

Reserve Fund Monthly

March 31, 2022

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)	0.75%
High Interest Chequing Account (can write cheques/e-transfer)	0.15%
1 Year GIC Cashable after 30 Days	0.50%

Guaranteed Investment Certificates (GIC) Opportunities					
	1 Year	2 Year	3 Year	4 Year	5 Year
Annual Pay	2.31%	2.98%	3.35%	3.30%	3.35%
Monthly Pay	2.20%	2.86%	3.251%	3.21%	3.26%

Current Attractive Short Term Bankers Notes		
Issuer	Maturity Date	Yield to Maturity
Schedule 1 Bank	1 Month	0.45%
Schedule 1 Bank	2 Months	0.55%
Schedule 1 Bank	3 Months	0.75%

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 Sectorial Indices Flex GIC

This month's featured market-linked GIC is based on an equally weighted basket of four Canadian equity indices. The GIC comes with a seven year term (although is liquid daily after year one) and offers a return equal to 135% of the positive price appreciation of the underlying basket of indices (info below). We have not seen many market-linked GICs with participation in excess of 100% lately, so this is fairly attractive for those who can put funds away for seven years. Although this is liquid daily, principal is only guaranteed at maturity, so the plan should be to hold for the seven year term. The added flexibility is definitely a bonus, but selling early could be at a gain or a loss depending on the performance of the underlying indices.

Highlights:

- 7-year term
- Based on the four Canadian equity indices
- Return calculated as 135% of the positive return of the underlying basket of indices
- 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 Portfolio

Reference Asset name	Reference Asset ticker from Bloomberg	Price Source	Closing Level	Reference Asset type	Reference Asset Weight
Solactive Canada Bank 30 AR Index ³	SOLCABAR	Solactive AG	Closing level	Index	25.00%
Solactive Canada Insurance AR Index ³	SOLCINAR	Solactive AG	Closing level	Index	25.00%
Solactive Canada Pipelines AR Index ³	SOLCPLAR	Solactive AG	Closing level	Index	25.00%
Solactive Canada Telecommunications AR Index ³	SOLCTCAR	Solactive AG	Closing level	Index	25.00%

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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