

**RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND**

Price: \$16.85<sup>1</sup>

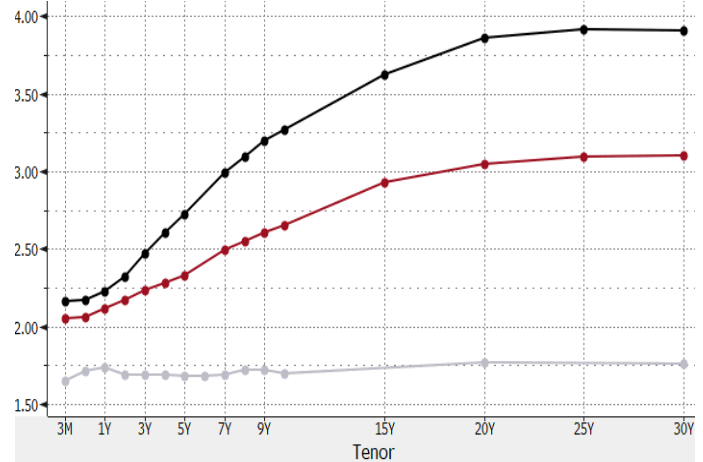
TSX: RIB.UN

Yield: 3.80%<sup>1</sup>

**Bond Market Outlook**

- FTSE Canada Universe Bond Index finished the year up 6.9%. Corporate bond spreads continued to grind in, with 2 – 30 yr BBB bonds 70-80 bps tighter for 2019.
- The Canadian bond market began 2019 with little change in rates expected. Unlike most central banks, Bank of Canada held rates steady throughout the entire year. At year end though, futures were pricing in a 42% chance of a cut by December 2020.
- The consumer seemed resilient, though Q4 economic data showed signs of weakness. Released in December, October GDP came in below expectations at only 1.2% year over year, and October retail sales were much weaker than expected at -1.2%. Employment data has been volatile but ended the year with net 71,200 jobs lost for November, causing the unemployment rate to tick up to 5.9%. Should the data continue to deteriorate into Q1, the Bank of Canada may no longer be able to continue its upbeat tone, especially if the global economy is not seen stabilizing.

**Canadian Yield Curves**



Source: Bloomberg

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

- What are the catalysts for 2020? Inflation is steady, global growth remains elusive and the odds of a recession have subsided to under 30%. Even with a phase one China deal announced, the demand for bonds did not falter and stocks did not rally. Geopolitical tensions are not going away. North Korea hostility resurfaced with Kim Jong Un proclaiming he would soon debut a new strategic weapon. Tensions in the Middle East have risen due to recent U.S. military action against Iran. Brexit is still unresolved but PM Johnson has committed to getting his deal approved by the January 31 deadline.
- Demand for positive yielding bonds remain strong. Supply is easily met with cash available for fixed income assets.

**Global Economic Policy Uncertainty Index**



Source: Bloomberg

## Portfolio Update

- Corporate BBB bonds returned -0.4% vs -1.1% for Canada bonds for the month of December
- Reduced exposure to long term credit
- Portfolio fully invested

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

	RIB.UN	FTSE Universe	Value Added
One Month	-0.5%	-1.2%	0.7%
Year to Date	14.3%	6.9%	7.4%

## RIB.UN Re-openings

- 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 3.80%<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