

Connected Wealth Laddered Bond

September 30, 2023

Markets have been in flux all year - from recession and sharp rate cuts earlier in the year, to hopes of a soft landing over the summer, and more recently, a higher-for-longer backdrop.

The Canadian bond universe entered Q3 in positive territory but, after a challenging July – September, the index is now down 1.46% for the year. Data released in July indicated that inflation in Canada continued to moderate, with June CPI falling within the BoC’s control range for the first time since March 2021. The central bank highlighted elevated services inflation and uncertainty about expected inflation as factors contributing to sustained underlying price pressures. Despite prices trending lower, stronger-than-expected economic data led the BoC to raise its benchmark rate by 25 bps to 5.0% in July.

Canada’s job market showed signs of softening, while GDP data supported the case for a BoC pause, after Stats Canada reported that the economy had a weak start to the second half of the year. Overall, the economy shrank at a -0.2% annualized pace in the second quarter. With the economy entering a softer patch, the central bank held rates steady in early September, following 25 bps hikes in June and July that brought the overnight lending rate to 5.0%.

During the month of September, interest rate concerns came back into the forefront with the ‘higher for longer’ message from central banks sending yields to their highest levels in 16 years. Central banks remain in data-dependent mode, and there was certainly a lot of data to consider over the last month in the quarter. There’s no denying the economic data has remained resilient or even better than consensus expectations in North America. Add to this some rekindling of inflation fears as some of the base effects that were helping inflation grind lower start to reverse. We continue to remain in the camp that slowing growth is coming as more of the savings buffer built up over the past few years is ground lower by inflation and higher credit costs. The number of cracks continues to grow, but truthfully, we did think they would have shown up sooner.

There is another factor that likely contributed to the recent up-move in yields, which has not been given much attention lately – QT. Quantitative stimulus, or the removal of stimulus, has had a pretty big impact on equity and bond markets over the past decade. Now, the Fed has been slowly shrinking their accumulated balance sheet holdings. But there are other components of stimulus that have been more volatile, sloshing money around in the financial system. And those other categories have seen some big moves in September.

With less stimulus ahead, this will remain a headwind for markets -- both equities and bonds. For bonds, this may be creating an opportunity -- lower price / higher yield. If we are correct that slower growth and recession risk will rise in the coming months, those yields will likely see some downward pressure (higher prices).

Performance

	Ladder	Benchmark	Relative
1 month	-1.10%	-1.49%	0.39%
3 month	-1.37%	-1.94%	0.57%
6 month	-2.17%	-3.28%	1.11%
1 year	1.06%	0.04%	1.01%
YTD	0.23%	-0.53%	0.75%
3 year	-1.85%	-3.02%	1.16%
5 year	1.51%	0.74%	0.77%
7 year	1.26%	0.11%	1.15%
Inception	3.03%	2.39%	0.63%

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 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

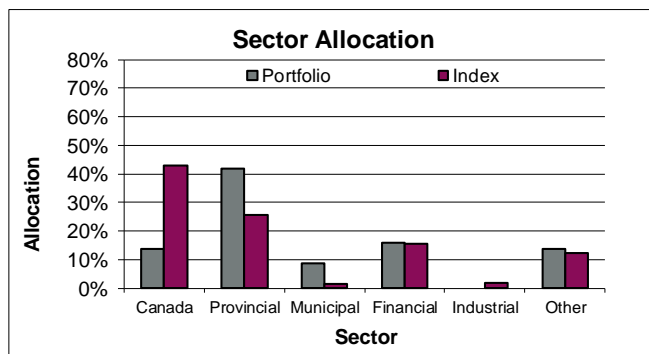
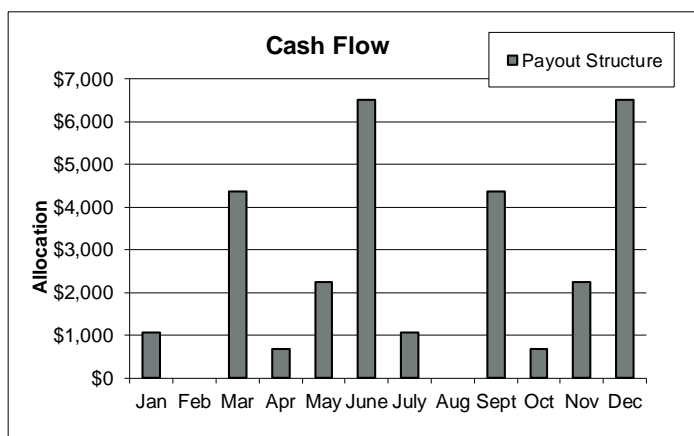
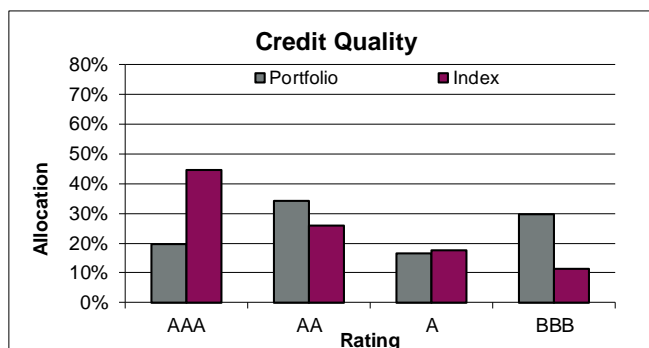
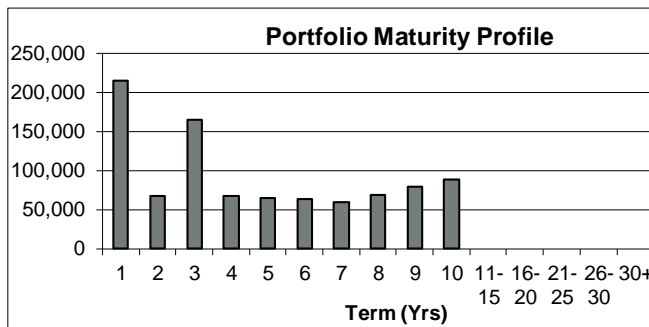
Connected Wealth Fixed Income Ladder

September 30, 2023



Technical Breakdown

	<u>Index</u>	<u>Portfolio</u>
Weighted Average Yield to Maturity	3.06%	4.73%
Weighted Average Term	6.41	4.43
Weighted Average Coupon	2.94	3.02
Weighted Average Duration	4.80	3.82
Weighted Average Rating		A+
Annual Coupon Payments	\$ 29,730	
Portfolio Cost	\$ 940,620	



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash & Equiv	2.47		AAA	56,000	100.00	2.44	0.04	0.04	\$ 56,642	6%
National Bank of Canada	2.55	12-Jul-24	BBB+	83,000	99.50	3.19	0.79	0.77	\$ 83,037	9%
Ontario	2.30	8-Sep-24	A+	78,000	97.40	5.16	0.95	0.91	\$ 76,077	8%
Wells Fargo	3.87	21-May-25	BBB	69,000	96.28	6.28	1.64	1.54	\$ 67,388	7%
Toronto	2.40	24-Jun-26	AA	88,000	93.63	4.92	2.74	2.58	\$ 82,954	9%
Quebec	2.50	1-Sep-26	AA-	87,000	93.82	4.79	2.93	2.76	\$ 81,786	9%
BC	2.55	18-Jun-27	AA	72,000	92.62	4.74	3.72	3.46	\$ 67,202	7%
CMHC	2.65	15-Dec-28	AAA	70,000	91.44	4.51	5.22	4.74	\$ 64,546	7%
Canada	2.25	1-Jun-29	AAA	69,000	90.87	4.07	5.68	5.19	\$ 63,206	7%
BCE	2.50	14-May-30	BBB+	72,000	82.38	5.73	6.63	5.85	\$ 59,991	6%
TC Energy	2.97	9-Jun-31	BBB+	84,000	81.54	6.00	7.70	6.56	\$ 69,257	7%
Ontario	3.75	2-Jun-32	A+	85,000	92.78	4.78	8.68	7.16	\$ 79,901	8%
Saskatchewan	5.80	5-Sep-33	AA	82,000	107.71	4.81	9.94	7.57	\$ 88,633	9%
Totals	3.02					4.73%	4.43	3.82	\$ 940,620	100%

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