

# Connected Wealth Diversified Income

10 February 2021

# RICHARDSON

## Wealth

### CONNECTED WEALTH

## Objective

Sustainable income and capital preservation with moderate growth as a secondary objective. This portfolio is balanced holding Canadian equities, U.S. equities and bonds. The equity holdings have a dividend focus and are primarily Canadian companies.

## Investment philosophy

Dividend focused investing has become a core strategy for many Canadian investor's portfolios driven by the need for income, lower volatility and growth of capital. We believe there are secular trends that will keep this strategy delivering for investors, but it must be done right.

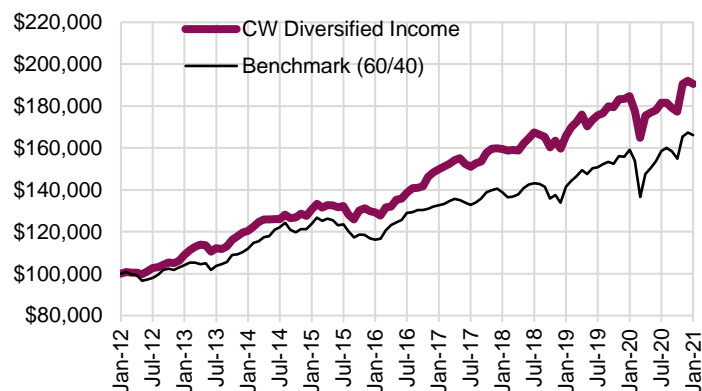
**Dividend Health** - Not all dividends are the same. Some companies, given their business operations, are better positioned to pay dividends than others. Diversified Income places a strong emphasis on the quality and sustainability of dividends in the stock selection process.

**Dividend Growth** – Connected Wealth Diversified Income focuses on dividend sustainability and a company's ability to increase dividends over time. Avoiding chasing the highest yielding companies.

**Adding Quality U.S. Dividend Payers** – Canada has some great dividend paying companies but they are concentrated in a limited number of industries. That poses significant portfolio risk. Diversified Income mitigates this risk and enhances diversification by incorporating some quality US dividend companies in industries that are lacking in the Canadian market place.

## Risk Management

As dividend paying companies tend to be concentrated in select industries, maintaining a broad diversification is a crucial component of our risk management. At the company level, we continuously monitor both fundamentals and technical using our deterioration monitor. Bonds are incorporated into the portfolio to provide some income and as a stabilizer to reduce volatility.



## Characteristics

Asset class	Balanced
Geographic	Canadian and US
Focus	Income focused
Objective	Actively managed to provide income and capital preservation with some capital appreciation potential
Approx. # of holdings	25-32
Estimated annual trades	22-30
Benchmark	60% TSX / 40% Dex

## The Manager

Connected Wealth, a service of Richardson Wealth, manages ~\$1 billion in assets across a number of North American equity, bond and ETF strategies.

**Craig Basinger**  
Portfolio Manager

**Chris Kerlow**  
Portfolio Manager

**Derek Benedet**  
Portfolio Manager

**Alexander Tjiang**  
Analyst

**Performance & Risk**

**Objective:** Income & capital preservation

**Benchmark:** 60% S&P/TSX Composite Total Return + 40% FTSE TMX Domestic Bond Index

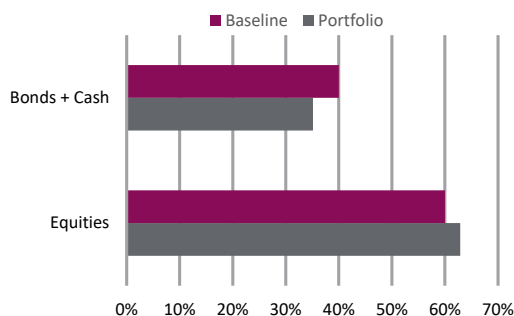
**Available:** SMA platform

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2012	Div Income		0.9	-0.3	0.0	-0.8	1.4	1.6	0.3	1.3	1.1	-0.4	1.0	6.1
	60/40 BM		0.8	-1.1	-0.3	-2.8	0.7	0.7	1.5	2.3	0.6	-0.5	1.1	3.0
2013	Div Income	2.8	2.0	1.4	1.0	-0.3	-2.7	1.6	-0.5	1.1	2.9	1.5	1.6	12.9
	60/40 BM	1.1	1.2	0.1	-0.8	0.4	-3.1	2.0	0.7	1.0	3.3	0.2	1.0	7.1
2014	Div Income	0.6	1.6	1.9	0.9	0.0	0.1	0.0	1.7	-1.3	0.2	1.4	-0.8	6.6
	60/40 BM	1.5	2.5	0.7	1.7	0.4	2.6	1.1	1.7	-2.6	-1.0	1.3	0.0	9.9
2015	Div Income	2.4	2.1	-1.3	0.9	-0.1	-0.7	0.5	-3.2	-1.6	3.3	0.8	-1.0	1.8
	60/40 BM	2.2	2.3	-1.3	0.9	-0.7	-1.9	0.4	-2.8	-2.3	1.1	-0.1	-1.4	-3.6
2016	Div Income	-0.5	-1.2	3.2	0.2	2.6	0.3	2.1	1.5	0.1	0.6	3.1	1.5	14.2
	60/40 BM	-0.5	0.4	3.5	2.2	1.0	0.9	2.7	0.2	0.8	0.0	0.5	0.8	13.0
2017	Div Income	0.9	1.0	0.8	1.2	0.5	-1.7	-1.0	1.1	0.7	2.6	1.3	0.1	7.7
	60/40 BM	0.5	0.5	1.0	0.8	-0.5	-0.9	-0.8	1.0	1.3	2.3	0.6	0.6	6.5
2018	Div Income	-0.2	-0.5	0.2	-0.2	2.1	1.5	1.7	-0.7	-0.7	-3.0	2.0	-2.7	-0.4
	60/40 BM	-1.2	-1.7	0.2	0.7	2.2	1.2	0.4	-0.2	-0.9	-4.0	1.2	-2.7	-4.8
2019	Div Income	3.6	2.5	1.6	2.0	-3.2	1.7	1.3	0.5	1.8	-0.3	2.0	-0.1	13.9
	60/40 BM	5.8	2.0	1.5	1.9	-1.2	1.9	0.3	1.0	0.7	-0.6	2.4	-0.2	16.4
2020	Div Income	0.6	-3.9	-8.1	6.3	0.8	0.5	1.9	0.0	-1.4	-1.0	7.5	0.8	4.8
	60/40 BM	2.2	-3.3	-11.2	8.0	1.9	2.2	3.2	1.0	-1.1	-2.2	6.8	1.2	7.4
2021	Div Income	-0.8												
	60/40 BM	-0.6												

	<u>Diversified Income</u>	<u>Benchmark 60/40</u>	<u>Relative</u>	<u>Statistic</u>	<u>Description</u>	<u>Diversified Income</u>	<u>Benchmark 60/40</u>
1-month	-0.8%	-0.6%	-0.1%	Sharpe Ratio	Performance relative to risk (higher is better)	1.00	0.64
3-months	7.5%	7.3%	0.2%	Max Drawdown	Largest decline from peak to trough (less is better)	-10.7%	-14.2%
6-months	5.0%	4.8%	0.2%	Up Market Capture	% of upside market participation (higher is better)	97%	100%
1-year	3.2%	4.4%	-1.2%	Down Market Capture	% of downside market participation (lower is better)	70%	100%
YTD	-0.8%	-0.6%	-0.1%	Standard Deviation	Volatility (lower is better)	6.4%	7.5%
3-year	6.1%	6.2%	-0.1%	Downside Deviation	Volatility of down months (lower is better)	5.0%	6.9%
5-year	8.1%	7.4%	0.7%	Beta	Volatility relative to 60/40 benchmark	0.75	1.00
7-year	6.8%	5.8%	1.0%				
Inception	7.4%	5.8%	1.6%				

**Composition**

**Relative Weights**



**Holdings**

	<u>Name</u>	<u>Industry</u>	<u>Weight</u>	<u>Yield</u>
<b>Global</b>	PEMBINA PIPELINE CORP	Energy	2.0%	7.0%
<b>Cyclical</b>	ENBRIDGE INC	Energy	2.3%	7.3%
	SUNCOR ENERGY INC	Energy	2.4%	3.7%
	NUTRIEN LTD	Materials	2.3%	3.3%
	INTERTAPE POLYMER GROUP INC	Materials	2.2%	3.5%
	FRANCO-NEVADA CORP	Materials	2.3%	0.9%
	YAMANA GOLD INC	Materials	1.9%	2.1%
<b>N. American</b>	AECON GROUP INC	Industrials	2.2%	3.7%
<b>Cyclical</b>	UNITED PARCEL SERVICE-CL B	Industrials	2.1%	2.4%
	CISCO SYSTEMS INC	Information Technology	2.4%	3.2%
<b>Int Sens</b>	BANK OF NOVA SCOTIA	Financials	3.6%	5.1%
	ROYAL BANK OF CANADA	Financials	4.3%	4.1%
	JPMORGAN CHASE & CO	Financials	3.5%	2.6%
	CITIGROUP INC	Financials	2.7%	3.2%
	MANULIFE FINANCIAL CORP	Financials	2.6%	4.5%
<b>Defensive</b>	ALGONQUIN POWER & UTILITIES	Utilities	2.2%	3.6%
	ROGERS COMMUNICATIONS INC-B	Communication Services	2.0%	3.4%
	TELUS CORP	Communication Services	2.7%	4.6%
	PROCTER & GAMBLE CO/THE	Consumer Staples	2.4%	2.5%
	LOBLAW COMPANIES LTD	Consumer Staples	2.4%	2.1%
	BRISTOL-MYERS SQUIBB CO	Health Care	2.1%	3.3%
	PATTERSON COS INC	Health Care	2.5%	3.1%
	ASTRAZENECA PLC-SPONS ADR	Health Care	1.9%	1.8%
	QUEST DIAGNOSTICS INC	Health Care	2.8%	2.0%
<b>REITs</b>	DREAM INDUSTRIAL REAL ESTATE	Real Estate	3.2%	5.4%
	AMERICAN TOWER CORP	Real Estate	2.0%	2.1%
<b>Bonds</b>	CANADA GOV	1% 1 Jun 2027	5.6%	0.63%
	ISHARES CORE CANADIAN SHORT	XSB	10.2%	2.05%
	ROYAL BANK OF CANADA	4.5% 24 Nov 80	5.8%	4.33%
	WELLS FARGO & COMPANY	3.874 21 May 25	5.1%	1.45%
	BC PROV 2.3%	18-Jun-26	6.3%	0.86%

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