Q2 2022

aviso wealth

OnPoint Managed Portfolios

Addenda Balanced

Quick facts

Inception date:
March 31, 2015

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
$35B

Portfolio risk:

Medium

OnPoint Managed Portfolios are distributed by *Credential Qtrade Securities Inc.*

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	20%	30%	37%	40%
Non-Canadian equities	20%	30%	27%	40%
Fixed income	20%	37%	31%*	60%
Cash & cash equivalents	1%	3%	5%	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 10–15 securities
  - Non-Canadian equities: Target 10–15 securities
- Fixed income: 20% to 60% in units of the Addenda Universe Core Bond pooled fund and/or Canadian fixed income ETFs will be used
- Addenda Preferred Share Pooled Fund may 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 (excluding cash and cash equivalents)

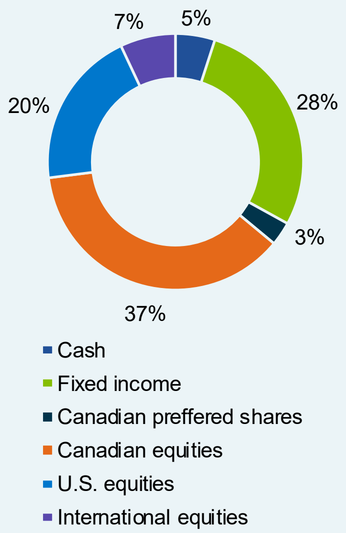
1.	Addenda Bonds Universe Core Pooled Fund	27.9%
2.	Toronto Dominion Bank	5.4%
3.	Bank of Nova Scotia	4.0%
4.	Constellation Softw are Inc	3.4%
5.	Canadian Natural Resources	3.2%
6.	UnitedHealth Group Inc	3.2%
7.	Addenda Preferred Share Pooled Fund	3.0%
8.	Dollarama Inc	3.0%
9.	Linde Plc	2.8%
10.	Brookfield Asset Management	2.8%

Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (annualized)
Portfolio	-8.7%	-11.9%	-4.1%	4.3%	5.8%	6.1%
Benchmark	-10.0%	-13.3%	-8.3%	4.2%	5.3%	5.0%

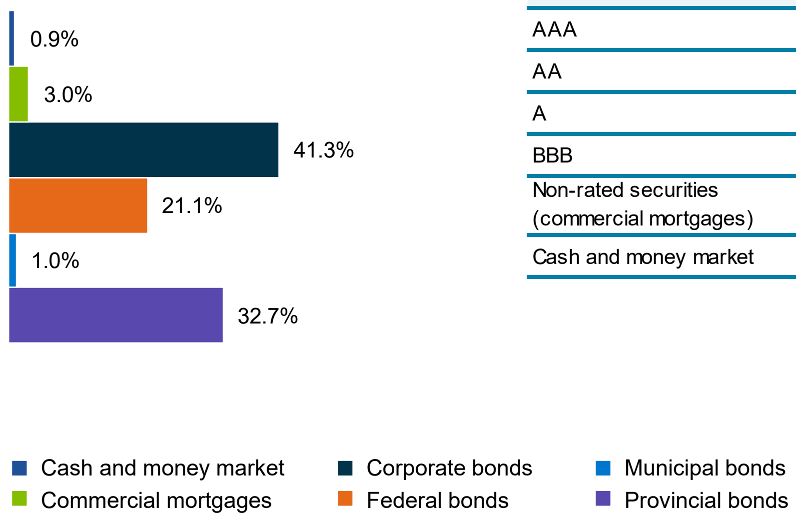
*including 3% in Addenda Preferred Share Pooled Fund

Asset allocation[1,2]



Fixed income allocation

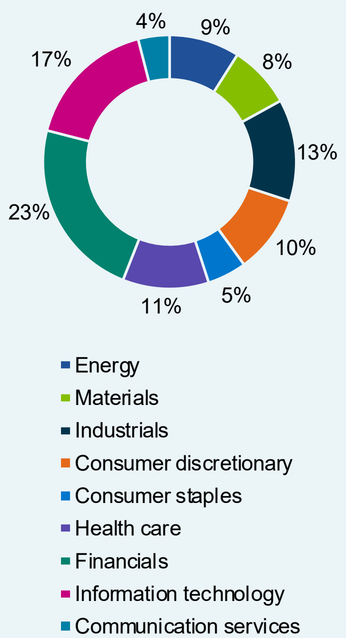
Core Bond Pool sector allocation



Credit quality	'ortfolio (%)
AAA	20.5
AA	32.2
A	43.9
BBB	0.1
Non-rated securities (commercial mortgages)	3.2
Cash and money market	0.1

Current yield (bonds): 3.29%

Equities sector allocation[1,3]



Average market cap.
(Equities only) $168.3B

Repositioning for Q3 2022

Sold or reduced positions (-0.5%)

- Trimmed Manulife

Bought or increased positions (+0.5%)

- Initiated a new position in iShares S&P/TSX 60 ETF

Rationale:

- It is quite possible that aggressive Central Bank tightening will push Canada and the US into recessions within our forecast period. Pent-up demand, excess savings and fiscal infrastructure spend will likely lessen the economic impact of higher rates and we expect many companies to weather a mild recession without lasting impact. However, it seems prudent to reduce risk in anticipation of market volatility continuing through the summer. For that reason, we continued to reduce Manulife as it has above market level risk and would suffer disproportionately if a recession were to take hold.

Quarterly commentary

The second quarter of 2022 proved to be quite challenging across a variety of asset classes, with all major equity and fixed income markets posting negative absolute returns. While faring much better on a relative basis than the U.S. and International markets, Canada was certainly not immune to the broad-based pull back in both stocks and bonds. The Bank of Canada twice hiked the overnight target rate by 0.50% during the second quarter (for a total of 1%). Similarly, the Federal Reserve tightened their target range by a total of 1.25%, while also signaling more to follow. Within bonds, interest rates rose across all maturity terms as the bond market moved to price in higher expectations for tightening of monetary policy this year. Corporate spreads continued to widen, driven by rising interest rates, weak equity markets, and a growing concern about slowing economic momentum in the future. Canadian stocks were negatively impacted by very weak returns from Information Technology and Materials, while the Energy and Utility sectors were the strongest relative performing sectors. Global equities delivered negative returns as non-North American markets continued to be hurt by uncertainty surrounding the Russian invasion of Ukraine, as well as China Covid related shutdowns and commodity supply shortages. Industrials, Information Technology and Materials were the most negative, while Energy was the best performing sector on a relative basis. The Canadian dollar depreciated versus its U.S. counterpart during the quarter by 2.8%. The relevant index returns for this Portfolio in the first quarter were: S&P/TSX 60 Index (-12.65%), the MSCI World Index (CA$) (-13.44%) and the FTSE Canada Universe Bond Index (-5.67%).

The Portfolio declined -8.74% during the second quarter but was able to exceed its benchmark by 1.30%. Despite recent pullbacks, the Portfolio was able to provide strong downside market protection and outperformed the benchmark by over 4% over the past one-year period, returning -4.14%. Asset allocation decisions were positive due to the underweight in fixed income and global equities, combined with the off-benchmark allocation to preferred shares. Within the underlying components, the Canadian equity and global equity components outperformed their respective benchmarks by over 2% over the quarter due to positive stock selection and sector allocation. The core fixed income component delivered negative absolute and relative returns as interest rates rose significantly during the quarter, while the preferred shares component exceeded its underlying benchmark.

Global growth slows but remains above longer-term trends supported by fiscal stimulus and a historically high savings rate. The manager expects that growth will be primarily driven by the consumer and government sectors, although supported by positive business investment. Unemployment will continue to fall and dislocations in the labour force should work their way out as the participation rate rises. Inflation pressure should peak in 2022 but remain above central bank targets due to supply chain issues, elevated commodity prices, and increasing labour costs. Significant dislocations in the labour markets with more job openings than available workers put upward pressure on wages. Structural forces (aging demographics, technology advancements, and a growing debt overhang) will continue as headwinds to long term inflation. 2022 will be a transition year as central banks raise administered monetary policy rates and start to reverse bond purchase programs. Global monetary policy evolves at different speeds as some central banks move to tighten while others maintain extraordinary easy policy. Above target price inflation will be the primary focus of central banks. Fiscal stimulus via direct consumer programs has mostly finished but infrastructure spending will continue to contribute positively to growth. In this environment, the Portfolio continues to be underweight in fixed income and the manager has elected to hold some excess cash as a defensive measure. Within equities, the manager continues to favour Canada due its larger exposure to energy and commodity related stocks.

About
Aviso Wealth

Owned by credit unions, Aviso Wealth Inc. is one of Canada's largest independent wealth management firms, serving virtually all of Canada's credit unions and a range of independent financial organizations.

With over $100 billion of assets under administration and management, Aviso Wealth has the resources to bring compelling products and services to credit unions and their members, along with the scale, stability and financial strength of an established national wealth manager.

You can invest with confidence, with Aviso Wealth.

Investment manager overview

Addenda Capital is an investment management firm providing solutions for institutional and high net worth clients. They offer clients expert services in a broad range of asset classes. Addenda's mission is to add value through innovation, discipline and integrity, and to nurture genuine partnerships with their clients.

Management style

Canadian equities (Value) | Global equities (GARP[4]) | Fixed income (Core)

Investment philosophy

Addenda provides a balanced investment strategy that seeks long-term capital appreciation and enhanced diversification through exposure to high quality fixed income and equity securities. A disciplined, dynamic asset allocation approach, blending top-down and bottom-up assessments seeks to exploit market opportunities through tactical shifts. Addenda's committee-based decision-making process leverages the firm's diversity of expertise. Their Asset Allocation Committee, led by the co-CIO, consists of those responsible for each asset class as well as their dedicated economic research team.

Investment process and risk controls

- Extensive top-down analysis of global macro-economic variables and capital markets serve to identify general investment themes and changes in market drivers on a quarterly basis. Forward-looking views, based against a 12- to 24-month horizon, reflect return and risk expectations, as well as relative valuations.
- Changes in asset mix, when triggered, seek to exploit shifting dynamics in the market environment and/ or valuations.
- Addenda's actively managed bond and equity investment strategies leverage extensive fundamental research capabilities. Their bond strategy utilizes a multi-strategy approach to exploit diverse alpha sources, while equity strategies are driven by in-depth bottom-up security analysis as well as industry fundamentals. The process favors stocks with consistent earnings and free cash flow growth.

Key strengths

- Adding value through innovation and discipline
- Strong team work, rich insights
- Leveraging extensive fundamental research capabilities
- Guided by strong governance and sound judgement
- A culture based on integrity
- Environmental, social and governance (ESG) criteria inherent in the investment philosophy[5]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of July 11, 2022 after quarterly rebalancing unless otherwise stated.

[2] Includes iShares S&P/TSX 60 Index ETF & SPDR S&P 500 ETF.

[3] Excludes iShares S&P/TSX 60 Index ETF, SPDR S&P 500 ETF & Canadian Preferred Shares.

[4] GARP (Growth at a reasonable price).

[5] 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, June 30, 2022, 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).

Please be advised that the information contained herein does not constitute investment advice and it should not be relied on as such. Past performance is no guarantee of future results. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete.

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Aviso Wealth Inc. (‘Aviso’) is a wholly owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.