



Welcome to the TriVest Snapshot

Welcome to the TriVest Snapshot. The purpose of this publication is to provide further differentiating information about TriVest and our services. We may also highlight trends in the financial services industry, and how it applies to us. In this edition, we begin with a brief overview of what we call our “*tri-step*” investment process.

Our Tri-Step Investment Process – Introduction

“There are things in your life you can control - and there are variables you can't. The more diligent you are at controlling what you can, the more influence you'll have over your destiny. You just have to figure out which are which.” – Carlton Young

We are often asked how we select securities from such a large stock universe. This topic is traditionally followed with questions around determining intrinsic value, controlling risk, and the sell discipline. We utilize a three step or “*tri-step*” investment process which first involves a thorough proprietary quantitative screening process, followed by an in-depth qualitative screening, and lastly an option overlay strategy. Please reference the chart at the end of document for an overall summary.

While stocks of interest may present themselves in specific research pieces that we read from various secondary sources, we regularly screen the entire market to ensure that we do not miss out on potential investment opportunities. We call this first step of research **Quantitative Screening**.

This process involves screening a sector or an entire market (e.g. TSX) for financial variables including valuation, financial positioning, historic growth profile, profitability etc. We have the resources in-place such as extensive computer

models and databases that provide us with the ability to effectively screen specific information such as P/E, ROE, cash flow, revenue, and debt on a sector by sector and company by company basis. This essentially then allows us to short list companies that have attractive risk/return profiles based upon historical financial information.

That said, while a company may have a great Income Statement and/or Balance Sheet, we all know that numbers can be misleading or in some cases manipulated. It brings to mind the old Benjamin Disraeli quote, “there are three kinds of lies: lies, damned lies, and statistics.” This leads to our second step of our security selection, Qualitative Screening.

Qualitative analysis involves researching such areas as the management team, the underlying quality of the product or service, competitors, growth prospects, barriers to entry, regulatory issues, etc. Basically, we diligently screen our short listed companies by the quality of their management team, underlying assets, and current valuation. This information can be obtained through Primary or Secondary sources. Traditionally we would read all of the Secondary Sources first, which includes all of the available street research (i.e.) the major Broker Dealers in North America and any newspaper, magazine, and internet information. If we have further questions we also have access to many of the analysts who publish the research through previous long-standing relationships. We then try to follow this up with Primary Research whenever possible.

Primary Research would involve meeting with management to fill in any gaps and ask any specific questions that have formulated from the Secondary Research. In the Energy sector for example, we have access to many of the senior-

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level management teams through previous well established relationships from our years of working for buy-side and sell-side investment boutiques.

After the Quantitative and Qualitative screening, a model portfolio is starting to develop. We then undertake a final review among the Portfolio Managers regarding stock selection and any additions and/or deletions and the corresponding backstopping information. As a last and final step, we then apply an Option Overlay to the model portfolio. Utilizing Put and Call Options can add an extra layer of risk management as well as providing the potential for adding further income to the portfolio. The excellent benefit of option strategies is that they can also be tilted according to our views of the market and/or of a specific security.

A costless collar for example is one such strategy. It involves selling a call option on a security and the proceeds are used to buy a put option. The end result is a floor and a ceiling that the stock cannot go through regardless of the movement of the market for the life of the option.

In conclusion, our investment process is in place to assist with our primary objective to “protect and grow” our client’s wealth. Our option overlay strategy is a key component of our investment process, and what we believe to be another differentiating factor when compared to other investment managers.

For a more detailed description of our investment process and our services, please contact us and we would be more than pleased to meet with you and provide additional information.

Contact Us

TriVest Wealth Counsel Ltd. manages portfolios on a discretionary basis and maintains the highest level of industry licensing as Investment Counsellor and Portfolio Manager (ICPM)

TriVest maintains a small client/portfolio manager ratio to ensure the highest level of communication and service. The minimum investment required to establish a client relationship is one million dollars of investible assets per household.

We encourage you to find out more about the firm and our investment services by contacting us.

Best Regards,

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