

Reserve Fund Quarterly

January 13, 2025

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)	3.00%
High Interest Chequing Account (can write cheques/e-transfer)	2.75%
1 Year GIC Cashable after 30 Days	2.75%

Guaranteed Investment Certificates (GIC) Opportunities					
	1 Year	2 Year	3 Year	4 Year	5 Year
Annual Pay	3.60%	3.36%	3.38%	3.43%	3.50%

Canadian T-Bills		
Issuer	Maturity Date	Yield to Maturity
Schedule 1 Bank	1 Month	3.00%
Schedule 1 Bank	2 Months	2.97%
Schedule 1 Bank	3 Months	2.96%

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 Excess Participation GIC

The autocallable GICs offering potential ~7% yields are still available, but this quarter I thought I would share a structure we used to see much more of, which current has quite attractive terms. Based on the equal weight Canadian banks index, this GIC comes with a five year or seven year term. The five year term offers a return potential of 150% of the positive price appreciation of the bank index over the term. The seven year version offers 222% of the positive price appreciation of the index over the term. With rates decreasing, market-linked GICs are again becoming attractive. Rates are expected to decrease by about 100bps by the end of 2025, so it is likely a good idea to lock in rates now, but later in the year we may see more interest in market-linked GICs.

Highlights:

- 5-year term 150% participation
- 7-year term 222% participation
- Based on the Solactive Equal Weight Canadian Banks Index
- Early trading fee for first 365 days, liquid daily thereafter
- Principal protected (at maturity) by National Bank and by CDIC (up to CDIC limit)

With rates being cut, and likely to continue being cut, we are gaining more interest in market-linked GICs.

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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