Q4 2024

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	Target	Current	Max
Equities	10%	35%	38%	50%
– Canadian dividend & REIT equities	10%	35%	32%	50%
– Non-Canadian equities	0%	0%	6%	10%
Fixed income & Preferred shares	50%	62%	59%	90%
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. 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 21.6
2. Addenda Commercial Mortgage Dc Pooled Fund 17.3
3. Addenda Bonds Universe Core Pooled Fund 13.0
4. Bank Of Montreal 5.9
5. Addenda Preferred Share Pooled Fund 5.5
6. Bank Of Nova Scotia 2.9
7. WSP Global Inc 2.8
8. Toronto-Dominion Bank 2.8
9. Restaurant Brands Int'l 2.4
10. Canadian Pacific Kansas City 2.3

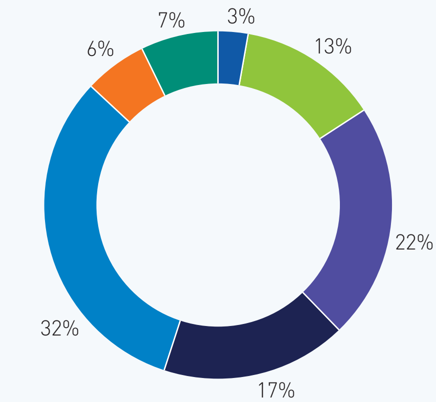
Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	1.6%	9.7%	9.7%	3.2%	5.3%	5.6%
Benchmark	1.4%	12.7%	12.7%	2.8%	4.8%	5.4%

aviso wealth

Q4 2024

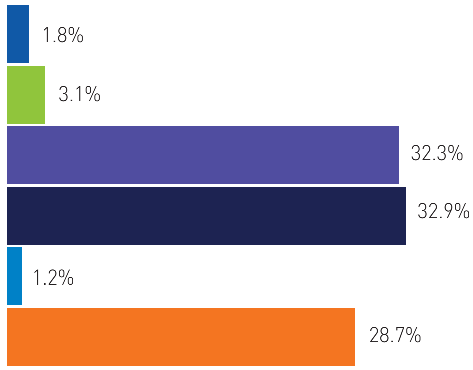
Asset allocation[1]



- 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

Fixed income allocation

Core Bond Pool Sector Allocation

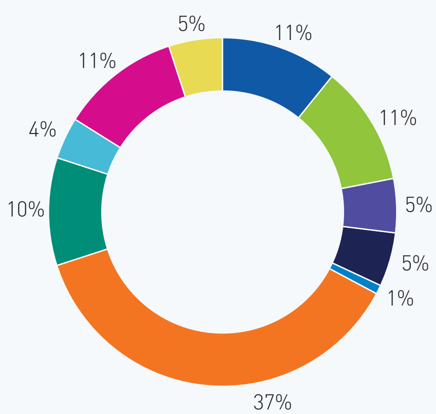


Credit quality	Portfolio (%)
AAA	33.0
AA	30.2
A	17.3
BBB	14.6
BB	0.1
Non Rated Securities (Commercial Mortgages)	3.1
Cash and money market	1.8
	100.0

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

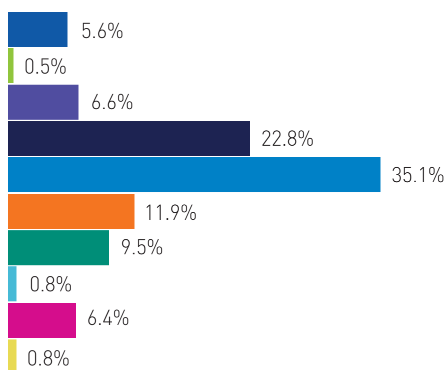
Current Yield: 3.68%

Equities sector allocation[1]



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

Corporate Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	0.8
AA	0.8
A	48.4
BBB	44.4
Cash and money market	5.6
	100.0

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

Current Yield: 4.39%

Average market cap. (Canadian equities only) $61.5B
(US equities only) $2345.5B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.16%

Repositioning for Q1 2025

Sold or reduced positions (-1.0%)

- Trimmed BMO
- Trimmed Rogers Communications

Bought or increased positions (+1.0%)

- Increased Addenda Preferred Share Pooled Fund

Rationale:

Asset mix changes:

Canadian equity exposure was trimmed and the proceeds were put into preferred shares.

Within Canadian equities:

Rogers Communications was further reduced on a lower level of conviction in Canadian telecommunications, reflecting intense wireless competition, slowing population growth, and capital allocation concerns. Quebecor, a relatively new entrant into Wireless, has been much more aggressive on pricing than we originally assumed. As a result, we are now modelling lower revenue growth for Roger's and feel that share price appreciation will be limited in the short run. Moreover, after adding considerable debt to acquire Shaw Communications, the company has made little, if any progress on debt reduction. The recent restructuring of the media business is a prime example.

BMO was also reduced. This was purely to satisfy the asset mix shift. We continue to hold a very sizeable position in this stock and have a positive outlook. The stock has recovered nicely from the summer lows and recent commentary suggests that the credit issues they experienced in 2024 are well contained now and shouldn't result in materially higher PCLs. We see a constructive outlook for BMO's US franchise and view that as a competitive advantage for this bank relative to other Canadian Banks right now.

Quarterly commentary

Global market strength continued in Q4, with the MSCI World Index returning 6.3% ($CAD). The $CAD depreciated meaningfully versus the $USD over the quarter, which was a very large tailwind on returns. Markets began the quarter with a more muted performance in the month of October, as global markets anticipated the U.S. Presidential election. Post-election, the U.S. saw strong gains with other regions more mixed, reacting with more uncertainty to the election results. U.S. markets were also supported by another interest rate cut by the U.S. Federal Reserve. In Europe, escalation of the war in Ukraine weighed on markets mid-month as did U.S. tariff concerns. Hong Kong stocks reacted negatively to an underwhelming China stimulus package, with Asia Pacific posting weak results overall. In December, most sectors traded lower after the U.S. Federal Reserve outlook implied fewer interest rate cuts in 2025.

The S&P/TSX Composite Index posted a total return of +3.8% in Q4. Earnings growth and multiple expansion underpinned the TSX's strong performance in 2024. Information Technology was the top-performing sector, led by Shopify, which was a key driver of Index returns. Financials ranked second, with five of the top ten contributors to TSX performance coming from this sector.

Despite Central Banks on both sides of the border actively working to lower interest rates, the yield curve increased by approximately 0.20% in the quarter as a result of the U.S. election and concerns about tariffs and possible budget deficits. Cooling headline inflation gave policy makers confidence that a higher rate regime was no longer necessary. Yields under 1-year were dragged lower by the changes in the overnight rate as the Bank of Canada delivered an additional 0.75% of easing along with the Federal Reserve decreasing its target rate by another 0.50%.

The Portfolio had a total return of 1.6%, outperforming the respective benchmark by 0.2%. Strong security selection and an overweight position in equities accounted for most of the variance. 2024 return was 9.7%. With modestly lower rates ahead and a strong economy, income-focused mandates should continue to do well in 2025.

From a Canadian dividend equity perspective, the main contributors to performance were IA Financial (+19.7%), TC Energy (+15.8%) and BMO (+15.7%). IA Financial delivered an impressive 32% gain in Q3 on the back of strong Q2 results. TC Energy rallied 15.8% in Q4 after rallying 26% in Q3. The catalyst for the move was a solid earnings outlook and progress on its asset sale goal of $3 billion in 2024. Bank of Montreal rallied 15.7% to end the year as investors warmed up to the post-Q4 earnings outlook. It was a bumpy ride in 2024, but the stock had a respectable 11.8% return, despite lagging its peer group.

The bottom performers in the Canadian equity component included BCE (-27%), Rogers (-17.9%) and Granite REIT (-7.8%). BCE had a decline of 27% in Q4 as Canadian Telco's continued to struggle. As for Rogers, the Canadian Telecom sector was the weakest sector in 2024 and we remain lukewarm on prospects for 2025. Granite fell 7.8% in Q4 to finish the year down 8.5%.

Looking at the fixed income component of the Portfolio, the core bond component outperformed its benchmark due to actively trading portfolio duration by shifting from slightly short relative to the Index, to slightly longer as yields rose from their lowest levels of the year in late September. The commercial mortgage component also added value due to its higher overall yield.

Preferred shares as an asset class performed well in Q4, which was helped by 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 January 10, 2025 after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS yield 4.40%; Canadian Preferred Share yield 6.32%; US Equity yield 0.90%; Addenda Universe Core Bond Pool yield to maturity 3.99%; Addenda Corporate Core Bond Pool yield to maturity 4.33%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 4.78%.

[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: 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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