Q2 2025

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:
$40B

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	20%	30%	36%	40%
Non-Canadian equities	20%	30%	29%	40%
Fixed income	30%	37%	32%	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 10–15 securities
  - Non-Canadian equities: Target 10–15 securities
- Fixed income: 30% to 50% in units of the Addenda Universe Core Bond pooled fund and/or Canadian fixed income ETFs will be used
- Addenda Preferred Share Pooled Fund, Addenda Commercial Mortgage Pooled Fund, Addenda CorePlus Fixed Income Pooled Fund and Addenda Active Duration Bond 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[1] (excluding cash and cash equivalents) %

1.	Addenda Bonds Universe Core Pooled Fund	26.7
2.	Constellation Software Inc	4.7
3.	Dollarama Inc	3.6
4.	Addenda Preferred Share Pooled Fund	3.1
5.	SAP	3.1
6.	Addenda Bonds Commercial Mortgages DC Pooled Fund	3.1
7.	Toronto-Dominion Bank	3.0
8.	Canadian Pacific Kansas City	2.9
9.	Visa	2.8
10.	WSP Global	2.7

Performance

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since inception (Annualized)
Portfolio	2.6%	3.9%	13.0%	11.3%	9.0%	7.9%	7.6%
Benchmark	3.7%	4.6%	15.0%	12.6%	8.7%	7.5%	7.2%

*including 2% in Addenda Preferred Share Pooled Fund

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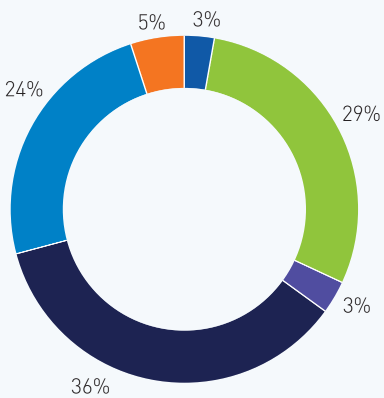
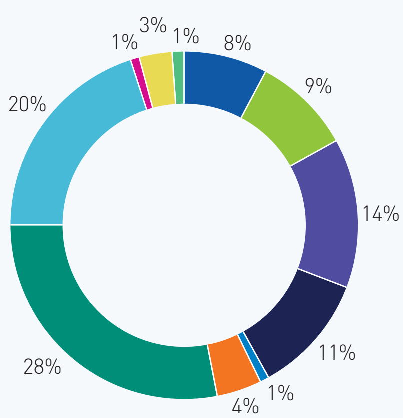
Asset allocation[1]



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

Equities sector allocation[1,2]

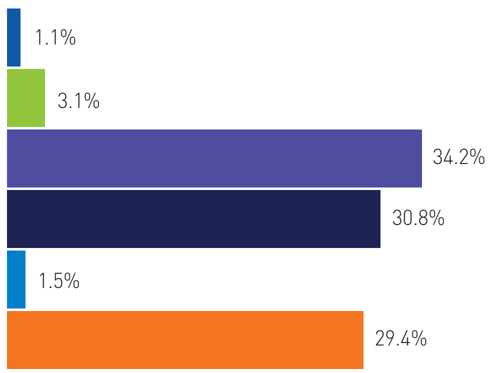


- Energy
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Index
- Communication Services
- Utilities

Average market cap. (Equities Only) $507.4B

Fixed income allocation

Core Bond Pool Sector Allocation



Credit quality	Portfolio (%)
AAA	30.9
AA	31.1
A	18.2
BBB	15.8
Non Rated Securities (Commercial Mortgages)	3.1
Cash and money market	1.1
	100.0

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

Current Yield (bonds): 3.72%

Repositioning for Q3 2025

Sold or reduced positions (-3.3%)

- Trimmed Constellation Software
- Trimmed cash

Bought or increased positions (+3.3%)

- Initiated a new position in Fairfax Financial
- Increased CP Rail
- Increased Addenda Commercial Mortgage Pooled Fund

Rationale:

Asset mix changes: We put some excess cash to work by adding to commercial mortgages and Canadian equities. They key rationale for this shift was that our base case economic outlook has improved dramatically after gaining clarity on U.S. tariff trade policy.

Within the Canadian equity component, we reduced Constellation Software and used the proceeds to add to our existing position in CP Rail and initiated a new position in Fairfax Financial.

The reduction in Constellation Software was simply due to its weight in the Portfolio becoming too large after years of significant outperformance. The sale was not related to fundamental concerns and was purely based on being prudent to ensuring a proper level of portfolio diversification.

The addition to CP Rail was the result of the company delivering industry leading volume, revenue and EPS growth. Between 2024 and 2028, CP Rail is expected to grow revenue 8-10% and adjusted EPS 10%-15%. We believe the top end of these estimates are achievable due to substantial revenue synergies which are possible because of the merger with Kansas City Southern.

Finally, our initiation in Fairfax fits nicely with our goal of having a diversified portfolio of holdings that trades below our view of fair value, while offering above-average long term earnings growth potential. Fairfax has transformed into a top 20 global P&C insurer/reinsurer with built out platforms across the US (Allied World) and UK (Brit). More recent expansion has been digitally focused (GoDigit and Ki). There is a strong focus on the investment side together with its disciplined and value-driven investment approach, which bodes well in the current environment. This strong insurance underwriting operation and robust investment strategy provides the twin engine to achieve a mid-to-high teen return on equity.

Quarterly commentary

The quarter started with "Liberation Day" and the announcement of tariffs by the Republican administration. Markets worldwide reacted negatively but it started to reverse when the US administration announced a 90-day pause on the recent tariffs announced. The U.S. administration unveiled their "Big Beautiful Bill", and Moody's stripped the U.S. Treasury of its coveted AAA debt rating. Tensions in the Middle East increased and in Europe, the Central Bank continued to cut interest rates, approaching its target point.

With a high level of volatility, Canadian equities, as measured by the S&P/TSX Composite Index, delivered a strong +8.5% return in Q2, as investors looked through tariff and trade uncertainty and elevated geopolitical risks to drive the Index to new highs. In a reversal from the previous quarter, performance was driven by the more cyclical components of the market, while the more defensive sectors underperformed, although gains were broad-based with all sectors posting positive returns. Consumer Discretionary & Information Technology were the strongest sectors, as tariff-related concerns eased. The more defensive sectors (Telecom, Energy Infrastructure and Consumer Staples) underperformed. High beta stocks outperformed lower beta stocks by a wide margin.

On global equities, performance was positive, with the MSCI World Index (CAD) returning +5.7% in Q2. The Canadian Dollar appreciated compared to the US Dollar this quarter. In the US, markets bounced back after a difficult start of the year and even closed the quarter at an all-time high level. The best performing sectors this quarter were the underperformers of Q1, with Information Technology (+16.8%) and Telecommunication Services (+12.9%) led, while sectors that performed well in Q1 were the worst performers this quarter, including Energy (-10.0%), and Healthcare (-9.1%).

The Bank of Canada ("BoC") maintained the policy rate at 2.75%, electing a pause in its series of cuts due to signs of reflation in its core price measures. Yields rose in the period with the curve continuing its steepening trend as the rise in long maturity rates outpaced short term rates driven by markets introducing term premium compensation for sovereign risks.

The Portfolio had a total return of 2.6% during the second quarter but trailed the performance of its benchmark. The defensive positioning of the global equity component had the largest negative contribution to relative performance as high beta and more cyclical investments rallied during the period. This was partially offset by relative strength from the Canadian equity component which outpaced the TSX 60 Index by a wide margin. The core universe bond and commercial mortgage components further added value. From an asset mix perspective, our overweight to Canadian equities added value as it was one of the best performing asset classes during the period, as did our off-benchmark allocation to preferred shares. This was partially offset by our exposure to commercial mortgages, which while exceeding its benchmark, did not keep pace with the broader equity markets.

The Canadian equity component returned 9.0% during the second quarter and exceeded its benchmark by a meaningful amount. This was largely driven by strong security selection, specifically our overweight exposures to WSP Global and CCL Industries.
WSP reported solid earnings in the quarter, coming in slightly ahead of consensus expectations and maintaining their 2025 and long-term guidance. They also signalled that the M&A (Mergers and Acquisitions) environment is attractive, and they will likely accelerate acquisitions as the year goes on. We continue to like WSP as it offers a stable earnings profile and a management team that allocates excess capital efficiently. CCL Industries rallied during the second quarter on the back of a strong earnings announcement, particularly at CCL Label where organic growth was 4.5% vs 2% expected. We think CCL will benefit from the de-escalation of tariff risks and are likely gaining market share from competitors. The outlook for the remainder of the year was optimistic, which supports future share price appreciation as valuation is attractive. Management also signalled profit margins could expand and that acquisition targets are now reasonably priced. In addition, with a strong balance sheet, CCL is active on share buybacks and consistently increasing the dividend.

The global equity component struggled to keep pace with the broader MSCI World Index during the quarter as high beta stocks significantly outperformed the more defensively positioned holdings. The best performing sectors this quarter were the underperformers of Q1, with Information Technology (+16.8%) and Telecommunication Services (+12.9%). The more defensive sectors that performed well in Q1 were the worst performers this quarter, including Energy (-10.0%), and Healthcare (-9.1%). In terms of detractors from performance, United Health Care ("UNH") was the weakest performing name. The stock was under pressure during Q2 due to both political and internal events. Under the Trump administration, the industry is not in favor with investors since changes in the healthcare system and regulations are expected. On top of this, UNH had internal headwinds with them dropping its earnings guidance and the CEO left the company. After reviewing the risks and the potential upside, the team decided to sell the position via an ad-hoc trade as we believe the risks outweighed the opportunities for growth.

Looking at the fixed income component of the Portfolio, the core bond component modestly outperformed its benchmark during the second quarter. The rise in yields resulted in most fixed income sectors having negative total returns as declines in prices more than offset the income from yields. Long duration sectors posted the worst performance as the higher interest rate sensitivity led to larger declines, and even shorter duration and credit heavy sectors struggled to produce even modestly positive results. Outperformance during the quarter was attributable to strength from security selection within the provincial sector as credit spreads returned to their tightest levels after reaching 6-month highs in April.

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

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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 July 9, 2025 after quarterly rebalancing unless otherwise stated.

[2] Excludes Canadian Preferred Shares

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

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