

Connected Wealth Laddered Bond

June 30, 2019

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CONNECTED
WEALTH

The second quarter wound up being a great one for bonds as yields worldwide continued lower, even sending a significant portion of the world's debt into negative yielding territory. We remain "lucky" in North America in high yielding currencies of the US and Canadian dollars that allow our mandate to continue to have a positive yield. Risk assets also performed very well in the quarter, allowing our overweight allocation to corporate bonds to add value as well.

The Ladder, with a benchmark to short/medium duration bonds, performed well in these conditions. Looking forward, one of our concerns is the shape of the yield curve, which is now essentially flat. This presents challenges for a ladder, which constantly re-invests maturities in the long end of the curve, which usually has higher yields. Since it doesn't at the moment, we have opted to temporarily keep the short position short, with similar yield, before extending the ladder.

While we understand the global yield complex dragging yields lower in North America, we are still surprised by the extent of the rate-cut expectations, given our view of the economic outlook. With many rate cut expectations priced into the market, we feel the expectations for lower overnight rates have become over-extended.

Performance

	Laddered Bond	Benchmark	Relative
1 month	0.69%	0.33%	0.35%
3 month	1.95%	1.49%	0.47%
6 month	5.16%	4.28%	0.88%
1 year	6.40%	5.85%	0.55%
YTD	5.16%	4.28%	0.88%
3 year	2.93%	1.44%	1.49%
5 year	3.18%	3.13%	0.04%

Strategy Overview

Asset class	Bonds
Focus	Canada
Style	Passive
# of Holdings	12
Benchmark	50 % FTSE TMX Canada Short Term Bond Index, 50 % FTSE TMX Canada Mid Term Bond Index

Strategy

The Laddered Bond Portfolio is a mostly passive approach to fixed income investing. Capital preservation and conservative income generation are the primary objectives. The portfolio invests in Canadian investment grade corporate and government bonds in a "laddered" structure which spreads out the maturities regularly between one and ten years. While the managers may occasionally purchase non-investment grade issues, or shorten or extend the maturity of the ladder periodically, the mandate is largely passive and relies on the benefits of laddering to achieve its goals.

Risks

The portfolio has a credit risk profile roughly in line with the FTSE TMX Canada Bond Investment Grade index

The Manager

Richardson GMP Asset Management, a division of Richardson GMP, manages over \$450 million in assets across a number of North American equity, bond and ETF strategies.

James Price
Portfolio Manager

Craig Basinger
Portfolio Manager

Chris Kerlow
Portfolio Manager

Derek Benedet
Portfolio Manager

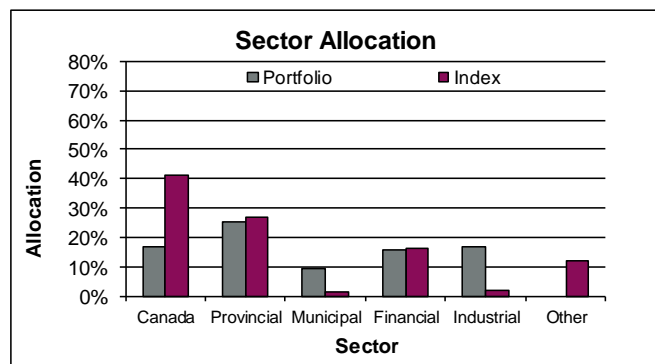
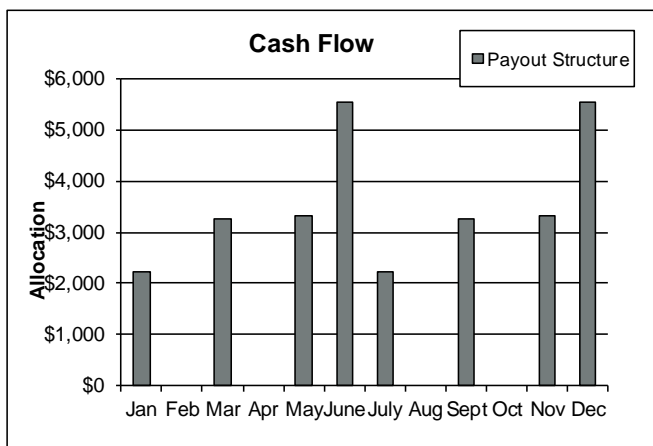
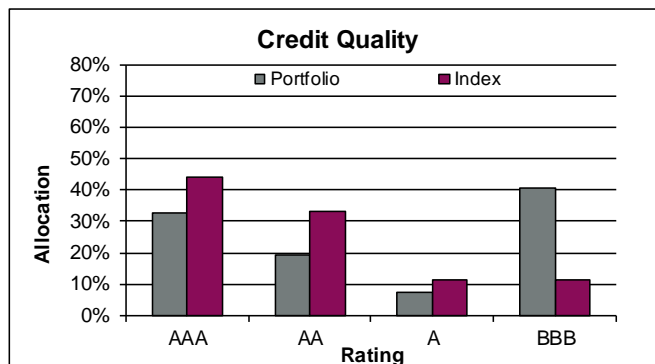
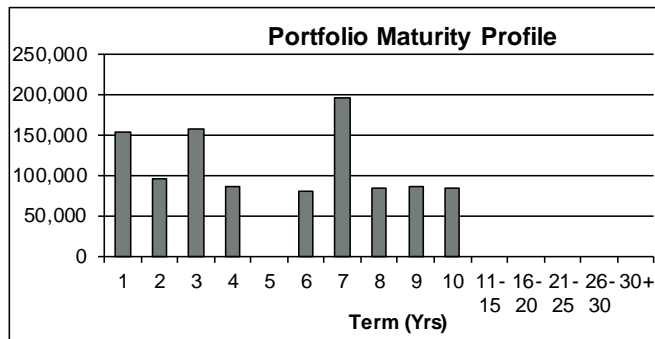
Connected Wealth Fixed Income Ladder

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Technical Breakdown

	<u>Index</u>	<u>Portfolio</u>
Weighted Average Yield to Maturity	2.16%	2.28%
Weighted Average Term	5.07	5.13
Weighted Average Coupon	2.86	2.89
Weighted Average Duration	5.22	4.66
Weighted Average Rating		A+
Annual Coupon Payments	\$ 28,661	
Portfolio Cost	\$ 1,023,533	



Portfolio Statement

Issuer	Coupon	Maturity	Rating	Par Value	Price	Yield	Term	Duration	Market Value	%
Cash	1.75		AAA	79,000	100.00	1.74	0.05	0.05	\$ 79,623	8%
Cogeco	5.15	16-Nov-20	BBB	72,000	103.36	2.65	1.38	1.32	\$ 74,873	7%
Ford Credit	3.28	2-Jul-21	BBB	93,000	100.71	2.91	2.01	1.90	\$ 95,168	9%
BNS	2.58	30-Mar-22	BBB+	79,000	100.46	2.41	2.75	2.62	\$ 79,876	8%
Ontario	3.15	2-Jun-22	A+	74,000	103.71	1.84	2.93	2.79	\$ 76,924	8%
Emera	2.90	13-Jun-23	BBB	85,000	101.28	2.56	3.96	3.71	\$ 86,202	8%
Wells Fargo	3.87	21-May-25	BBB+	76,000	104.61	3.01	5.90	5.24	\$ 79,824	8%
Toronto	2.40	24-Jun-26	AA	96,000	100.51	2.32	6.99	6.40	\$ 96,527	9%
Quebec	2.50	1-Sep-26	AA-	96,000	102.47	2.13	7.18	6.50	\$ 99,160	10%
BC	2.55	30-Mar-27	AAA	81,000	102.90	2.14	7.75	6.98	\$ 83,868	8%
CMHC	2.65	15-Dec-28	AAA	82,000	105.60	2.00	9.47	8.37	\$ 86,681	8%
Canada	2.25	1-Jun-29	AAA	80,000	105.83	1.61	9.93	8.89	\$ 84,807	8%
Totals	2.89					2.28%	5.13	4.66	\$ 1,023,533	100%

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