Q1 2024

aviso wealth

OnPoint Managed Portfolios

Income

Quick facts

Inception date:
January 14, 2021

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
$37B

Portfolio risk:

Low to Medium

OnPoint Managed Portfolios are distributed by *Aviso Wealth.*

What does the Portfolio invest in?

The portfolio invests in a diversified portfolio of fixed-income securities, Canadian dividend-paying equity securities, Canadian Real Estate Investment Trusts (REITs), preferred shares, US equity securities, exchange traded funds (ETFs), commercial mortgages, and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Equities	10%	20%	22%	30%
– Canadian dividend & REIT equities	0%	20%	22%	30%
– Non-Canadian equities	0%	0%	0%	10%
Fixed Income & Preferred Shares	70%	77%	76%	90%
Cash & cash equivalents	1%	3%	2%	10%

- Equities: the minimum market capitalization will be $1 billion dollars (CAD and/or USD equivalent) at the time of purchase. Canadian dividend & REIT equities: Target 10–20 securities. Non-Canadian equities: Target 0–10 securities
- Fixed income: Includes 25% to 50% in units of the Addenda Universe Core Bond pooled fund, 10% to 30% in Addenda Bonds Corporate Core pooled fund, 0% to 20% in Addenda Commercial Mortgage pooled fund, 0% to 20% in Addenda Preferred Share pooled fund, and/or Canadian fixed income ETFs.

Suitable for investors whose objective is to achieve a high level of income and some capital growth, and is not intended for investors with a short-term investment horizon.

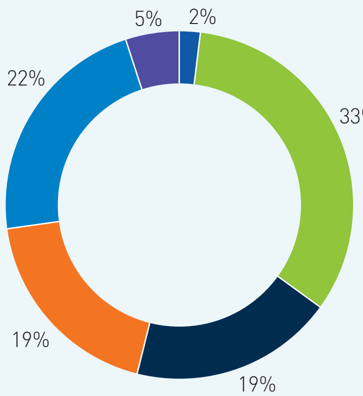
Top ten holdings[1] (excluding cash and cash equivalents) %

1.	Addenda Bonds Universe Core Pooled Fund	32.9
2.	Addenda Bonds Corporate Core Pooled Fund	19.0
3.	Addenda Commercial Mortgage DC Pooled Fund	18.6
4.	Addenda Preferred Share Pooled Fund	5.3%
5.	Bank Of Montreal	4.2
6.	Toronto-Dominion Bank	2.7
7.	Restaurant Brands Int'l	1.7
8.	Emera Inc.	1.6
9.	WSP Global Inc	1.6
10.	Bank of Nova Scotia	1.5

Performance

	QTD	YTD	1 yr	2 yr	3 yr	Since inception (Annualized)
Portfolio	0.5%	0.5%	4.8%	0.7%	1.8%	1.8%
Benchmark	1.0%	1.0%	4.9%	0.6%	0.7%	0.5%

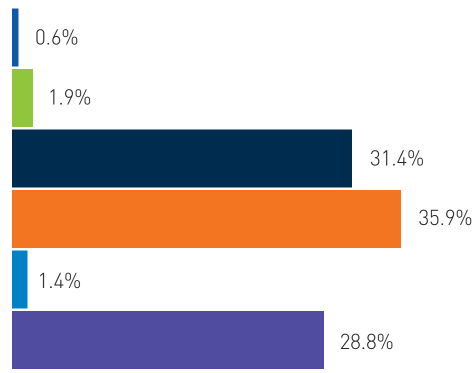
Asset allocation[1]



- Cash
- Addenda Bonds Universe Core pooled fund
- Addenda Bonds Corporate Core pooled fund
- Addenda Commercial Mortgage DC pooled fund
- Canadian dividend & REITs
- Canadian preferred shares

Fixed income allocation

Core Bond Pool Sector Allocation

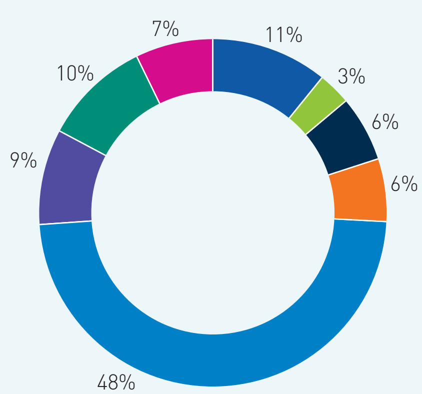


Credit quality	Portfolio (%)
AAA	36.7
AA	28.7
A	16.8
BBB	15.2
BB	0.3
Non Rated Securities (Commercial Mortgages)	1.9
Cash and money market	0.6
	100.0

- Cash & Money Market
- Commercial Mortgages
- Corporate Bonds
- Federal Bonds
- Municipal Bonds
- Provincial Bonds

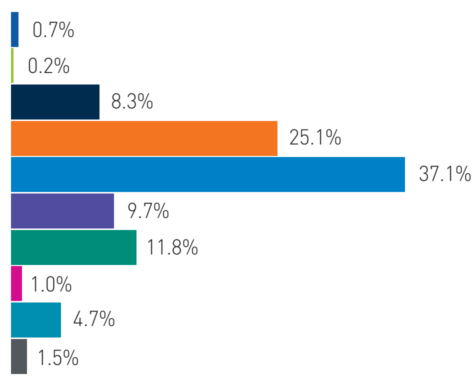
Current Yield: 3.03%

Equities sector allocation[1]



- Energy
- Materials
- Industrials
- Consumer discretionary
- Financials
- Communication services
- Utilities
- Real Estate

Corporate Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	1.7
AA	0.5
A	48.2
BBB	48.1
BB	0.8
Cash and money market	0.7
	100.0

- Cash and Money Market
- Government, Foreign Pay Bonds
- Communication
- Energy
- Financial
- Industrial
- Infrastructure
- Maples
- Real Estate
- Securitization

Current Yield: 4.40%

Average market cap. (Canadian equities only) $58.4B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.95%

Repositioning for Q2 2024

Sold or reduced positions (-0.9%)	Bought or increased positions (+0.9%)
• Sold Enbridge	• Initiated a new position in Brookfield Infrastructure Partners LP

Rationale:

Asset mix changes:

From an Asset Mix perspective, there was no change this quarter as the manager was comfortable with the tactical mix of the Portfolio relative to the target weights.

Within Canadian equities:

Brookfield Infrastructure Partners (BIP) was initiated as the manager believes BIP offers a compelling way to play global infrastructure investments, underpinning double-digit Funds from Operations (FFO)/unit growth with an attractive dividend yield. The company operates premier utilities, transportation, midstream and data infrastructure assets in North /South America, Europe and Asia-Pacific regions.

BIP is in the enviable position of being able to generate FFO growth of 10-12% per year, underpinned by new capital investments with targeted levered returns in the 12-15% range. This FFO growth is also supplemented with new asset acquisitions, which can be funded with capital recycling initiatives (target of US$2 billion in 2024) in lieu of equity issuances.

BIP has a strong history of consistent distribution increases (6-7% per year). BIP currently provides a yield of 5.6%, maintains a defensive balance sheet and strong liquidity position. Valuation is compelling. To fund this position, Enbridge was eliminated due to its relative valuation.

Quarterly **commentary**

The upward price momentum in the equity market continued in Q1, driven by optimism about economic growth as well as positive sentiments surrounding A.I, which provided support, in particular, to technology names. Meanwhile, the bond market's performance was weighed on by the prospect of the Fed putting off rate cuts until the latter part of the year.

The US equity market continued its rise in the first quarter of 2024, hitting new highs. Markets continue to reflect optimism with respect to economic growth and the expectations for interest rate cuts later in the year. Despite conservative US Federal Reserve commentary, markets have remained positive, even as the consensus for rate cuts has moved lower. Sector performance in the first quarter was varied, with some of the worst performing sectors from the last quarter of 2023 changing direction sharply (Energy, +16.7% versus -9.2% in the previous quarter). Information Technology has remained a consistently strong performer, with first quarter being no exception (+15.7%). The performance of the Consumer Discretionary sector improved, but it remains among the weakest sectors alongside Real Estate and Utilities.

On the Canadian equity side, the year-end rally continued through Q1 with the S&P/TSX Composite Index posting a strong 6.6% total return in the quarter, bringing the index to a new all-time high.

The Healthcare, Energy, and Industrial sectors were strong performers. Oil prices rose as OPEC+ members extended voluntary production cuts through midyear. Many Canadian energy companies delivered strong quarterly results, including healthy balance sheets and higher returns to shareholders. The Communications and Utilities sectors lagged and posted negative returns in the quarter.

In terms of global equities, the MSCI World Index returned 11.7%. Sector performance during the quarter varied widely. The Information Technology sector continued the strong performance seen through the end of 2023, returning 15.3%. However, Communication Services was the best performing sector for the period with a return of 15.9%. Financials rounded out the top three with a return of 13.4%. The worst performing sectors were Real Estate (2.1%) and Utilities (3.9%). The Energy sector was ahead of the overall benchmark with a return of 12.6% for the period.

On the fixed income side, central bank policy in both Canada and the United States remained unchanged in observation of persistent inflation data and labour market strength. Bond yields rose approximately 0.35% across the curve as interest rate markets priced out 3 of the expected 6 rate cuts that had been priced in during the rally in the last quarter of 2023. Data pointing to an uptick in the January and February CPI prints in the U.S., along with still strong labour reports, and a solid first quarter growth trajectory, led markets to push back their expectations for rate cuts which were priced for as early as March of 2024.

Provincial and Corporate credit spreads narrowed during the first quarter as risk appetite remained positive. A $36.0B of new corporate debt issue supply was met with solid demand as investors continue to find all-in yields attractive.

The Portfolio had modest returns during Q1 but underperformed relative to its blended benchmark. The Portfolio's Canadian equity, commercial mortgages and preferred shares components all had positive absolute returns, except for the fixed income component. The core fixed income component delivered negative absolute performance but had positive value add relative to benchmark. In the bond component, portfolio duration started the quarter short relative to the benchmark following the strong rally in the fourth quarter. Duration was added as yields rose through the first several weeks but was reduced to close to neutral as rates staged a rally in March. Credit spreads narrowed during the quarter and a modest overweight allocation to the Provincial and Corporate sectors were sources of added value.

However, on a relative basis, the preferred share component had the weakest outturn relative to benchmark. Preferred shares as an asset class performed well in the first quarter of 2024, as a number of banks announced redemptions which led the market to believe more bank Preferreds will be called later this year. Despite the rally in the broader market, the portfolio underperformed during the quarter as a result of having a more defensive posture, with a large fixed income exposure and lower fixed resets compared with the benchmark.

Within the Canadian dividend equity component, the Portfolio benefited from its positions in WSP Global and Restaurant Brands, both of which outperformed the broader market. Additionally, the Portfolio's off-benchmark holdings in Microsoft and Apple further added value due to the continued rally in US tech stocks. Partially offsetting this was the positions in iA Financial (-5.9%) delivered weak quarterly results and TD Bank (-3.3%) is under pressure pending the result of a regulatory review in the United States.

Looking forward, economic growth in the near term is expected to be stable despite the backdrop of current policy rates. Global trade momentum is improving, which is suggestive of broader based demand activity. Continued labour market strength, wage gains, and high savings balances remain supportive for consumer spending in both Canada and the U.S.

We expect that inflation pressure will continue to decline this year but achieving central bank targets may prove difficult without further economic deceleration. Wage inflation remains elevated which presents more of a challenge in Canada than the U.S. Productivity gains in the US provide some relief to inflation pressures (unit labour costs below 2%), while negative productivity in Canada will contribute to higher inflation.

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 approximately $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.

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Investment manager overview

ADDENDA CAPITAL

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[3])	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 equity process favors companies offering attractive dividend profiles.

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[4]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

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

[2] Canadian Dividend and REITS Yield 4.80%; Addenda Bonds Universe Core Pooled Fund Yield to Maturity 4.48%; Addenda Bonds Corporate Core Pooled Fund Yield to Maturity 5.16%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 5.61%; Addenda Preferred Share Pooled Fund Yield 7.19%.

[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, March 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: From 2022-01-10: 35% FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/20% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index. From 2020-12-31 to 2022-01-09: 40 FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/15% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index

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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