

Connected Wealth Laddered Bond

June 30, 2024

RICHARDSON Wealth

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 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 Wealth Asset Management, a division of Richardson Wealth, manages over \$1.1 billion in assets across a number of North American equity, bond and ETF strategies.

Sascha Isaacs
Portfolio Manager

After a strong rally in Q1, equity indexes paused in April as markets adjusted expectations for rate cuts, with data showing inflation was more persistent than anticipated. Bonds also declined due to the revised outlook for prolonged higher interest rates. Q1 GDP growth was 2.5%, below the Bank of Canada’s 2.8% forecast, indicating limited domestic demand and ongoing disinflationary pressures.

In May, both equity and bond markets rebounded, reassured by signs of retreating inflation in developed economies. June saw a significant shift as the Bank of Canada cut its benchmark interest rate by 25 basis points to 4.75%, becoming the first G-7 central bank to start easing. Officials hinted at further cuts if inflation continues to slow. However, hopes for an additional cut in July were challenged after Canada’s inflation rate rose to 2.9% in May from 2.7% in April, driven by higher service prices, with core inflation measures averaging 2.85%.

In the U.S., the Federal Reserve kept its benchmark rate steady at 5.25%-5.5%, as expected. Markets focused on the Fed’s dot plot, which indicated just one rate cut for 2024, though Fed Chair Powell emphasized a cautious, data-dependent approach. The median projection for 2025 included four rate cuts, reflecting the Fed’s intention to maintain higher borrowing costs to combat inflation.

The latest Fed decision came after data showed the core consumer price index (CPI) rose by 0.2% in May and 3.4% year-over-year, showing progress towards the Fed’s 2% inflation target. The core personal consumption expenditures (PCE) price index increased by 0.1% in May and 2.6% year-over-year, the lowest since early 2021. This suggests the Fed might cut rates multiple times this year, although the market expects more cuts than the Fed has indicated.

By the end of the quarter, the TMX Universe was up 0.86%, though the year-to-date index was down 0.37%.

Performance

	Ladder	Benchmark	Relative
1 month	0.84%	0.97%	-0.13%
3 month	1.26%	1.04%	0.22%
6 month	1.26%	0.64%	0.62%
1 year	5.24%	4.78%	0.46%
YTD	1.26%	0.64%	0.62%
3 year	0.52%	-0.45%	0.97%
5 year	1.54%	0.85%	0.69%
7 year	2.10%	1.45%	0.65%
10 year	2.27%	1.89%	0.38%
Inception	2.01%	1.70%	0.31%

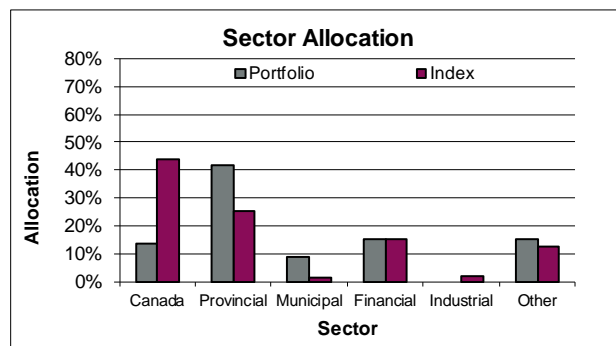
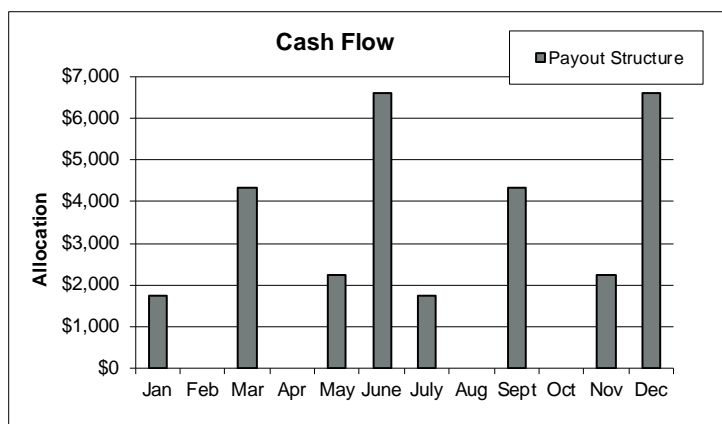
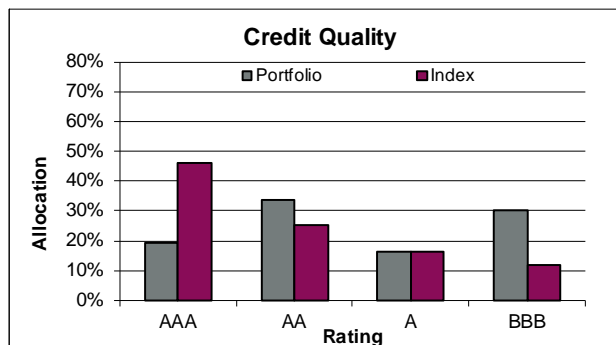
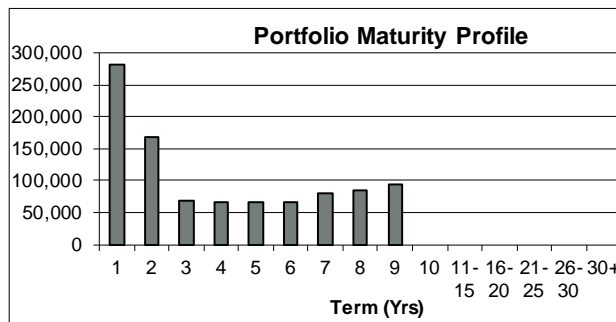
Connected Wealth Fixed Income Ladder

June 30, 2024



Technical Breakdown

	<u>Index</u>	<u>Portfolio</u>
Weighted Average Yield to Maturity	3.22%	4.03%
Weighted Average Term	6.46	3.83
Weighted Average Coupon	1.65	3.04
Weighted Average Duration	4.93	3.35
Weighted Average Rating		A+
Annual Coupon Payments		\$ 29,828
Portfolio Cost		\$ 977,095



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash & Equiv	2.57		AAA	53,700	100.00	2.54	0.04	0.04	\$ 54,342	6%
National Bank of Canada	2.55	12-Jul-24	BBB+	82,000	99.97	3.24	0.04	0.04	\$ 82,940	8%
Ontario	2.30	8-Sep-24	A+	77,000	99.54	4.63	0.20	0.19	\$ 77,186	8%
Wells Fargo	3.87	21-May-25	BBB	68,000	98.92	5.11	0.90	0.87	\$ 67,539	7%
Toronto	2.40	24-Jun-26	AA	88,000	96.78	4.10	1.99	1.91	\$ 85,189	9%
Quebec	2.50	1-Sep-26	AA-	86,000	96.92	3.99	2.18	2.07	\$ 84,049	9%
BC	2.55	18-Jun-27	AA-	71,000	96.35	3.86	2.97	2.82	\$ 68,460	7%
CMHC	2.65	15-Dec-28	AAA	70,000	95.66	3.71	4.47	4.15	\$ 67,031	7%
Canada	2.25	1-Jun-29	AAA	69,000	94.82	3.40	4.93	4.60	\$ 65,540	7%
BCE	2.50	14-May-30	BBB+	74,000	88.77	4.71	5.88	5.33	\$ 65,915	7%
TC Energy	2.97	9-Jun-31	BBB+	89,000	90.81	4.53	6.95	6.14	\$ 80,955	8%
Ontario	3.75	2-Jun-32	A+	86,000	97.94	4.06	7.93	6.76	\$ 84,457	9%
Saskatchewan	5.80	5-Sep-33	AA	82,000	112.20	4.19	9.19	7.11	\$ 93,493	10%
Totals	3.04					4.03%	3.83	3.35	\$ 977,095	100%

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