

## RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND

Price: \$16.50<sup>1</sup>

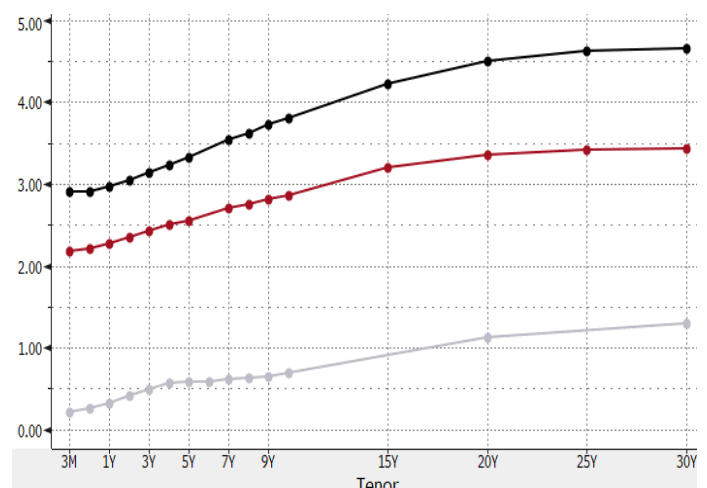
TSX: RIB.UN

Yield: 3.85%<sup>1</sup>

### Bond Market Outlook

- The world certainly changed this past month with COVID-19 officially named a pandemic. Governments are reacting at a faster pace than the previous shock back in 2008. In a matter of weeks, emergency measures were put in place to curb the spread and stimulus packages were passed to lessen the economic impact from this shock.
- The Bank of Canada (BoC) cut the overnight rate a total of 1.5% to 0.25%. The US Federal Reserve (Fed) also cut their target rate 1.5% to 0.25%.
- Central banks around the world are not taking any chances. In addition to cutting rates, QE has become prominent again. BoC is buying a minimum of \$5 billion of government bonds per week. The US Fed, in addition to large-scale purchases of Treasuries and mortgage-backed securities, has approved buying of investment grade corporate bonds maturing in five years or less. This support provides stability to the corporate bond market while making it easier for companies to raise money there.
- GDP forecasts are being cut, with much of the hit taking place in Q2. An improvement in economic activity is expected to follow as the outbreak slows down and lockdowns or social distancing restrictions are relaxed. No longer expected to be a V shaped recovery, the question is will be it U shaped or more gradual like a check mark?

### Canadian Yield Curves <sup>1</sup>



Source: Bloomberg

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

- All asset classes appear to have shared the pain. The month of March was full of indiscriminate selling not driven by fundamentals as funds endured large withdrawals.
- In order to preserve cash, many companies have cut dividends and put a stop to stock buyback plans, a positive for corporate bondholders.
- Corporate bond supply slowed considerably while new issues provided enticing concessions and tightened on the break. This is encouraging as it shows the market functioning and cash available on the sidelines being put to work.
- Corporate bond valuations are back to 2008 levels, representing an attractive entry point. Higher levels of income invested today will produce positive results over time.

## Portfolio Update

- ▶ Corporate BBB bonds returned -5.4% vs 1.6% for Canada bonds for the month of March
- ▶ Focus on barbell strategy and maintaining fully invested position.

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

	RIB.UN	FTSE Universe	Value Added
One Month	-10.7%	-2.0%	-8.7%
Year to Date	-5.75%	-1.6%	-4.1%
2019	14.3%	6.9%	7.4%
10 yr to Dec 2019	9.9%	4.2%	5.7%

## RIB.UN Re-openings

- ▶ March 2020 deal for \$11.9mm at \$15.65
- ▶ June 2019 deal for \$5.6mm at \$15.50
- ▶ February 2019 deal 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 3.85%<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 \$1.25 billion for high net worth individuals and institutional clients
- ▶ A top quartile fixed income manager specializing in corporate bonds; fixed income assets represent 76% 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