

Connected Wealth Laddered Bond

June 30, 2020



Where do we even start in recapping Q2 2020?

The COVID 19 pandemic revealed richly priced securities, liquidity issues in certain structures like bond ETFs, and business continuity challenges. While at this point, we think it is well analyzed, we would be remiss if we did not discuss the titanic liquidity provisions being provided by global central banks.

With the Federal Reserve firstly slashing rates to the lower bound, and now being buyers of corporate debt to help maintain “liquidity”, the bond market ripped higher bringing forward years of yield into Q2.

We were right in the middle of it at the point of our Q1 commentary, but what we have seen since is equally wild in terms of market behaviours. The buying in the Canada space remains, with “risk-free” yields remaining extremely low across the curve. This comes despite the Fitch rating for Canada being cut to AA+. Meanwhile, corporate credit has been the monster performer, backstopped by central banks.

All this has proven to be great for returns in the ladder. The corporate holdings have rebounded and now, despite starting the year with a portfolio yield of 2.19% we have seen a return of 5.63%. Looking forward, we think this will be a tough space for returns, with the portfolio yielding only 1.41% and corporate bonds being fully valued. Capital preservation is the name of the game in the ladder.

Performance

	Ladder	Benchmark	Relative
1 month	1.24%	0.77%	0.47%
3 month	3.77%	3.31%	0.46%
6 month	5.63%	5.97%	-0.34%
1 year	5.97%	6.12%	-0.14%
YTD	5.63%	5.97%	-0.34%
3 year	4.32%	3.99%	0.33%
5 year	3.64%	3.11%	0.53%

Strategy Overview

Asset class	Bonds
Focus	Canada
Style	Passive
# of Holdings	12
Benchmark	50 % FTSE TMX Canada Short Term Bond Index, 50 % FTSE TMX Canada Mid Term Bond Index

Strategy

The Laddered Bond Portfolio is a mostly passive approach to fixed income investing. Capital preservation and conservative income generation are the primary objectives. The portfolio invests in Canadian investment grade corporate and government bonds in a “laddered” structure which spreads out the maturities regularly between one and ten years. While the managers may occasionally purchase non-investment grade issues, or shorten or extend the maturity of the ladder periodically, the mandate is largely passive and relies on the benefits of laddering to achieve its goals.

Risks

The portfolio has a credit risk profile roughly in line with the FTSE TMX Canada Bond Investment Grade index

The Manager

Richardson GMP Asset Management, a division of Richardson GMP, manages over \$450 million in assets across a number of North American equity, bond and ETF strategies.

James Price
Portfolio Manager

Craig Basinger
Portfolio Manager

Chris Kerlow
Portfolio Manager

Derek Benedet
Portfolio Manager

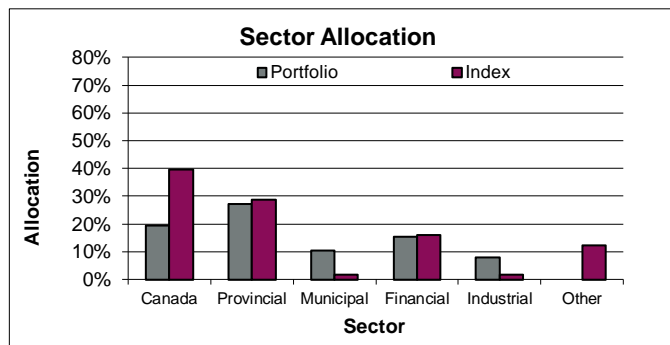
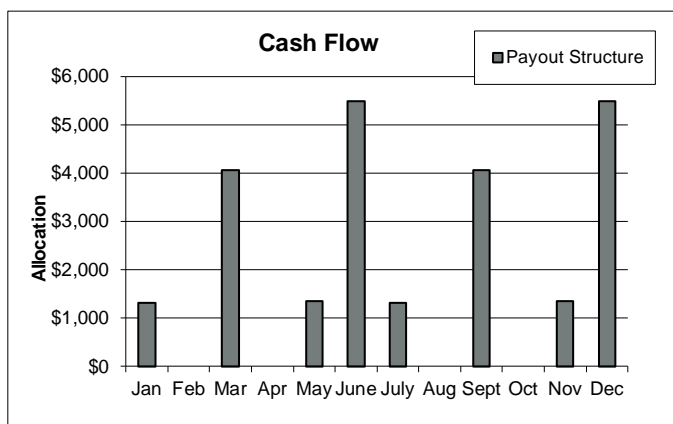
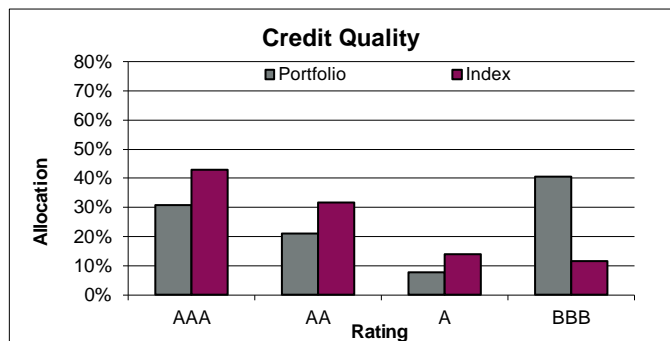
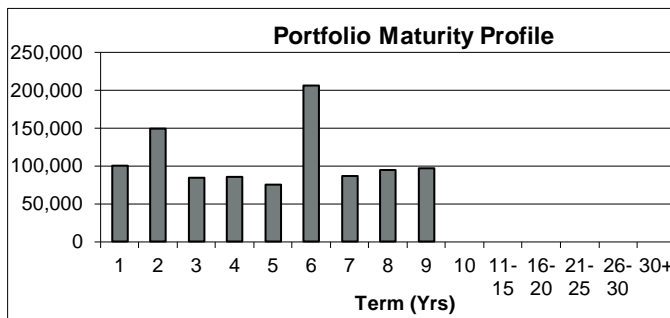
Connected Wealth Fixed Income Ladder

June 30, 2020



Technical Breakdown

	<u>Index</u>	<u>Portfolio</u>
Weighted Average Yield to Maturity	1.07%	1.41%
Weighted Average Term	7.04	4.94
Weighted Average Coupon	2.73	2.67
Weighted Average Duration	5.68	4.57
Weighted Average Rating		A+
Annual Coupon Payments		\$ 24,454
Portfolio Cost		\$ 982,426



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash	0.25		AAA	21,884	100.00	0.25	0.01	0.01	\$ 21,911	2%
Ford Credit	3.28	2-Jul-21	BBB-	79,000	98.04	5.31	1.01	0.96	\$ 78,733	8%
BNS	2.58	30-Mar-22	BBB+	73,000	101.85	1.50	1.75	1.70	\$ 74,824	8%
Ontario	3.15	2-Jun-22	A+	71,000	105.19	0.44	1.92	1.87	\$ 74,856	8%
Emera	2.90	13-Jun-23	BBB	82,000	103.31	1.75	2.95	2.83	\$ 84,825	9%
Ontario	2.30	8-Sep-24	A+	80,000	106.44	0.74	4.19	3.98	\$ 85,722	9%
Wells Fargo	3.87	21-May-25	BBB+	70,000	107.30	2.29	4.89	4.45	\$ 75,405	8%
Toronto	2.40	24-Jun-26	AA	95,000	107.32	1.13	5.99	5.59	\$ 101,991	10%
Quebec	2.50	1-Sep-26	AA-	95,000	109.21	0.96	6.18	5.71	\$ 104,530	11%
BC	2.55	30-Mar-27	AAA	79,000	110.13	0.99	6.75	6.21	\$ 87,509	9%
CMHC	2.65	15-Dec-28	AAA	83,000	114.32	0.89	8.47	7.66	\$ 94,976	10%
Canada	2.25	1-Jun-29	AAA	84,000	115.47	0.48	8.93	8.17	\$ 97,145	10%
Totals	2.67					1.41%	4.94	4.57	\$ 982,426	100%

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