

**RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND**

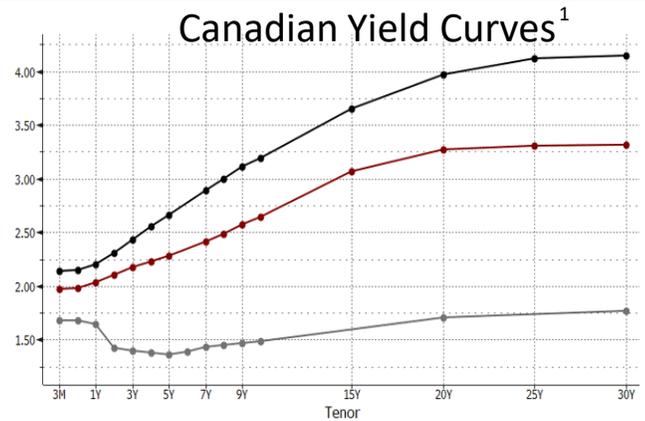
Price: \$16.00<sup>1</sup>

TSX: RIB.UN

Yield: 4.0%<sup>1</sup>

**Bond Market Outlook**

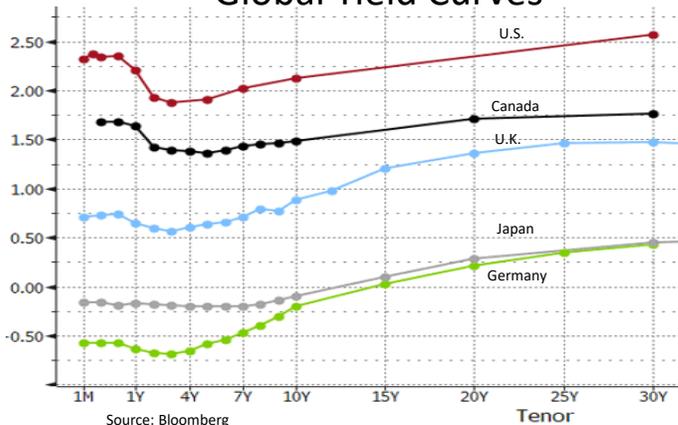
- Bank of Canada left rates unchanged at 1.75%. They continue to view the slowdown as temporary with a recovery expected in the second half of 2019. GDP improved to 1.4% YoY from 1.1% last month.
- The US steel and aluminum tariffs were removed and Canada has launched the process to ratify USMCA.
- Inflation for April was on target as 2%, housing has stabilized and job creation in April was strong with 106.5k jobs added, dropping the unemployment rate to 5.7%.
- The futures however have not priced in a hike, rather the probability of a cut in December is now 63.2%.



Source: Bloomberg

- Canada Corporate BBB+, BBB, BBB-
- Canada Corporate A+, A, A-
- Canada Sovereign Curve

**Global Yield Curves<sup>1</sup>**



Source: Bloomberg

- The anticipation of a prolonged US-China trade war, newly announced Mexico tariffs and the impact on global growth has resulted in a shift in risk. Just last month, the market had seen the China trade deal being close to resolved.
- The flight to quality from continued uncertainty has led global interest rates to lows not seen since 2017. Outstanding negative yielding debt is nearing \$11 Trillion
- The bond market is signalling a concern that perhaps central banks have gone too far with hikes and that more accommodation is needed.

- The June index extension is large with \$33.9B maturing and \$16.6B in coupon payments taking place early in June. Although C\$ corporate supply picked up at the end of May, issuance came in at \$4.85B vs \$11.13B in 2018. Year to date supply is \$38.1B vs \$48.7B in 2018.
- We view the combination of limited supply, increased demand from the extension, lowered appetite for risk and reach for yield as positive for bonds.

**Portfolio Update**

- Corporate BBB bonds returned 1.30% vs. 1.36% for Canada bonds in May
- Added positions in Telecommunications and Real Estate sectors
- Added duration; sold short term to add mid and long term bonds
- Portfolio fully invested

**NAV Performance (net of fees)<sup>1</sup>**

	RIB.UN	FTSE Universe	Value Added
One Month	1.7%	1.7%	0.0%
Year to Date	9.4%	5.6%	3.8%

<sup>1</sup> as at May 31, 2019

### *RIB.UN Re-openings*

- Recently completed deal in February 2019 for \$7.3mm at \$14.75

### *Fund Facts*

- A unique opportunity for retail investors to access the **investment grade bond** market
- Focus on **Canadian issuers**, with up to 25% in non-Canadian investment grade bonds
- **Actively managed** with prudent use of leverage, up to 35% of the total assets of the fund may be borrowed
- **Attractive monthly distribution** yielding 4.0%<sup>1</sup>
- **Experienced portfolio manager** with over 20 years of fixed income experience, Mark J. Carpani, CFA has been responsible for managing the fund since its inception in 2009

### *Ridgewood Capital Asset Management*

- Ridgewood was founded in 2008 and manages \$1.2 billion for high net worth individuals and institutional clients
- A top quartile fixed income manager specializing in corporate bonds; fixed income assets represent 78% of total AUM
- The inception date of the Ridgewood Canadian Investment Grade Bond Fund (RIB.UN) was December 18, 2009

For further information visit [www.ridgewoodcapital.ca](http://www.ridgewoodcapital.ca) or contact John H. Simpson (416) 479-2751