

Reserve Fund Monthly

August 31, 2021

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) | 0.60%* |
| High Interest Chequing Account (can write cheques/e-transfer) | 0.15% |
| 1 Year GIC Cashable after 30 Days | 0.30% |

****Promo Rate Until Oct 31****

| Guaranteed Investment Certificates (GIC) Opportunities | | | | | |
|--|--------|--------|--------|--------|--------|
| | 1 Year | 2 Year | 3 Year | 4 Year | 5 Year |
| Annual Pay | 1.10% | 1.43% | 1.65% | 1.76% | 2.01% |
| Monthly Pay | 1.00% | 1.27% | 1.53% | 1.55% | 1.90% |

| Current Attractive Short Term Bankers Notes | | |
|---|---------------|-------------------|
| Issuer | Maturity Date | Yield to Maturity |
| Schedule 1 Bank | 1 Month | 0.16% |
| Schedule 1 Bank | 2 Months | 0.16% |
| Schedule 1 Bank | 3 Months | 0.16% |

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 Flex GIC

This month's featured market-linked GIC is based on a popular Canadian investment – the big 5 Canadian banks. This does come with a longer seven year term, but the National Bank Flex GICs can be sold at any time after the first year with no penalty. Principal is only guaranteed at maturity however, so the plan must be to hold it that long in the worst case scenario (could sell at a loss if the plan is to sell for an expected expenditure after say three years). Based on the big 5 Canadian banks, this GIC pays 75% of the positive price return of this index over the seven year term of the GIC.

Highlights:

- 7-year term
- Based on the big 5 Canadian banks
- Return calculated as 75% of the positive return of the underlying stocks
- Principal protected (at maturity) by National Bank and by CDIC (up to CDIC limit)
- 3.60% early trading charge to sell early, which declines by 30bps every 30 days until reduced to zero after 360 days. It is free to sell back to the bank after this time

| Reference Asset name | Reference Asset ticker | Price Source | Closing Level | Reference Asset type | Reference Asset Weight |
|---|------------------------|--------------|---------------|----------------------|------------------------|
| Common shares of Bank of Montreal | BMO | TSX | Closing price | Equity security | 20.00% |
| Common shares of The Bank of Nova Scotia | BNS | TSX | Closing price | Equity security | 20.00% |
| Common shares of Canadian Imperial Bank of Commerce | CM | TSX | Closing price | Equity security | 20.00% |
| Common shares of Royal Bank of Canada | RY | TSX | Closing price | Equity security | 20.00% |
| Common shares of The Toronto-Dominion Bank | TD | TSX | Closing price | Equity security | 20.00% |

With interest rates currently volatile, there are a few added complexities to reserve fund investment planning. Please feel free to reach out if you have any questions.

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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