Q1 2025

Managed Portfolios

Addenda Income Growth

Quick facts

Inception date:
February 29, 2016

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
$40B

Portfolio risk:

Low to Medium

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), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Current	Target	Max
Equities	10%	34%	35%	50%
– Canadian dividend & REIT equities	10%	29%	35%	50%
– Non-Canadian equities	0%	5%	0%	10%
Fixed income & Preferred shares	50%	61%	62%	90%
Cash & cash equivalents	1%	5%	3%	10%

■ Target □ Current

- Equities: the minimum market capitalization will be $1 billion dollars (CAD and/or USD equivalent) at the time of purchase. Canadian dividend & equities: Target 10-20 securities. US equities: Target 0–20 securities
- Fixed income: Includes 5% to 35% in units of the Addenda Universe Core Bond pooled fund, 15% to 50% in Addenda Bonds Corporate Core pooled fund, 0% to 30% 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 income and 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) %

1. Addenda Bonds Corporate Core Pooled Fund 23.8
2. Addenda Commercial Mortgage DC Pooled Fund 19.2
3. Addenda Bonds Universe Core Pooled Fund 14.2
4. Addenda Preferred Share Pooled Fund 6.9
5. Toronto-Dominion Bank 3.1
6. Power Corp Of Canada 2.8
7. WSP Global Inc 2.7
8. Bank Of Nova Scotia 2.6
9. Emera Inc 2.6
10. TC Energy 2.4

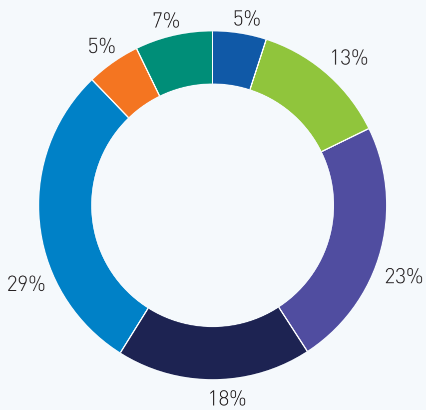
Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	0.5%	0.5%	8.8%	3.6%	7.4%	5.5%
Benchmark	2.4%	2.4%	13.6%	4.7%	6.9%	5.5%

aviso wealth

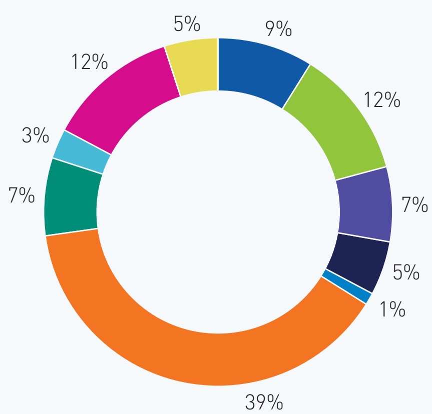
Q1 2025

Asset allocation[1]



- Cash
- Addenda Bonds Universe Core Pooled Fund
- Addenda Bonds Corporate Core Pooled Fund
- Addenda Commercial Mortgage DC Pooled Fund
- Canadian Dividend and REITS
- US Equities
- Canadian Preferred Shares

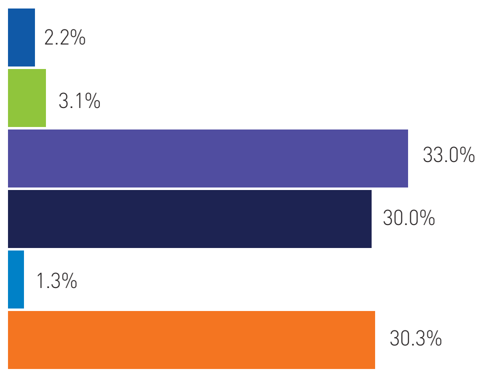
Equities sector allocation[1]



- Energy
- Industrials
- Consumer Discretionary
- Health Care
- Index
- Financials
- Information Technology
- Communication Services
- Utilities
- Real Estate

Fixed income allocation

Core Bond Pool Sector Allocation

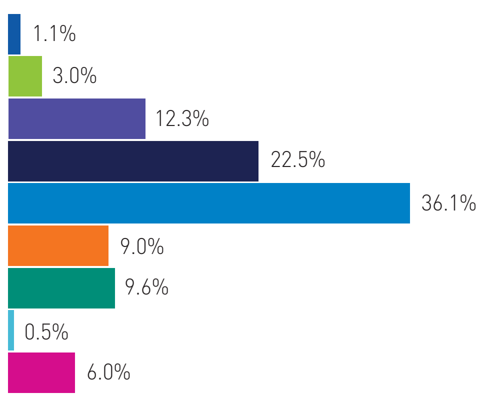


Credit quality	Portfolio (%)
AAA	29.8
AA	32.3
A	17.0
BBB	15.6
Non Rated Securities (Commercial Mortgages)	3.1
Cash and money market	2.2
	100.0

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

Current Yield: 3.64%

Corporate Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	2.0
AA	1.2
A	48.2
BBB	47.5
Cash and money market	1.1
	100.0

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

Current Yield: 4.34%

Average market cap. (Canadian equities only) $53.5B
(US equities only) $1 809.0B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.03%

Repositioning for Q2 2025

Sold or reduced positions (-4.7%)

- Sold Becton Dickinson
- Sold Pembina
- Sold Rogers
- Trimmed Bank of Montreal
- Trimmed Broadcom

Bought or increased positions (+4.7%)

- Initiated a new position in Essilor
- Initiated a new position in Power Corp
- Increased Thermon Fischer
- Increased cash

Rationale:

Asset mix: We continue to raise cash and derisk the portfolio as we are concerned with a potential global trade war as the United States seems set on unravelling decades of globalization and re-shoring manufacturing jobs. We feel strongly that this is a policy mistake and that eventually cooler heads will prevail. Nonetheless, we feel it is prudent to lower portfolio risk due to the uncertainty.

Within the Canadian equity component, the remaining small position in Rogers Communications that we started selling last year was eliminated due to our lower confidence in their business strategy. The very small position in Pembina Pipelines was also eliminated on lower conviction in the stock. We continue to hold a position in TC Energy for our intentional pipeline and energy infrastructure exposure. Finally, the large position in Bank of Montreal was trimmed, as we lower our overall Bank weight across the portfolio, in light of the higher risk of a global slowdown or recession. Subsequent to this trade, we maintain an overweight in Bank of Montreal, with more balanced exposure amongst the three banks we hold.

With the proceeds of the sales detailed above, a position was initiated in Power Corp ("POW"), a Canadian financial services holding company that holds controlling stakes in Great-West Lifeco ("GWO"), Investors Group, GBL and Sagard (a growing alternative asset manager). The bulk of earnings and the underlying net asset value is attributable to the position in GWO and we are constructive on the underlying earnings power of this company. At a recent Investor Day, the company updated its medium-term objectives to 8-10% EPS (earnings per share) growth and 19%+ ROE (return on equity). With POW trading at a 20% discount to the NAV, this is a discounted approach to GWO exposure. POW has a dividend yield of 5.0% and the stock is currently trading at a reasonable 8.5x EPS, in line with its long-term average and down from recently higher levels. This represents a reasonable entry point for a fairly defensive financial stock, with limited exposure to tariffs or trade wars, that helps to diversify our holdings.

Within our modest off-benchmark equity holdings, Becton Dickinson was eliminated as we see a reduced risk/return profile. With the proceeds, we have decided to reallocate EssilorLuxottica. EssilorLuxottica is a global leader in the design, manufacture, and distribution of ophthalmic lenses, optical equipment, and eyewear. Formed in 2018 through the merger of Essilor, a leading eye care company, and Luxottica, a prominent eyewear manufacturer, the company operates in over 150 countries. EL's portfolio includes well-known eyewear brands such as Ray-Ban, Oakley, Persol, and Vogue Eyewear, as well as collaborations with luxury fashion brands like Prada and Chanel. Its two reporting segments are Professional Solutions (products/services distributed to professionals of the eyecare industry) and Direct-to-Consumer (through its physical and online stores). In terms of tariff risks, while not spared, the company has a diversified manufacturing footprint (for frames and lenses) and the ability to use pricing to help offset tariff impact. We have also trimmed our exposure to Broadcom in order to shore our weight in Health Care, specifically adding to our position in Thermo Fischer.

Quarterly commentary

Markets began the quarter strongly with the idea that the new Trump administration will be positive for Wall Street. However, uncertainties grew in February and March around tariffs, US policy, and economic data. This put pressure on the US markets while Europe maintained its upward trajectory, mainly supported by the financial sector, and the comments from governments concerning the need to rebuild their own defense. In the US, markets corrected following months of strong gains, with Q1 2025 the worst performing quarter for the S&P 500 since Q3 2022. Economic data reignited concerns about growth with US consumer confidence also starting to decline. Chinese markets performed strongly since January, supported by government's policies and the news that DeepSeek had created an AI model at a meaningfully lower cost compared to competitors. The first quarter of 2025 was highly volatile, and this volatility should remain in the market for Q2 as discussion around tariffs are just beginning.

The Canadian equity market began the year on a stable footing, with the S&P/TSX Composite Index returning +1.5% in Q1. This stands in contrast to the more pronounced drawdowns in U.S. markets, where the S&P 500 and NASDAQ declined -4.3% and -10.3%, respectively. Since peaking in mid-February, the S&P 500 and NASDAQ have fallen -16% and -22%, respectively, as sentiment turned sharply due to renewed trade and macro concerns. Although the TSX also pulled back -9% from its high, it held up relatively well amid a challenging global backdrop. Amid this uncertainty, gold was a strong performer, ending the quarter at a new record high and driving very strong returns for gold stocks.

Despite evidence of more positive growth momentum in the fourth quarter and a reacceleration in near term inflation measures, the Bank of Canada ("BoC") eased an additional 0.25%. the FTSE Canada Universe Bond Index returned 2.0% during the first quarter of 2025.

The Portfolio had a modestly positive return during the first quarter but was not able to keep pace with its benchmark. Positive relative performance from the fixed income and commercial mortgages components added value but was offset by relative weakness from Canadian dividend equities and preferred shares.

From a Canadian dividend equity perspective, the Portfolio benefited from positions in Restaurant Brands, which outperformed other consumer stocks, as well as energy infrastructure stocks such as TC Energy and Pembina. This was offset by our intentional underweight exposure to gold stocks, which were the strongest performing sub-sector in the period, due to the low yield nature of these stocks. Further detracting value was our off-benchmark allocations to a few US stocks, notably positions in Microsoft, Broadcom, and United Health, which fell alongside the broader US equity market.

Looking at the fixed income component of the Portfolio, the core bond component outperformed its benchmark due to actively trading portfolio duration during the volatile interest rate environment. An overweight to corporate bonds within that strategy modestly detracted. The off-benchmark commercial mortgage component also added value due to its higher overall yield.

Preferred shares as an asset class performed well in the first quarter, which continued to benefit from the Government of Canada reversal of the proposed tax on preferred share dividends received by Canadian financial institutions. However, the Portfolio underperformed during the quarter as a result of having a more defensive posture, with a large cash position, fixed income exposure and lower fixed resets compared with the benchmark.

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[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

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 April 8, 2025 after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS yield 4.70%; Canadian Preferred Share yield 6.08%; US Equity yield 1.00%; Addenda Universe Core Bond Pool yield to maturity 3.70%; Addenda Corporate Core Bond Pool yield to maturity 4.04%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 4.19%.

[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, 2025, 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: 15% FTSE Canada Universe Bond Index/25% FTSE Canada All Corporate Bond Index/15% FTSE Canada Short Term Overall Bond Index/35% S&P TSX Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2022-03-01 to 2024-09-30 : 15% FTSE Canada Universe Bond Index/25% FTSE Canada All Corporate Bond Index/15% FTSE Canada Short Term Overall Bond Index/35% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2018-04-01 to 2022-02-28 : 28% FTSE Canada Universe Bond Index/37% FTSE Canada All Corporate Bond Index/25% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2016-02-29 to 2018-03-31 : 28% FTSE Canada Universe Bond Index/37% FTSE Canada All Corporate Bond Index/25% Dow Jones Canada Select Dividend/10% BMO 50 Preferred Shares 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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