

RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND

Price: \$15.90¹

TSX: RIB.UN

Yield: 4.0%¹

Bond Market Outlook

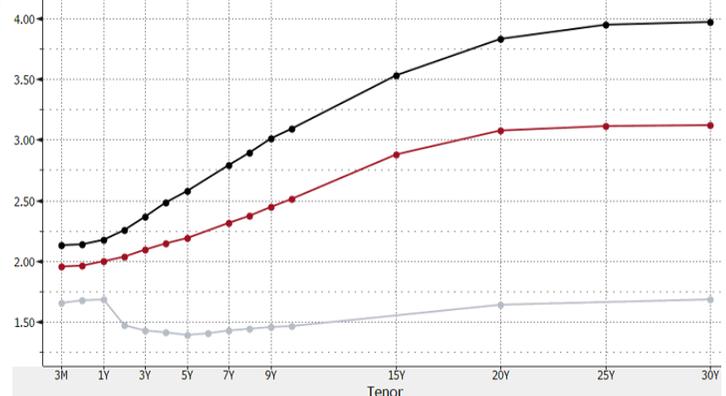
➤ Economic data out of Canada in June suggest that we are perhaps emerging from the recent slowdown and that rate cuts are not imminent :

- GDP for April 0.3% m/m ahead of 0.2% expected, bringing y/y to 1.5% from 1.4%
- Inflation rose to 2.4% y/y, the highest since 2012 with all eight major components increasing.
- Unemployment dropped to 5.4%, the lowest since 1976

➤ There has been a divergence of rate expectations among Canada and the US. The odds of a rate cut in Canada for 2019 are below 35% versus expectations for 3 cuts (July, September and December) by the US Fed. This has given a bounce to the Loonie as the USD has come under pressure.

- Communique from the G20 meeting was vague; the global economy “appears to be stabilizing, and is generally projected to pick up moderately later this year and into 2020”, “trade and geopolitical tensions have intensified” and they will “continue to address these risks, and stand ready to take further action”. The much anticipated meeting between Trump and Xi brought a trade truce as they agreed to restart talks.
- Investors are seeking shelter in bond funds, with the largest first half inflows ever into US fixed income ETFs
- The duration play remains a winner. Long term yields continued to drift lower and were down 8 bps in the month June, bringing the total to -50 bps YTD
- The lower for longer theme continues, providing corporations the benefit of borrowing at low rates. C\$ corporate supply picked up at the end of June, though year to date supply is down 17.2% y/y at \$55.4B. Strong demand for new issues remains and secondary spreads are supported as little product is coming out against the new issues while concessions are small to none. On average, corporate spreads tightened by 7 bps m/m
- Uncertainty remains high. Trade developments will continue to be closely watched by markets. Global growth expectations are declining alongside rising political tensions, with Iran now in the mix. Pressure is building on central banks to act, but any resolution to the trade wars would be a game changer.

Canadian Yield Curves¹



Source: Bloomberg

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

Portfolio Update

- Corporate BBB bonds returned 1.1% vs. 0.3% for Canada bonds in June
- Added positions in CMBS, reduced higher beta credit
- Added duration
- Portfolio fully invested

NAV Performance (net of fees)¹

	RIB.UN	FTSE Universe	Value Added
One Month	1.7%	0.9%	0.8%
Year to Date	11.3%	6.5%	4.8%

¹ as at June 30, 2019

RIB.UN Re-openings

- Recently completed deal in June 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 4.0%¹
- **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 or contact John H. Simpson (416) 479-2751