

Connected Wealth Fixed Income

September 30, 2021

Q3 seemed to be business as usual in the bond market, right until the finish line was in sight, at which point a quick move higher in yields sent prices lower. It was the mid-range bonds that fared the worst, and credit positions helped as equities remained constructive.

A look through our recent [Investor Strategy](#) should give you a deeper view into our outlook for bonds. Inflation is our primary concern as we feel that wages and politics could contribute to higher baseline levels of inflation than we have become used to in the past few decades. Goods prices will fade as certain supply chains ease and people find substitutes, but we see the impetus for higher services prices. In addition to the new climate that seems to favour labour over capital, the political will to build more robust supply chains is likely to be inflationary since we won't be looking simply to maximize economic output per unit of input.

This will keep us focused on the shorter side of the yield curve, and on businesses with strong ability to pass along any cost inputs they face.

Our decision to stay very short of duration vs. the benchmark has paid off handsomely this year given the rise in yields. We feel this is still likely to be the best positioning given our view on inflation, however, we do feel there may be bouts of quick rallies in bonds as asset allocators choose where to move assets when we see some volatility in prices of risky assets. They are awfully expensive, and the alternatives outside of classic bonds do not look great.

Performance

	Fixed Income	Benchmark	Relative
1 month	-0.47%	-1.40%	0.93%
3 month	0.23%	-0.50%	0.73%
6 month	1.11%	1.14%	-0.03%
1 year	0.29%	-3.34%	3.63%
YTD	-0.59%	-3.95%	3.36%
3 year	4.16%	4.33%	-0.17%
5 year	2.59%	2.29%	0.29%

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Strategy Overview

Asset class	Bonds
Focus	Canada
Style	Active
# of Holdings	13
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

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.

James Price
Portfolio Manager

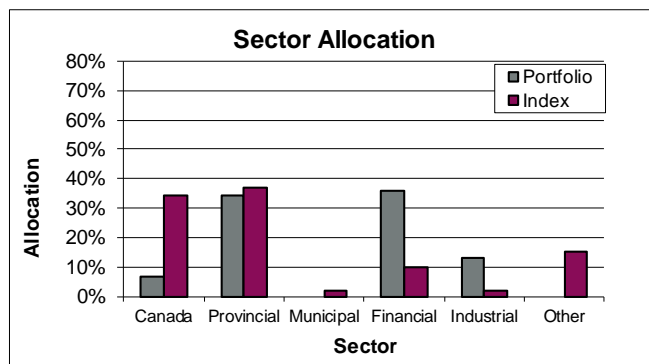
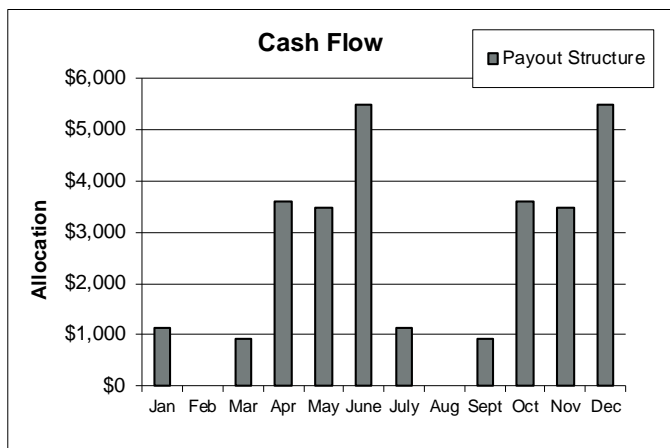
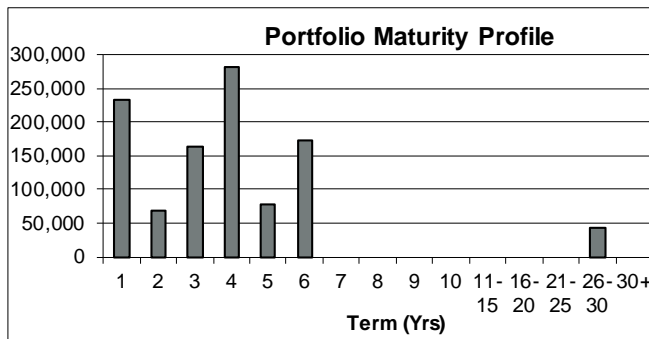
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Technical Breakdown

	<u>Index</u>	<u>Portfolio</u>
Weighted Average Yield to Maturity	1.73%	1.53%
Weighted Average Term	10.53	4.24
Weighted Average Coupon	2.92	2.96
Weighted Average Duration	7.92	3.71
 Annual Coupon Payments	 \$ 29,179	
Portfolio Cost	\$1,038,476	



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash Equivalent	0.75		AAA	103,000	100.00	0.75	0.03	0.03	\$ 103,000	9.9%
Province of Quebec	4.25	1-Dec-21	AA-	63,000	100.64	0.46	0.17	0.17	\$ 64,288	6.2%
Rogers Communications	4.00	6-Jun-22	BBB+	64,000	102.18	0.79	0.68	0.67	\$ 66,207	6.4%
Manitoba	2.55	2-Jun-23	A+	65,000	103.28	0.58	1.67	1.63	\$ 67,675	6.5%
TELUS Corp	3.35	1-Apr-24	BBB+	66,000	104.60	1.47	2.50	2.37	\$ 70,135	6.8%
NBC	2.55	12-Jul-24	BBB+	89,000	103.54	1.25	2.78	2.68	\$ 92,643	8.9%
Wells Fargo	3.87	21-May-25	BBB+	74,000	107.09	1.85	3.64	3.37	\$ 80,275	7.7%
CIBC	4.38	28-Oct-25	BBB-	96,000	104.88	3.09	4.08	3.66	\$ 102,463	9.9%
RBC	4.50	24-Nov-25	A-	91,000	106.06	2.94	4.15	3.73	\$ 97,950	9.4%
Quebec	2.50	1-Sep-26	AA-	73,000	105.59	1.32	4.92	4.63	\$ 77,227	7.4%
Canada	1.00	1-Jun-27	AAA	69,000	99.16	1.15	5.67	5.48	\$ 68,649	6.6%
BC	2.55	18-Jun-27	AAA	98,000	105.95	1.46	5.72	5.29	\$ 104,541	
Canada	2.00	1-Dec-51	AAA	43,000	100.32	1.99	30.19	22.44	\$ 43,422	
Totals	2.96					1.53%	4.24	3.71	\$1,038,476	86%

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