

## RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND

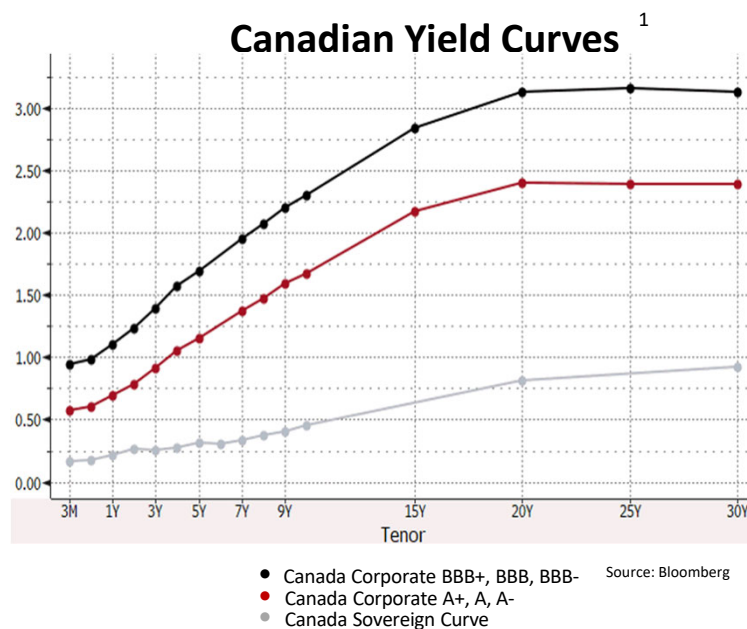
Price: \$16.50<sup>1</sup>

TSX: RIB.UN

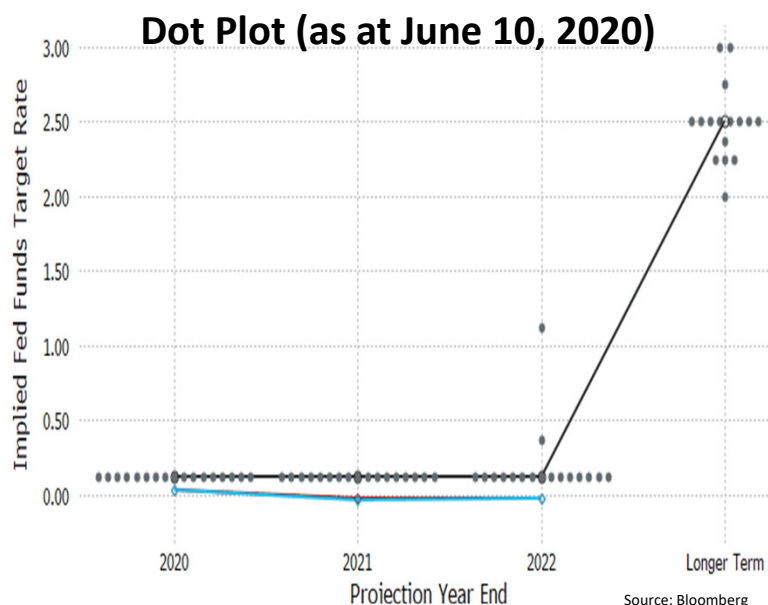
Yield: 3.85<sup>1</sup>

### Bond Market Outlook

- Tightening credit spreads, even down to distressed bonds, are signaling a turn in the credit cycle and the economy back on a path of recovery. Or at least adjusting to the new normal.
- Yields are hitting all time lows as economic growth pressures, though easing, continue. Housing, unemployment and retail sales have bounced off the lows but still have a lot to make up in order to return to pre-Covid levels.
- Covid-19 has become the main driver of the economy for now. Canada's GDP for May rose 4.5% on the month, compared to a decline of 11.7% in April. With the lockdown restrictions in the rear view mirror, StatsCan is expecting the June GDP to continue this recovery mode and rise 5% for the month.



- At their July meeting, the Bank of Canada stated its current benchmark rate of 0.25% is considered the lower bound and that it plans to keep it there until inflation returns to target. Previously in June, the US Federal Reserve updated its "Dot Plot" which is a record of each Fed official's forecast for its benchmark short-term interest rate. In both cases, the message was clear that rates are staying where they are, or lower, until at least 2023. The idea of rates being "lower for longer" will now be even longer.



- With Canada bonds now yielding under 1% across the entire curve, there is an even more pressing desire for higher yielding product such as corporate bonds. This supports our view that demand will continue to be strong for new issues that come to market.

<sup>1</sup> as at July 31, 2020

## Portfolio Update

- ▶ Corporate BBB bonds returned 2.1% vs 1.3% for Canada bonds in the month of July
- ▶ Took profits on short and mid credit, purchased mid and long bonds to add duration

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

	RIB.UN	FTSE Universe	Value Added
One Month	2.6%	1.3%	1.3%
Year to Date	6.3%	8.9%	-2.6%
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 \$1.3 billion for high net worth individuals and institutional clients
- ▶ A top quartile fixed income manager specializing in corporate bonds; fixed income assets represent 77% 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, CFA (416) 479-2751