

**RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND**

Price: \$16.95<sup>1</sup>

TSX: RIB.UN

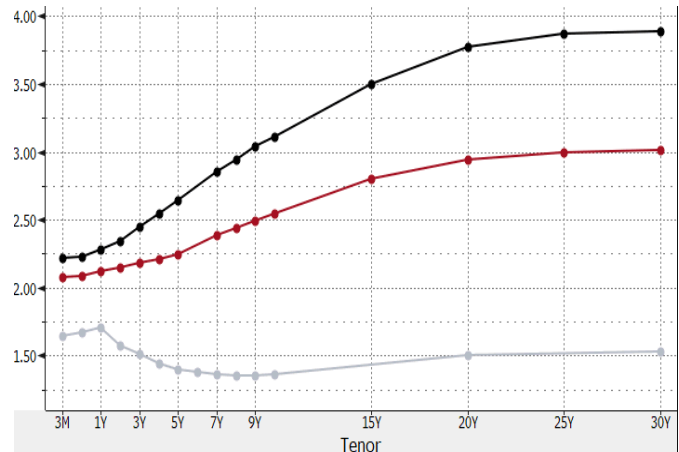
Yield: 3.75%<sup>1</sup>

**Bond Market Outlook**

➤ After what seemed like a month of optimism, the fragile market made a U turn at month end. News that China cast doubt on a long term trade deal dampened the risk market and drove yields lower. The deal previously showed promise as China telegraphed the first phase of a trade deal with the US is 'basically completed'. Trump too reported that phase one of the China trade deal was 'ahead of schedule', with a potential to sign mid November. Chinese officials are skeptical and so the trade war continues. Developments on Brexit also made headlines. Although the UK government and EU reached an agreement on a revised deal and the deal 'in principle' was passed in the House, the fast track timetable did not. UK PM Boris Johnson was forced to ask for an extension and received approval, pushing the deadline out to January 31, 2020. Not seeing any other option, Johnson called an election, now set for December 12<sup>th</sup>.

➤ As expected, the Bank of Canada held rates steady at 1.75%...for now. Not expected was news that an insurance cut was discussed. There was hesitation as a cut could increase financial vulnerabilities given Canadians already high indebtedness while reigniting the housing market. The good news is domestic rising wages, low unemployment and low interest rates are supporting the consumer and housing sector. Contrasting that however is falling commodity prices, a strong C\$ and low business investment. The economy's resilience, according to Poloz, "will be increasingly tested".

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



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

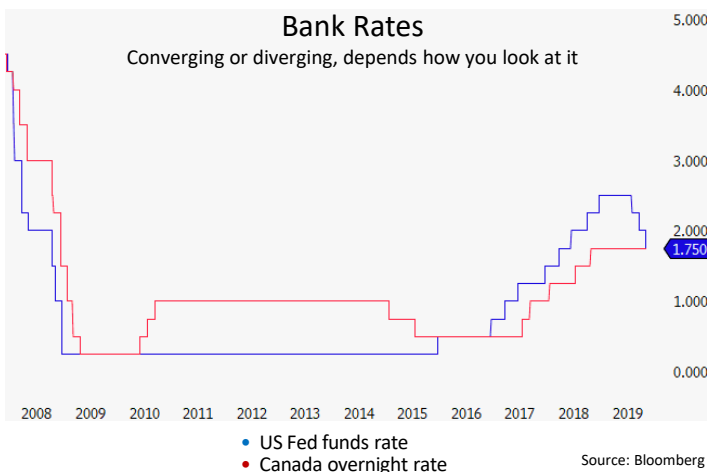
Source: Bloomberg

➤ For the third time this year, the US Fed cut its benchmark rate 25bps to 1.50-1.75%, and signaled a pause. They saw the risks associated with trade tensions and Brexit improving, the consumer driving growth and unemployment at a half century low. Q3 GDP of 1.9% and consumer consumption at 2.9% came in stronger than expected, while inflation remains tame with core PCE at 1.7% for September. We believe the Fed will likely be on hold for 2020 unless conditions deteriorate further.

➤ We maintain our view that corporate rates continue to offer better return prospects in a low growth/low inflationary environment. We see BBB mids and longs as offering the best opportunity given the steep credit curve relative to flat or inverted global government curves.

**Bank Rates**

Converging or diverging, depends how you look at it



Source: Bloomberg

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

## Portfolio Update

- Both Corporate BBB and Canada bonds returned -0.1% in October

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

- Extended Duration with mid & long corporates

- Portfolio fully invested

	RIB.UN	FTSE Universe	Value Added
One Month	-0.1%	-0.2%	0.1%
Year to Date	13.8%	7.6%	6.2%

## 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 3.75%<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 80% 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