

# Connected Wealth Fixed Income

December 31, 2020

# RICHARDSON

## Wealth

### CONNECTED WEALTH

2020 is over. While it was a struggle in real life, for investors it was a boon, whether invested in stocks or bonds.

The Canadian bond index started the year with a 2.10% yield to maturity and managed to pull out an 8%+ return during the year. The attribution was consistent across the board, with both corporate and government bonds in the same range. It was a bit scary for Corporates in Q1, but did they ever recover quickly and make some gains.

Our heavy exposure to corporates, and short duration was good for returns in the back half of the year, where corporate spreads recovered quickly, and yields started to rise. Q1 was a different story, however. As yield collapsed, long duration with no credit was the place to be – half the returns from the government sector came in this first quarter.

Looking forward, markets are in a tough spot. Worries about inflation picking up are bracketed by what still feels like a fragile economy still being affected by the pandemic, particularly in North America. That said, risk appetites in the market are ravenous, making the economic and market cycles feel at odds with each other. Also serving to make asset prices rather expensive. While corporate credit is still broadly priced cheaper than government bonds *on a relative basis*, they are vastly more expensive than where they started the year.

Getting more tactical in this market will be important.

## Performance

	Fixed Income	Benchmark	Relative
1 month	0.56%	0.37%	0.19%
3 month	0.88%	0.63%	0.25%
6 month	2.23%	1.08%	1.15%
1 year	6.87%	8.69%	-1.82%
<b>YTD</b>	<b>6.87%</b>	<b>8.69%</b>	<b>-1.82%</b>
3 year	4.40%	5.61%	-1.21%
5 year	3.38%	4.18%	-0.81%

## Strategy Overview

Asset class	Bonds
Focus	Canada
Style	Active
# of Holdings	11
Benchmark	FTSE TMX Canada Universe Bond Index

## Strategy

The portfolio invests in Canadian bonds and debentures, with a focus on capital preservation and income. Leveraging the team's macro research and market cycle outlook, Connected Wealth Fixed Income is actively managed with a focus on identifying and positioning the portfolio to benefit or avoid key long term interest rate and credit trends.

## Risks

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

## The Manager

Connected Wealth, a service of Richardson Wealth, manages over \$1.1 billion 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

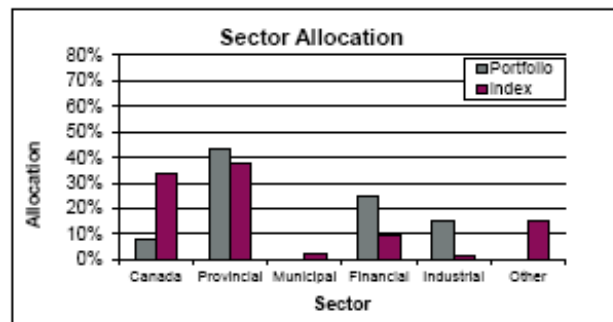
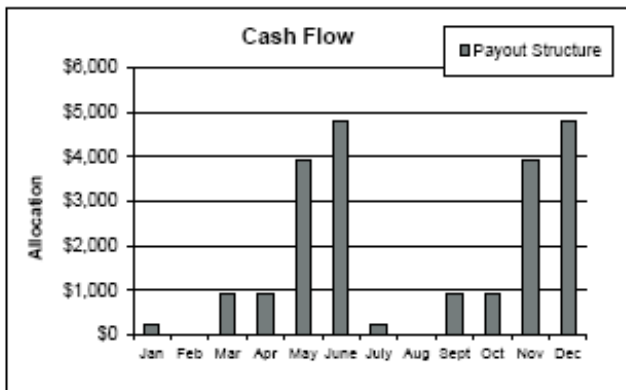
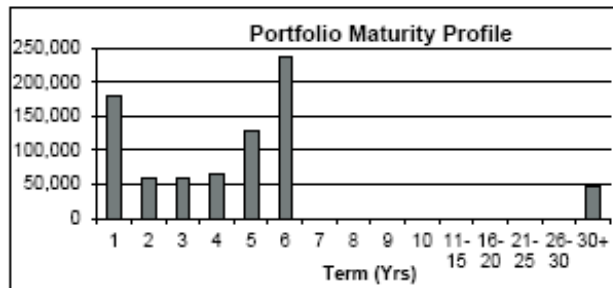
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Technical Breakdown

	Index	Portfolio
Weighted Average Yield to Maturity	1.25%	1.23%
Weighted Average Term	10.77	5.51
Weighted Average Coupon	2.94	2.98
Weighted Average Duration	8.22	4.84
Annual Coupon Payments		\$ 21,603
Portfolio Cost		\$ 777,585



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash Equivalent	0.75		AAA	63,000	100.00	0.75	0.05	0.05	\$ 63,000	8.1%
Province of Quebec	4.25	1-Dec-21	AA-	57,000	103.69	0.22	0.92	0.91	\$ 59,303	7.6%
Rogers Communications	4.00	8-Jun-22	BBB+	56,000	104.76	0.65	1.43	1.40	\$ 58,819	7.6%
Manitoba	2.55	2-Jun-23	A+	56,000	105.21	0.39	2.42	2.36	\$ 59,031	7.6%
TELUS Corp	3.35	1-Apr-24	BBB+	55,000	107.41	1.03	3.25	3.07	\$ 59,536	7.7%
Wells Fargo	3.87	21-May-25	BBB+	59,000	109.98	1.52	4.39	4.05	\$ 65,141	8.4%
RBC	4.50	24-Nov-25	A-	123,000	104.69	3.45	4.90	4.37	\$ 129,334	16.6%
Quebec	2.50	1-Sep-26	AA-	75,000	109.39	0.80	5.67	5.28	\$ 82,669	10.6%
Canada	1.00	1-Jun-27	AAA	60,000	103.42	0.46	6.42	6.22	\$ 62,101	8.0%
BC	2.55	18-Jun-27	AAA	84,000	110.48	0.88	6.47	6.00	\$ 92,880	11.9%
Canada	2.00	1-Dec-51	AAA	38,000	120.28	1.21	30.94	23.83	\$ 45,769	5.9%
<b>Totals</b>	<b>2.98</b>					<b>1.23%</b>	<b>5.51</b>	<b>4.84</b>	<b>\$ 777,585</b>	<b>100%</b>

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