E.U.

- Since 2009, central banks of developed countries have temporarily supplied increasing amounts of credit to grow the economies. However one has to ask what will happen when these banks begin to "call their loans". Is hiding in fixed income when interest rates are at their lowest levels in 50 years a good idea?

At the beginning of July, Altvest launched a new product based on volatility: *Altvest Absolute Return*. This is a product that finally allows investors not to lose sleep over the markets. At the core it has been created to preserve capital, backtesting has shown a maximum loss of 7%. This is a product that has a negative correlation with the S&P 500 and which will tend to provide excellent returns (positive) when the U.S stock market collapses. In 2008, our backtest earned **positive returns** of 44% versus a **loss** of 37% for the S&P 500. From 2007 to 2014, the average annual return net of fees is 17.25%. When does the product tend to underperform? When volatility is low. Still in backtesting, the product returned 6.12% (net of fees) in 2014 (low volatility period). We created this product to enhance our private wealth management program. As it has low correlation with other asset classes as well, it tends to provide positive returns in periods of crisis. The product will represent 10% of the asset allocation in Altvest's private wealth management portfolio. For those who wish to invest exclusively in the Altvest Absolute Return, we offer the product in managed accounts with an initial minimum investment of \$100 000 USD. You will find more details on the product under the monthly summary on page 3.

Altvest Private Wealth Management: for those who want to invest with local talent

We have revamped our distribution of private banking assets to include 90% of talented local emerging managers. We will give you more information on this initiative in our next newsletter!



Sincerely,

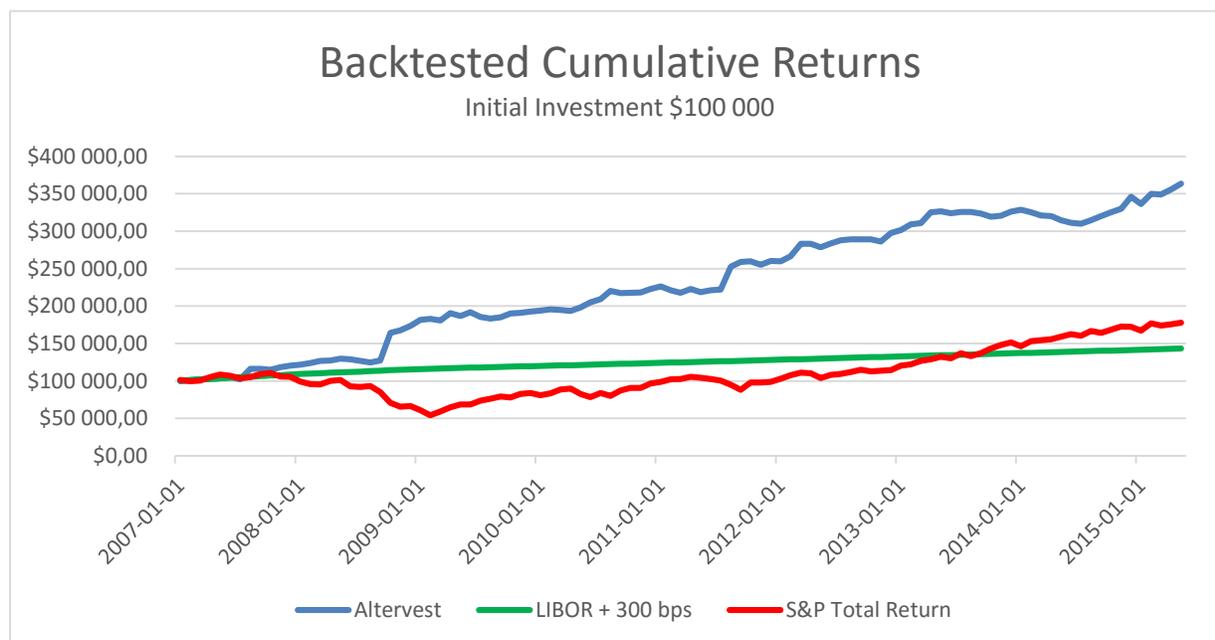
A handwritten signature in black ink, appearing to read 'Geneviève Blouin', written in a cursive style.

Geneviève Blouin, President

ALTERVEST Absolute Return

Strategy Description

Altervest Absolute Return is a quantitative absolute return investment strategy that generates alpha through volatility movements. The product's main objective is capital preservation. In order to minimize the frequency and the amplitude of drawdowns, the strategy mainly takes hedged positions through volatility spreads. When the risk reward dynamic is extremely advantageous it also combines uncorrelated strategies that have hedged market exposure. Our active management approach is designed to produce positive returns during quiet as well as turbulent market conditions. The strategy tends to deliver strong positive performance when the stock market collapses. Its negative correlation to the S&P Total return index makes it a great investment diversification tool.



*All statistics are backtested daily, returns are reported net of fees, in US dollars.

Annual Outperformance vs S&P TR			
	Altervest	S&P TR	Outperformance
2007	20.40%	5.49%	14.91%
2008	44.02%	-37.00%	81.02%
2009	11.25%	26.46%	-15.21%
2010	15.59%	15.06%	0.53%
2011	16.81%	2.11%	14.70%
2012	14.24%	16.00%	-1.76%
2013	9.59%	32.39%	-22.80%
2014	6.12%	13.69%	-7.57%
Average	17.25%	9.28%	7.98%

Key Statistics	
Average Annual Return	17.25%
Correlation to S&P 500	-0.37
Largest Absolute Drawdown	-6.96%
Worst 12 month performance	-4.75%
Best 12 month performance	49.71%

Key strengths

- Performs well in risk-on or risk-off environment
- Strong performance when markets collapse
- Great diversification tool with low drawdowns

Altervest Absolute Return Performance 2015													
	Jan	Feb	Mar	April	May	June	July	August	Sept	Oct	Nov	Dec	YTD
Altervest Absolute Return	-	-	-	-	-	1.52%							1.52%
S&P Total Return	-	-	-	-	-	-1.94%							-1.96%
Outperformance	-	-	-	-	-	3.46%							3.46%

Performance is calculated net of fees

Strategy Launched June 2015 for managed accounts. Minimum investment: 100 000\$

S&P Enhanced

A new approach to beating the market

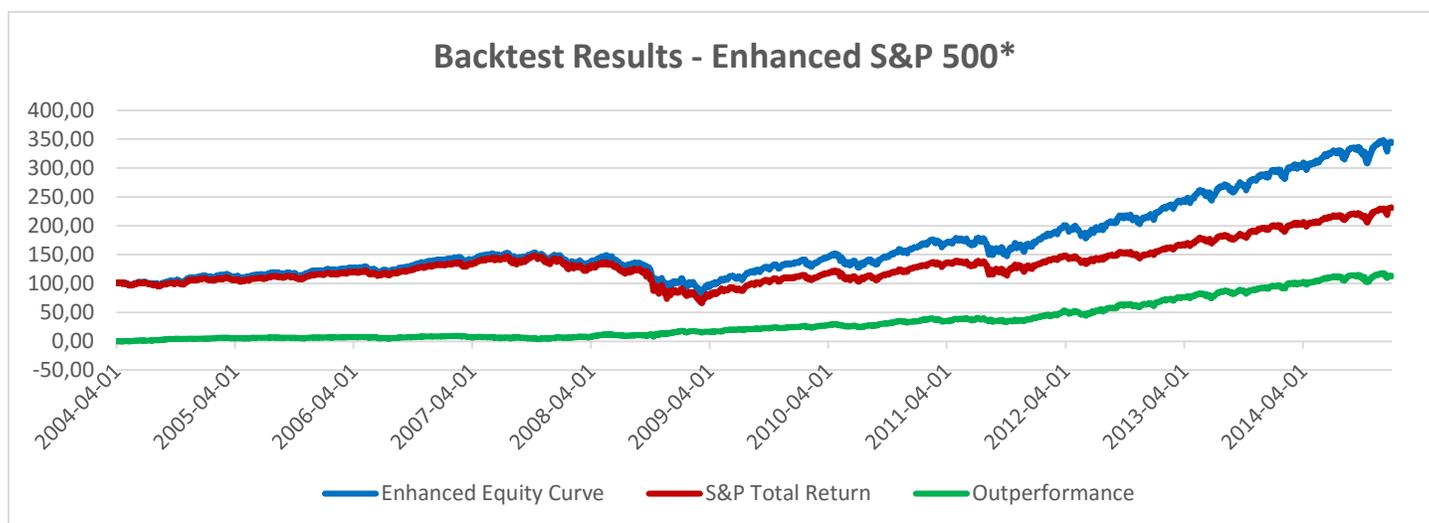
Altervest S&P Enhanced is a quantitative product that is designed to consistently outperform the S&P 500 with small, infrequent and recoverable drawdowns. The product's goal is to outperform the S&P 500 Total Return by an average in excess of 300 basis points annually. The strategy seeks to capture the volatility risk premium on the S&P 500 index through its allocation to VXX, but only when the risk/return profile is advantageous. The strategy dynamically adjusts the size of its volatility position based on the level and term structure of volatility, and when warranted, can be long volatility. Under certain conditions, the strategy engages in a covered call writing process for part of the position. It can be easily converted into a portable alpha strategy.



S&P Enhanced Performance 2015

	Jan	Feb	Mar	April	May	June	July	August	Sept	Oct	Nov	Dec	YTD
S&P Enhanced	-	7.24%	-1.05%	2.04%	2.00%	-1.95%							8.24%
S&P Total Return	-	5.75%	-1.58%	0.96%	1.29%	-1.94%							4.36%
Outperformance	-	1.49%	0.53%	1.08%	.71%	-.01%							3.88%

Backtest Results - Enhanced S&P 500*



S&P Enhanced Backtested Performance

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
S&P Enhanced	13.40%	6.34%	16.86%	3.54%	-27.54%	28.30%	19.92%	4.95%	26.10%	37.84%	13.83%
S&P Total Return	9.04%	4.91%	15.79%	5.49%	-37.00%	26.46%	15.06%	2.11%	16.00%	32.39%	13.69%
Outperformance	4.36%	1.43%	1.06%	-1.96%	9.46%	1.83%	4.85%	2.84%	10.10%	5.46%	0.14%

Altervest Absolute Fund

As of December 1st 2014, Altervest's Absolute fund was transformed into a global macro emerging market equities fund. This niche strategy allows the manager to take long or short positions in specific emerging market countries and use options to mitigate risk and enhance income. Although leverage can reach 2.0x according to the offering memorandum, leverage is rarely employed. This is a signature product for Altervest. We seek to demonstrate the tremendous value added stemming from the integration of option strategies in the portfolio management process; an expertise that has yet to be mastered by most portfolio managers. Options strategies are especially relevant in emerging markets as they have a tendency to be more volatile than developed markets. Instead of being a victim of volatility, we use it to generate more income and limit our downside risk.



Emerging Markets Overview

	<p>China MSCI weight: 24.18%</p>	<p>Position: Net long View: Attention has been focused on the spectacular rise (and fall) of the domestic A-share market, and its effects on the International H-shares and ADR's. We saw the rise as being mainly speculative, and we declined to chase the market. We were able to use a variety of option strategies to limit our risk and to generate additional profits, such as covered call writing on underlying positions.</p>
	<p>Taiwan MSCI weight: 12.58%</p>	<p>Position: Net Long View: Taiwan fulfilled its role as a low volatility, relatively high yielding anchor within the portfolio. We are not only long the Country ETF but also TSMC through its ADR given its 3.25% dividend and excellent position as a high end microchip manufacturer.</p>
	<p>South Africa MSCI weight: 7.72%</p>	<p>Position: Closed short View: We sold the market short in the first quarter to hedge against our long positions in Brazil and Turkey. Not only were we able to close the short at a significant discount via short puts, but were able to enhance that through overlaying of short calls, giving us additional premium.</p>
	<p>Brazil MSCI weight: 7.49%</p>	<p>Position: Net long View: The market proved very resilient as the new Finance Minister has gone to great lengths to emphasize the "new Management". We do however expect it to remain highly volatile, and so are happy to sell calls against our underlying positions during any periods of strength.</p>
	<p>India MSCI weight: 7.64%</p>	<p>Position: Net Long View: The market seems to have accepted our view that stocks had gotten ahead of themselves on "Modi Mania". A lot of our short puts have been exercised now, which we are very happy with, especially as they were exercised BELOW our previous short calls. India will be a slow, but relatively steady recovery.</p>
	<p>Mexico MSCI weight: 4.5%</p>	<p>Position: Net long View: Liquidity dried up somewhat on the options for individual stocks, so we backed off of writing options on them. As the markets corrected, we started to build a position in the country ETF as it should be a beneficiary of stronger US growth; think of all the auto plants that have been announced.</p>

	Russia MSCI weight: 3.78%	Position: Net long View: We cut our direct exposure but bought LEAPS when we recognised that the market was going into far-oversold status. The advantage of this strategy is that we can be more flexible about our re-entry point.
	Indonesia MSCI weight: 2.34%	Position: None View: Indonesia has proven to be a disappointment; it hit our stop loss , so we exited the position. President “Jokowi” has proven to be less able to manage Congress and push through reforms than we had anticipated. As a result the country’s recovery will be delayed, and its external balances will remain more vulnerable for longer.
	Turkey MSCI weight: 1.43%	Position: Net long View: Trading at the lower end of the range, we see Turkey as relatively cheap here. The recent elections have tied Erdogan’s hands when it comes to boosting Presidential powers. Although this will add to uncertainty in the shorter term, we see it as an important improvement in democracy.
	Smaller Markets	Position: Net Long View: We continue to look for and adopt opportunistic strategies in smaller markets.

Altervest Absolute Fund Performance 2015													
	Jan	Feb	March	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2014												-0.44%	-0.44%
2015	2.01%	-2.95%	0.81%	0.38%	-1.05%	-1.55%							-3.97%

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