

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%
YTD	6.87%	8.69%	-1.82%
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

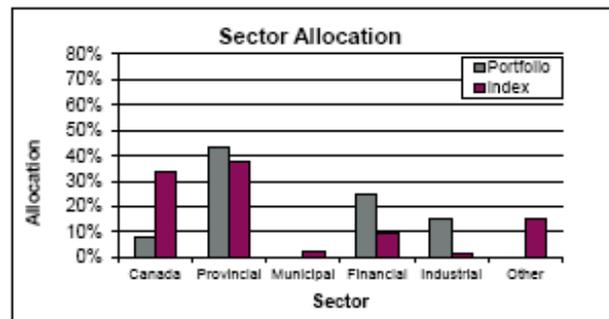
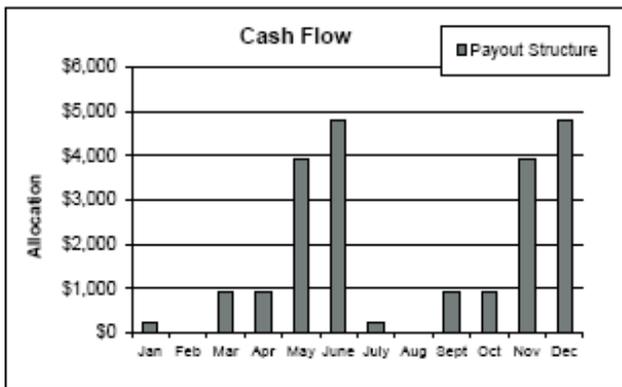
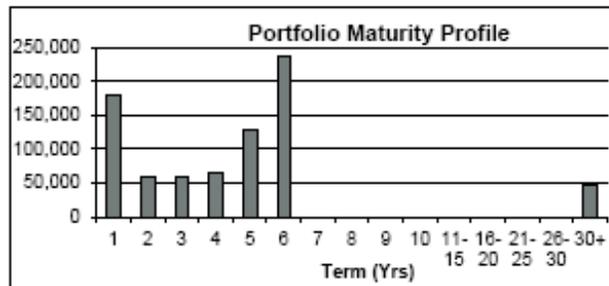
Connected Wealth Fixed Income

December 31, 2020



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%
Totals	2.98					1.23%	5.51	4.84	\$ 777,585	100%

The research above is prepared by Richardson Wealth Limited and is current as at the date on page 1. This research has been prepared for the use of the clients of Richardson Wealth Limited and must not be copied, either in whole or in part, or distributed to any other person. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any transaction. This research is general advice and does not take account of your objectives, financial situation or needs. Before acting on this general advice you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision. Past performance is not a reliable indicator of future performance. There are risks involved in securities trading. The price of securities can and does fluctuate and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date. We accept no obligation to correct or update the information or opinions in it. Opinions expressed are subject to change without notice. No member of the Richardson Wealth Limited accepts any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research.

Richardson Wealth Limited or its associates, officers or employees may have interests in the financial products referred to in this report by acting in various roles including as investment banker, underwriter or dealer, holder of principal positions, broker, lender, director or adviser. Further, they may act as market maker or buy or sell those securities as principal or agent and, as such, may affect transactions which are not consistent with the recommendations (if any) in this research. Richardson Wealth.

Richardson Wealth Limited is a member of Canadian Investor Protection Fund. Richardson Wealth is a registered trademark of James Richardson & Sons, Limited used under license.