

RIDGEWOOD CANADIAN INVESTMENT GRADE BOND FUND

Price: \$16.66¹

TSX: RIB.UN

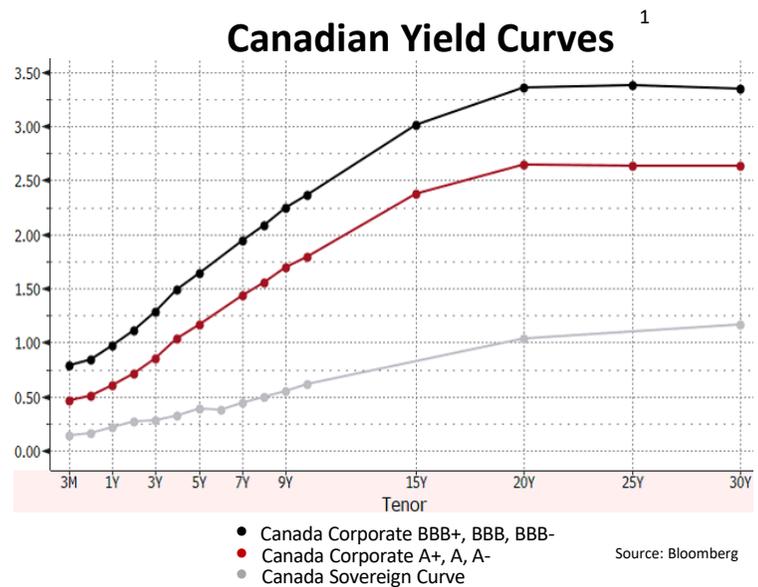
Yield: 3.82%¹

Bond Market Outlook

➤ The economic recovery continues across the board with Canadian GDP, unemployment rate, housing starts, existing home sales, manufacturing sales and wholesale trade sales all coming in ahead of expectations and improving month over month. We are not out of the woods and have yet to return to pre-Covid levels. What started out V shaped may perhaps turn more U shaped going forward with a recovery taking years, though it is moving in the right direction.

➤ Talk of inflation has returned and the name of the game seems to be tolerance. Keep in mind, the Bank of Canada has one mandate, price stability, while the US Fed has a dual mandate of price stability and employment.

➤ The Fed recently updated its approach for setting US monetary policy, allowing inflation to run a little hotter than usual by using a 2% average over ‘some time’ and prioritizing employment with a focus on addressing shortfalls. What does this mean?

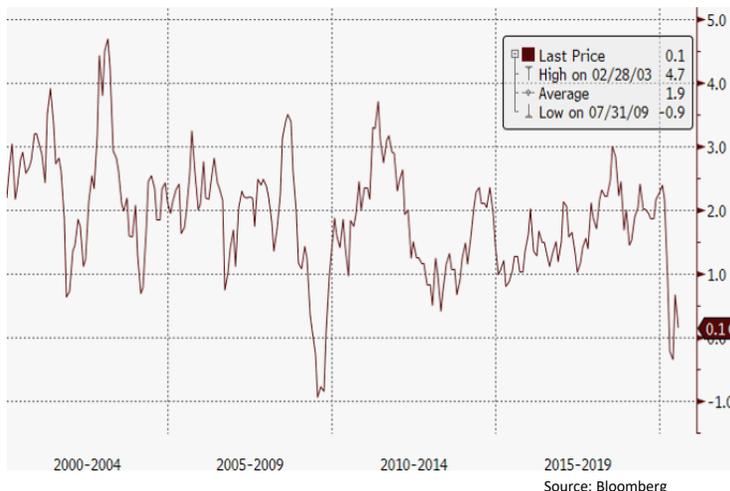


➤ Inflation may overshoot the typical 2% target, a low unemployment rate is not in itself a reason to raise rates and thus the threshold to raise rates is now higher. The Bank of Canada revisits their approach every 5 years and is currently seeking input for a review due in 2021.

➤ Why are we not overly concerned? Inflation has been an enigma as the 2% goal has not been achieved on a consistent basis for years. In addition, given the Fed allowing inflation to run hot for some time, rate hikes are years away. If history is any gauge, recall it took 7 years for the first rate hike post the Great financial Crisis.

➤ As equities are hitting record highs, tighter credit spreads in corporate bonds are following. In addition, as supply increased early on in 2020 with the Covid shock, the fall supply may be limited. We see buyers of corporate bonds being forced into the secondary market, ultimately pushing credit spreads even tighter.

Canadian CPI (YoY)



¹ as at August 31, 2020

Portfolio Update

- ▶ Corporate BBB bonds returned -0.2% vs -0.9% for Canada bonds in the month of August
- ▶ Extended duration with mid and long bonds

NAV Performance (net of fees) ¹

	RIB.UN	FTSE Universe	Value Added
One Month	0.4%	-1.1%	1.5%
Year to Date	6.8%	7.7%	-0.9%
2019	14.3%	6.9%	7.4%
10 yr to Dec 2019	9.9%	4.2%	5.7%

RIB.UN Re-openings

- ▶ August 2020 deal for \$8.2mm at \$16.00
- ▶ 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 3.82%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 \$1.3 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 or contact John H. Simpson, CFA (416) 479-2751