Q4 2024

Managed Portfolios

Fiera Balanced

Quick facts

Inception date:
November 30, 2018

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Fiera Capital

Investment manager assets under management:
$165B

Portfolio risk:

Medium

aviso wealth

What does the Portfolio invest in?

The portfolio invests in a diversified portfolio of Canadian and foreign equity securities, fixed-income securities, exchange traded funds (ETFs), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Canadian equities	15%	30%	37%	45%
Non-Canadian equities	15%	30%	26%	45%
Fixed income	30%	37%	34%	50%
Cash & cash equivalents	1%	3%	3%	10%

- Equities: the minimum market capitalization will be $1 billion dollars (CAD and/or USD equivalent) at the time of purchase and invested in at least six out of 11 GICS (Global Industry Classification Standard Sectors)
  - Canadian equities: Target 5–15 securities
  - Non-Canadian equities: Target 15–20 securities
- Fixed income: Fiera Core Plus Canadian Bond Universe Fund will be used

Suitable for investors whose objective is to achieve long-term capital growth, and is not intended for investors with a short-term investment horizon.

Top ten holdings[1] (excluding cash and cash equivalents) %

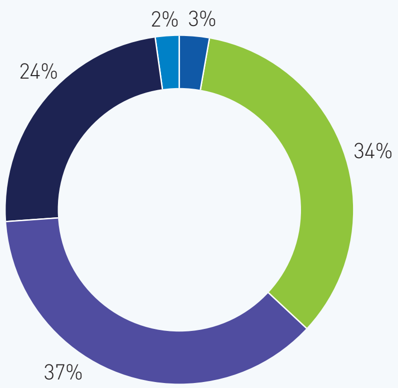
	Holding	%
1.	Fiera Core Plus Canadian Bonds Universe Fund	35.2
2.	Visa Inc	3.2
3.	Metro Inc	3.1
4.	Dollarama	3.0
5.	TMX Group Limited	3.0
6.	Thomson Reuters Corp	2.9
7.	S&P Global Inc	2.9
8.	TJX Companies Inc	2.9
9.	Microsoft Corp	2.9
10.	Cdn Natl Railway	2.8

Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	1.2%	14.8%	14.8%	3.3%	6.0%	7.1%
Benchmark	3.0%	16.5%	16.5%	5.7%	8.2%	8.8%

Q4 2024

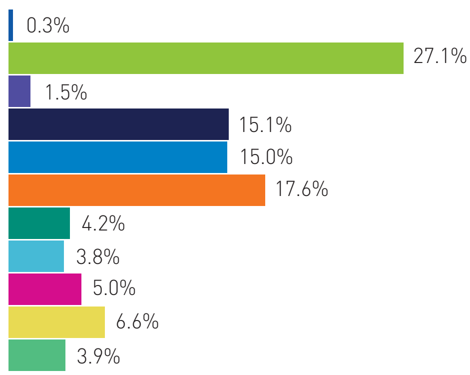
Asset allocation[1]



- Cash
- Fixed income
- Canadian equities
- US equities
- International equities

Fixed income allocation

Core Bond Pool Sector Allocation

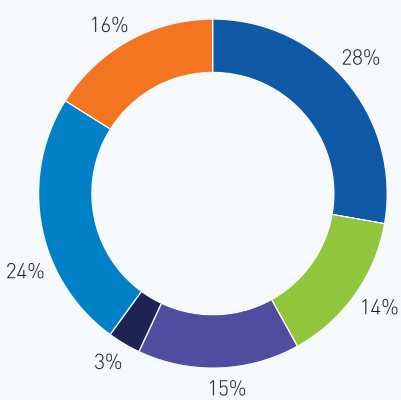


Credit quality	Portfolio (%)
AAA	27.0
AA	28.2
A	8.0
BBB	16.0
Below BBB	3.9
Non Rated Securities	16.7
Cash and Money Market	0.3
	100.0

- Cash & Money Market
- Federal Bonds
- Foreign Pay Bonds
- Provincial Bonds
- Municipal Bonds
- Investment Grade Corporate Bonds
- High Yield Corporate Bonds
- Commercial Mortages
- Private Debt
- Real Estate Financing
- Infrastructure Debt

Current Yield: 4.52%

Equities sector allocation[1,2]



- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology

Average market cap. $245B

Repositioning for Q1 2025

Sold or reduced positions (-5.8%)

- Sold TD Bank
- Trimmed Costco Wholesale Corp
- Trimmed Danaher Corp
- Trimmed S&P Global
- Trimmed Thomson Reuters Corp
- Trimmed Visa

Bought or increased positions (+5.8%)

- Initiated a new position in Royal Bank
- Increased Canadian Pacific KC
- Increased McDonald's Corp
- Increased Otis Worldwide
- Increased RB Global
- Increased TJX Companies
- Increased Toromont Industrials
- Increased Waste Connections
- Increased cash

Rationale:

New / Increased Positions:

- **Royal Bank:** As the largest bank in Canada across key segments of retail, wholesale and wealth management, Royal Bank benefits from its scale. The company operates in an attractive oligopoly industry structure, and has been proven operators. The company generates strong return on equity and has demonstrated resiliency over time as visible through the company's strong track record.
- **Canadian Pacific KC:** CPKC operates in an industry with high barriers to entry that offers a more affordable and environmentally friendly transportation service than trucking. The company has a strong balance sheet, a demonstrated resiliency over time through good cost control, and a proven track record of wealth redistribution to shareholders. We have added to the Portfolio to better reflect our conviction of this business in the Portfolio, and given the shares have underperformed in the past year.
- **McDonald's Corp:** McDonald's Corporation is the largest fast food chain in the world with more than 40,000 outlets in over 100 countries. The company benefits from its strong brand and market share as well as its ability to innovate both its operations and its product offering to best serve its clients. We have incrementally to the name given our view of quality, and as position size has declined more recently given a lagging share price.
- **Otis Worldwide:** Otis is a leader in the manufacturing, marketing and servicing of elevators and escalators around the world. The company benefits from a strong brand, high barriers to entry, and stable recurring revenue. Otis also has a high level of geographic diversification within its revenue base which has allowed it to be more resilient in different economic environments. We are incrementally adding to our position to reflect the quality of the business withing the Portfolio.
- **RB Global Inc.:** RB Global (previously known as Ritchie Bros. Auctioneers Incorporated) auctions industrial equipment, operating through various locations around the world. The Company sells, through unreserved public auctions, used and unused industrial equipment, including equipment used in the construction, transportation, mining, forestry, petroleum, and agricultural industries. The company benefits from their strong reputation as a trusted auction house in serving their global network of users. The company has continued to integrate its most recent acquisition of IAA giving us higher conviction in the quality of the combined business. As a result, we have added to the position size.
- **Toromont Industries:** Toromont Industries sells, rents and services Caterpillar construction equipment and power systems in eastern Canada. The company benefits from their operational strength and strong and expansive network of dealerships. We believe the quality of this business warrants a larger position size within the Portfolio, with valuation also very attractive given shares have lagged.
- **TJX Companies:** TJX is a leader in off-price apparel and home-fashions retail, through its banners Winners, Marshalls, T.J. Maxx and Home Sense. TJX has grown by offering its customers significant value versus shopping in department stores or specialty retailers. Being a conservatively run company, TJX has proven its ability to grow ROE in difficult periods for retailers like those of the past few years, with a balance sheet in a net cash financial position. The decision to add to the name reflects our view of quality and conviction of the ability of this business to continue to compound value over time.
- **Waste Connections Inc.:** Waste Connections provides non-hazardous solid waste collection services for commercial, industrial and residential customers. They have a structural focus on less competitive markets and their strategic ownership of landfill assets provides strong barriers to entry. We have added to our position as our conviction on quality continues to be strong for this business and its ability to compound value over the long-term.

Sold / Trimmed Positions:

- **TD Bank:** TD Bank is Canada's second-largest bank with a large presence in the United States. We decided to sell the position in order to reallocate to existing names in the Portfolio, and to Royal Bank where we have higher conviction.
- **Costco Wholesale Corp:** Costco is an American multinational corporation and one of the largest retailers in the world. The company operates a chain of membership only retail stores providing consumers with a wide variety of goods. Costco's unwavering commitment to their value proposition of providing diversified bulk products at discounted prices has allowed them to continue to maintain and grow market share and benefit from consumers search for inflation relief. Shares have been very strong in the past year, and while valuation is still reasonable, we are reducing our position size to limit the absolute position size.
- **Danaher Corp:** Danaher is a leading manufacturer of systems, instrumentation, and consumables for a broad array of purposes and customers. Its primary business lines include Life Sciences research, Clinical Diagnostics, Dental, and Environmental Health/ Applied Sciences. Leading position across multiple segments provides Danaher with pricing power. End markets exhibit strong secular drivers and high barriers to entry. The company highly cash generative and has a successful track record of acquisitions. We decided to trim the position in order to reallocate to existing names in the Portfolio where our view of quality and valuation are higher.
- **Thomson Reuters Corp:** Thomson Reuters is a leading provider of information-enabled software solutions. They have these industry-leading digital tools to help professionals in the legal, tax, accounting and compliance fields. The company has a strong balance sheet, consistent pricing power and a resilient profile from the critical products and services they provide to their clients. Our view on quality remains high, with our decision to trim reflecting the relative position size in the Portfolio relative to other opportunities noted above.
- **S&P Global:** S&P Global is a leading provider of credit ratings, index products (S&P 500 Index) as well as energy sector and financial services industry data. The company benefits from a dominate market share in the segments it operates, a wide competitive moat, and strong pricing power. We decided to trim the position in order to reallocate to existing names in the Portfolio where our view of quality and valuation are higher.
- **Visa Inc.:** Visa is a global payments technology company and operates in a well-behaved duopoly, with significant secular growth tailwinds including an increasing trend towards electronic transactions. We have trimmed the position given the absolute size of the holding was quite large within the Portfolio.

Quarterly commentary

Market Review

The fourth quarter of 2024 provided a turbulent end to what was a very strong year for the Canadian market overall. With the backdrop of a second Trump presidency and political uncertainty domestically, the Bank of Canada continued its hawkish tone by cutting its key interest rate by 0.50% twice in a single quarter. Despite this, the market seemed more concerned about upcoming uncertainty regarding potential tariffs, immigration reform and federal leadership changes which could lead to the moderation of interest cuts going forward. In this context, rate-sensitive industries struggled, and commodity-linked sectors were muted while technology stocks outperformed. The strongest-performing sectors during the quarter were Consumer Discretionary and Information Technology, with Materials and Real Estate the biggest laggards.

The decline in policy rates continued in the fourth quarter. In Canada, lower inflation indicators and a relatively weak economy gave the Bank of Canada a free hand. To this end, two 0.5% cuts were made, reducing the key rate from 4.25% to 3.25%. In the U.S., the economy remains strong, and inflation remains muted. As a result, the Federal Reserve (Fed) reduced its rate to two smaller declines of 0.25% each. The Fed also reduced the number of expected rate cuts in 2025.

For 2024, the Canadian bond market outperformed other markets such as the United States, the United Kingdom, Germany, France and Australia.

During the quarter, the yield on a 10-year Government of Canada bond increased from 2.96% to 3.23%. We have maintained a duration close to that of the index.

Attribution Analysis

Equities

In the fourth quarter of 2024, the equity component of the Portfolio underperformed its benchmark.

Among the leading contributors to performance over the quarter were Visa and RB Global. Visa is a global payment technology company and remains one of the best long-term-secular-growth stories driven by the trend of increasing volumes of electronic transactions over cash. Visa operates in a well behaved duopoly with MasterCard where market share between the two has remained largely stable over the last 10 years. Visa has seen strong revenue and transaction growth from stable consumer spending in most parts of the world except China. Despite a lawsuit announced last year regarding alleged anti-competitive practices, the company has been focused on growing their value-added services and risk solutions businesses globally.

RB Global (previously known as Ritchie Bros. Auctioneers Incorporated) auctions industrial equipment, operating through various locations around the world. The Company sells, through unreserved public auctions, used and unused industrial equipment, including equipment used in the construction, transportation, mining, forestry, petroleum, and agricultural industries. The company benefits from their strong reputation as a trusted auction house in serving their global network of users. Although the company saw a decline in gross transactional value due to a weaker macro environment, it has seen continued positive progress from their integration of IAA and its various associated KPIs related to the acquisition. Furthermore, during the quarter it was announced that RBA was selected as the sole salvage provider for an Australian insurance provider with an expected multi-year contract starting in 2025.

Significant detractors over the quarter were Danaher and Toromont Industries. Danaher is a globally diversified producer of or medical and industrial products and services. The company produces a wide variety of products primarily used in the medical and technological fields. Following increased demand for their testing and diagnostic products during the pandemic, the stock has struggled as the company faces difficulty issuing guidance following a normalization of supply/demand dynamics for their products. Toromont Industries sells, rents and services Caterpillar construction equipment and power systems in eastern Canada. The company benefits from their operational strength and strong and expansive network of dealerships. With product availability now fully normalized following a constrained period, the company has seen demand softness in their residential construction and rental segments as clients are being more patient on equipment capital expenditures. Despite this, the company has continued to deploy capital to optimizing their sale and rental inventory as well as expanding their revenue and geographic footprint through tuck-in acquisitions such as the recent deal for Tri-City Rentals in Southwestern Ontario.

During the quarter we initiated a position in Royal Bank of Canada. As the largest bank in Canada across key segments of retail, wholesale and wealth management, Royal Bank benefits from its scale. The company operates in an attractive oligopoly industry structure, and have been proven operators. The company generates strong ROE's and has demonstrated resiliency over time as visible through the company's strong track record.

During the quarter we exited our position in TD Bank. TD Bank is Canada's second-largest bank with a large presence in the United States. We decided to sell the position in order to reallocate to existing names in the portfolio, and to Royal Bank where we have higher conviction.

Fixed Income

During the quarter, the yield on a 10-year Government of Canada bond increased from 2.96% to 3.23%. We were positioned with a duration slightly longer than the index which was minimally detractive.

At the end of the fourth quarter, the slope of the segment of the curve between 2 and 10 years steepened by 0.25% and the 10-30 segment flattened by 0.07%. We maintained a central position at the expense of longer-dated bonds which was additive.

The fourth quarter was a risk on environment with Canadian corporate spreads compressing by 0.19%. We were overweight credit and underweight provincials which proved additive over the quarter. The strategy also benefitted from security selection within high-yield bonds, contributing to the value add over the quarterly.

Most investors appear to believe that the economy will continue to soften. Instead, we see many signs of a slowdown and believe that the risk of slipping into a recession is increasing. As such, given current credit spreads, we are focused on prudent credit risk management. In addition, given the recent outperformance of credit, we will maintain a position in the centre of the yield curve and a duration close to that that of the index.

The portfolio continues to be composed of high-quality businesses that can withstand tough time and outyielding the benchmark, both these elements should position the portfolio well for long-term compounding of returns.

Investment manager overview

With more than $180 billion in assets under management, independent firm Fiera Capital is one of Canada's leading investment managers recognized for its excellence in portfolio management, innovative and personalized investment solutions, and its ability to surpass client expectations. Fiera offers a unique expertise in both traditional and absolute return investment strategies.

Management style

Canadian equities (GARP[3]) | Global equities (GARP[3]) | Fixed income (Core Plus)

Investment philosophy

Fiera targets to deliver a superior portfolio by investing in a focused number of companies run by great management teams diversified across global regions and industries. In addition, the manager also believes in active bond management that adapts to changes in the economic, financial and political environments to deliver value.

Investment process and risk controls

Fiera conducts a thorough fundamental research to implement their equity strategy. They believe that focusing on a concentrated model of 25 equity companies enables them to become familiar with all critical aspects of a business. The manager follows 10 internally developed company criteria which consist of both qualitative and quantitative metrics.

The fixed income component employs four types of analysis (fundamental, technical, sentiment and seasonality) around a well disciplined and structured process that invests in high quality securities. Specific risk metrics are calculated periodically to minimize the default risk, and to maintain the calibration of each strategy within the overall risk budget of the portfolio.

Key strengths

- Disciplined investment approach based on in-depth fundamental analysis
- Rigorous research and risk management process
- Superior and consistent performance
- Committed to integrating environmental, social and governance (ESG) criteria into the firm's investment processes, and how they do business
- Fiera is a United Nations Principles for Responsible Investment (PRI) signatory[4]

About Aviso Wealth

Aviso Wealth is part of Aviso, one of Canada's largest independent wealth management firms. Owned by the credit unions, we serve hundreds of thousands of investors at credit unions across Canada.

With approximately $130 billion of assets under administration and management, Aviso has the resources to bring the best products and services to credit unions and their members. Invest with confidence, with your credit union and Aviso.

- Nearly 30 years as the wealth management provider to credit unions across Canada.
- One of Canada's largest independent wealth management firms.
- Parent company of Aviso Wealth, NEI Investments, and Qtrade.
- Owned by Canada's credit unions and Desjardins.

[1] As of January 8, 2024 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.36%

[3] GARP (Growth at a reasonable price)

[4] Tobacco and weapons companies are screened-out of portfolios. Tobacco: Exclude tobacco companies and companies that derive a material portion of their revenue from tobacco-related products such as filters, rolling papers or packaging, or from the sale of tobacco or tobacco-related products. Applies to equity holdings only. Weapons: Exclude companies that derive revenue from military contracts that violate International Humanitarian Law (IHL), and nuclear weapons contracts; companies that derive a material portion of their revenue from the manufacture of legal weapons systems and/or tailor-made components for these weapons systems; and companies whose activities are connected with the manufacturing of automatic or semi-automatic weapons intended for civilian use, or derive a material portion of their revenue from the sale or distribution of such weapons. Applies to equity holdings only.

Indicated rates of return are calculated using the time-weighted rate of return methodology for the period ended, December 31, 2024, and do not take into account management expenses, custodial fees, account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.

Benchmark Index: 40% FTSE TMX Canada Universe Bond/30% S&P/TSX 60/30% MSCI World Net (CAD).

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