

# Reserve Fund Quarterly

October 17, 2023

*Our monthly bulletin for condo boards, property managers, and others involved with the management of residential and commercial condominium reserve funds*

## Fixed Income Rate Sheet

\*Decrease from last month  
\*Increase from last month  
\*No change from last month

High Interest Savings Account (can be used for operating account)	4.75%
High Interest Chequing Account (can write cheques/e-transfer)	5.00%**
1 Year GIC Cashable after 30 Days	4.35%

**\*\* 6 month promo rate\*\***

Guaranteed Investment Certificates (GIC) Opportunities					
	1 Year	2 Year	3 Year	4 Year	5 Year
Annual Pay	5.65%	5.65%	5.45%	5.25%	5.25%

Current Attractive Short Term Bankers Notes		
Issuer	Maturity Date	Yield to Maturity
Schedule 1 Bank	1 Month	5.00%
Schedule 1 Bank	2 Months	5.09%
Schedule 1 Bank	3 Months	5.17%

## Featured Structured Solution of the Month

*Condo boards must be more creative in today's ultra-low rate environment to earn a legitimate return on their reserve fund. Thankfully, there are structured products available, which offer principal protection, as well as equity market participation to help gain more meaningful returns in your reserve fund.*

### National Bank Canadian Banks Accelerator Flex GIC

There are some interesting structured GICs currently which pay *potential* 7.20%/year coupons, but with GICs paying such high guaranteed rates, I thought I would present a different return profile. This quarter's *featured Market-Linked GIC* pays 165% of the positive return of the Canadian bank index over the five year term. With Canadian banks down around 10% in 2023, this could be seen as an attractive entry point. These GICs are also not locked in, but liquid daily. The principal amount however is only guaranteed by the bank (and CDIC) at maturity, in order to provide the daily liquidity, the GIC could be sold at a gain or a loss in the interim, but will mature at par in the worst case scenario. Given this, they should only be purchased with the intention of holding until maturity, the liquidity should be seen as an added potential bonus, not counted on

**Highlights:**

- 5-year term
- Based on the Canadian Banks (AR) Index
- Return calculated as 165% of the positive price return of the index
- Principal protected (at maturity) by National Bank and by CDIC (up to CDIC limit)

Overall, with rates where they currently are, condominium corporations are likely best off to lock in the current guaranteed rates for as long as their cash flow plan allows. Although the terms on market-linked GICs are very attractive, the opportunity cost of foregoing the currently high guaranteed rates are also high.

**For more detailed information on rates and other products/services offered to condo corporations, or to subscribe to *Reserve Fund Monthly*, please contact the writer.**

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