

Bridgehouse Canadian Bond Fund

Fund Commentary

During the quarter, the Bridgehouse Canadian Bond Fund underperformed its benchmark, the FTSE Canada Universe Bond Index.

Canadian bonds posted positive returns for the third consecutive quarter. Expectations for central bank easing paired with softer global economic data pushed interest rates lower and flattened the yield curve. The quarter finished with two-year Government of Canada (“GoC”) bonds and 10-year GoC bonds offering an equivalent yield after starting the quarter with an 8 basis point (“bps”) difference.¹

In contrast to warning signs sent by sovereign bond yields, Canadian corporate bond spreads tightened 13 bps over the quarter, following the positive tone in equity markets.² Despite narrowing for the second quarter in a row, credit spreads have not entirely retraced the selloff from late 2018. Lower quality corporate bonds outperformed as corporate A and BBB bonds outperformed AAA/AA rated issues.

Provincial bonds witnessed tighter spreads and outperformed GoC bonds as investors searched for incremental yield. The sector underperformed corporates, however, as deficit concerns in Ontario persisted.

The portfolio posted positive performance, however modestly underperformed the benchmark. A short duration position

detracted from relative performance while pipeline exposure helped performance.

Global economic data has slowed but we believe bond prices are overestimating the immediacy of the next recession. As a result, we remain tactically below the benchmark with respect to interest rate exposure. The portfolio continues to focus on highly liquid corporate bonds, and we believe the portfolio will have a neutral reaction to further spread movements.

¹ Bloomberg LP

² Bloomberg Barclays Canada Aggregate Corporate Bonds

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Fundamentals

	FUND	INDEX
Average Maturity (years)	10.16	10.91
Average Duration	7.60	8.02
Current Yield	2.18%	2.13%
Average Coupon	2.92%	3.33%

	FUND	INDEX
AAA	35.91	38.60
AA	41.43	37.04
A	9.80	12.69
BBB	12.86	11.66
<BBB	0.00	0.00

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Quarterly Additions/Deletions

Additions
Government of Canada 2.00% Jun 01/28
Hydro One Inc. 2.54% Apr 05/24
Province of Ontario 2.80% Jun 02/48
North West Redwater Prt 4.25% Jun 01/29
Government of Canada 1.00% Jun 01/27
Province of Ontario 2.85% Jun 02/23
Canada Housing Trust 2.35% Jun 15/27
HSBC Bank of Canada 2.253% Sep 15/22
Hydro One Inc. 3.02% Apr 05/29
TELUS Corp. 2.75% Jul 08/26
Toronto Dominion Bank 1.00% Jan 26/32
Toronto Dominion Bank 2.045% Mar 08/21
Wells Fargo & Co 2.509% Oct 27/23

Deletions
Enbridge Inc. 1.00% Apr 12/78
Province of Quebec 2.75% Sep 01/25
Royal Bank of Canada 3.296% Sep 26/23
Province of Manitoba 2.60% Jun 02/27
Government of Canada 2.00% Jun 01/28
Province of Manitoba 4.10% Mar 05/41
Loblaw Companies Ltd. 4.86% Sep 12/23
Province of Quebec 5.00% Dec 01/41
Province of Ontario 4.65% Jun 02/41
Canada Housing Trust 2.90% Jun 15/24
Province of Alberta 2.55% Jun 01/27
Wells Fargo & Company 2.094% Apr 25/22

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