Q4 2023

aviso wealth

OnPoint Managed Portfolios

Fiera Balanced

Quick facts

Inception date:
November 30, 2018

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Fiera Capital

Investment manager assets under management:
$155B

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	15%	30%	35%	45%
Non-Canadian equities	15%	30%	26%	45%
Fixed income	30%	37%	37%	50%
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 and invested in at least six out of 11 GICS (Global Industry Classification Standard Sectors)
  - Canadian equities: Target 5–15 securities
  - Non-Canadian equities: Target 15–20 securities
- Fixed income: Fiera Core Plus Canadian Bond Universe Fund will 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.

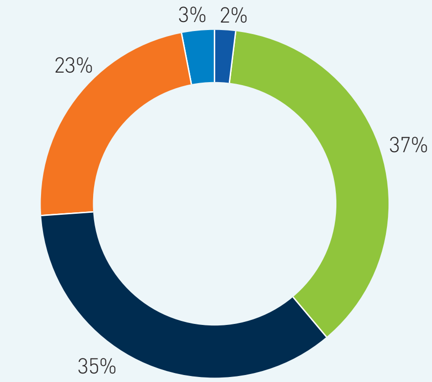
Top ten holdings[1] (excluding cash and cash equivalents) %

	Holding	%
1.	Fiera Core Plus Canadian Bonds Universe Fund	38.0
2.	Visa Inc	4.1
3.	Cdn Natl Railway	3.7
4.	Thomson Reuters Corp	3.3
5.	S&P Global Inc	3.2
6.	Toronto Dominion Bank	3.1
7.	Danaher Corp	2.7
8.	Microsoft Corp	2.7
9.	Metro Inc	2.7
10.	Toromont Inds Ltd	2.5

Performance

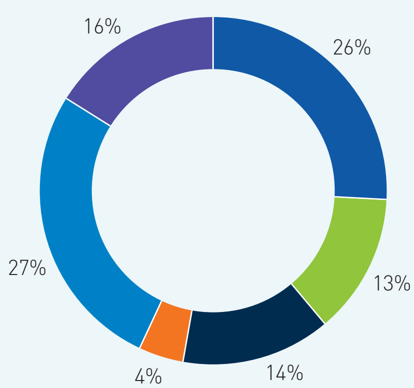
	QTD	YTD	1 yr	3 yr	5 yr	Since Inception (annualized)
Portfolio	7.2%	7.9%	7.9%	1.5%	6.4%	5.7%
Benchmark	8.6%	12.5%	12.5%	4.7%	7.7%	7.0%

Asset allocation[1]



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

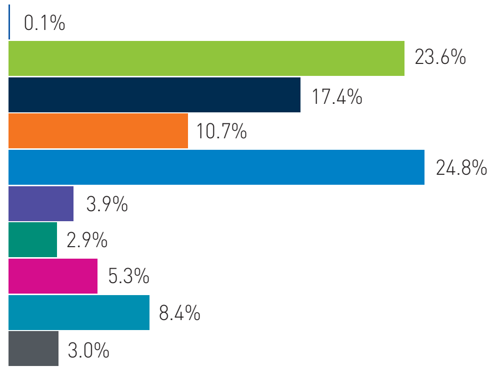
Equities sector allocation[1,2]



- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology

Average market cap. $205B

Fixed income allocation



Credit quality	Portfolio (%)
AAA	24.3
AA	26.7
A	14.2
BBB	14.3
Below BBB	3.9
Non Rated Securities	16.5
Cash and Money Market	0.1
	100.0

- Cash & Money Market
- Federal Bonds
- Provincial Bonds
- Municipal Bonds
- Investment Grade Corporate Bonds
- High Yield Corporate Bonds
- Commercial Mortages
- Private Debt
- Real Estate Financing
- Infrastructure Debt

Current Yield: 4.31%

Repositioning for Q1 2024

Sold or reduced positions (-20.5%)

- Sold Aon
- Sold CCL Industries
- Sold CSL Limited
- Sold Ecolab
- Sold Franco-Nevada
- Sold Nike
- Sold Telus
- Sold Zoetis
- Trimmed Canadian Pacific KC
- Trimmed CME Group
- Trimmed Danaher Corp
- Trimmed Microsoft
- Trimmed cash

Bought or increased positions (+20.5%)

- Initiated a new position in Constellation Software
- Initiated a new position in Costco
- Initiated a new position in Loblaw
- Initiated a new position in McDonalds
- Initiated a new position in OTIS Worldwide Corp
- Initiated a new position in Pepsico
- Initiated a new position in Restaurant Brands
- Initiated a new position in TJX Companies
- Initiated a new position in Toromont Industries
- Initiated a new position in Waste Connections
- Increased Keyence
- Increased Metro

Rationale:

As a continuation of portfolio management transitioning since Q4 2023, trades on rest of the new and increased positions were completed with details of the positions shown below:

New Positions:

- **Constellation Software** offers software and systems that are narrowly focused on solving a problem for a specific market or industry and are typically core to an end customer's operations, making them utility-like and difficult to replicate. Constellation, a business we have long admired, has a number of strong attributes including one of the best decentralized business models we have come across, modest capex requirements, and an exceptional founder (and senior executives) with plenty of skin in the game. The company has continued to perform well in what has been a challenging environment through its established strategy of making accretive acquisitions and seamlessly integrating them into their various operating units.
- **Costco** is an American multinational corporation and one of the largest retailers in the world. The company operates a chain of membership only retail stores providing consumers with a wide variety of goods. Costco's unwavering commitment to their value proposition of providing diversified bulk products at discounted prices has allowed them to continue to maintain and grow market share and benefit from consumers search for inflation relief.
- **Loblaw** is a retail and wholesale food distributor with operations across Canada. The Company's operations include both company and franchisee operated stores, warehouses, and cash and carry outlets. Loblaw benefits from its strong brand, tremendous scale and diverse product offering.
- **McDonald's Corporation** is the largest fast food chain in the world with more than 40,000 outlets in over 100 countries. The company benefits from its strong brand and market share as well as its ability to innovate both its operations and its product offering to best serve its clients.
- **Otis Worldwide** is a leader in the manufacturing, marketing and servicing of elevators and escalators around the world. The company benefits from a strong brand, high barriers to entry, and stable recurring revenue. Otis also has a high level of geographic diversification within its revenue base which has allowed it to be more resilient in different economic environments.
- **Pepsico** is a global food and beverage corporation. The company benefits from a strong brand, significant pricing power, and a diversified product list that encompasses all aspects of the global food and beverage market.
- **Restaurant Brands International** operates fast food restaurants, serving customers around the world. The company has storied and unique brands with loyal customer bases and a management team that promotes innovation within their franchise-based model.
- **TJX** is a leader in off-price apparel and home-fashions retail, through its banners Winners, Marshalls, T.J. Maxx and Home Sense. TJX has grown by offering its customers significant value versus shopping in department stores or specialty retailers. Being a conservatively run company, TJX has proven its ability to grow ROE in difficult periods for retailers like those of the past few years, with a balance sheet in a net cash financial position.
- **Toromont Industries** sells, rents and services Caterpillar construction equipment and power systems in eastern Canada. The company benefits from their operational strength and strong and expansive network of dealerships.

- **Waste Connections** provides non-hazardous solid waste collection services for commercial, industrial and residential customers. They have a structural focus on less competitive markets and their strategic ownership of landfill assets provides strong barriers to entry.

Increased Positions:

- **Keyence** develops and manufactures sensors and measuring instruments for factory automation and technology applications. The company is a technological leader amongst its peers and is driving innovation in the industry.

- **Metro Inc.** distributes food and pharmaceutical products through an expansive network of grocery and drug stores in Quebec and Ontario. The company benefits from the natural attractive industry structure of the Canadian grocery sector, strong pricing power and a top tier management team with a track record of efficiency and operational excellence.

The manager has opted to sell out of the investments below and deploy proceeds into both new and existing positions where the manager has higher conviction in quality and/or valuation.

- **Aon** is a leading global commercial insurance broker.

- **CCL Industries** is one of the largest global label manufacturers, benefitting from an extensive network of facilities serving Consumers Packaged Goods worldwide.

- **CSL** is a global biopharmaceutical company based in Australia. The company's operations focus on plasma therapies and influenza vaccines.

- **Ecolab** is the global leader in technologies and services that promote safe food, maintain clean environments, optimize water and energy use and improve operational efficiencies for customers in the food, healthcare, energy, hospitality and industrial markets.

- **Franco Nevada** is a royalty and streaming company with a large and well diversified portfolio of streams by geography and stage of project. The management team has an exceptional track record of executing transactions and the company has been resilient this year despite volatility in the market.

- **Nike** designs and markets athletic footwear, apparel, equipment and accessory products.

- **Telus Corporation** is a telecommunications company providing a variety of communications products and services including voice, data, Internet, and wireless services to businesses and consumers in Canada. The company benefits from strong market share in Western Canada and an experienced, innovative and customer focused management team.

- **Zoetis** is American drug company that is the world's largest producer of medicine for pets and livestock. The company has a global footprint, selling and marketing products in more than one hundred countries around the world.

The following positions were trimmed to reallocate to new and existing ones in the portfolio.

- **Canadian Pacific KC** operates in an industry with high barriers to entry that offers a more affordable and environmentally friendly transportation service than trucking. The company has a strong balance sheet, a demonstrated resiliency over time through good cost control, and a proven track record of wealth redistribution to shareholders.

- **CME Group** (Chicago Mercantile Exchange) is the world's largest derivatives marketplace. CME offers futures and options on interest rates, equity indexes, foreign exchange, energy, agricultural products and metals. CME is well diversified across its offering of derivative products where weakness in one is often offset by strength in another. The business is able to generate high margins and significant free cash flow given its dominant position in the market.

- **Danaher** is a leading manufacturer of systems, instrumentation, and consumables for a broad array of purposes and customers. Its primary business lines include Life Sciences research, Clinical Diagnostics, Dental, and Environmental Health/Applied Sciences. Leading position across multiple segments provides Danaher with pricing power. End markets exhibit strong secular drivers and high barriers to entry. The company highly cash generative and has a successful track record of acquisitions.

- **Microsoft** is a leading software company with focus on personal, enterprise and cloud computing. The company is a leading cloud vendor whose products and services tend to be mission critical for customers, and a key strategic partner for digital transformation initiatives.

Quarterly **commentary**

Market Review

During the final quarter of the year, Canadian equities experienced a sustained and rapid rise across almost all sectors as the prospect of a soft-landing ignited optimism within the market. With the possibility of an end to rising rates becoming more real, Technology and Financials stocks led the way while Energy stocks retreated from their previous highs. Both the S&P/TSX Composite and the MSCI World indices ended 2023 with their strongest 3-month return in more than 2 years. The strongest performing sectors in the 65% MSCI World +35% S&P/TSX Composite during the quarter were Information Technology (16.14%) and Real Estate (13.02%), with Energy (-3.14%) and Health Care (3.24%) the biggest laggards.

Financial markets ended 2023 on a high note, with the prospect for a soft economic landing and a dovish monetary policy pivot sparking a profound rally across both stock and bond markets. Notably, the Federal Reserve provided its strongest signal yet that it has ended its tightening campaign and pointed towards a pivot towards easing in 2024. Moreover, data showing the Federal Reserve's preferred inflation metrics barely rose in November endorsed the growing narrative that central bankers have successfully broken the back of inflation and will aggressively ease monetary policy this year. For 2023, fixed income markets churned out strong performances, with a majority of the gains occurring in the last few months of the year after the market narrative shifted towards optimism about the likelihood of a soft landing.

The stellar end to 2023 was driven by bond yields tumbling lower as some tentative signs of cooling inflation and a dovish-leaning message from the Federal Reserve prompted investors to brace for a flurry of rate cuts in 2024 . In the US, bond traders have doubled-down on wagers for aggressive rate cuts this year. The market is now pricing-in more than 1.50% of rate cuts for 2024 as of December 29, 2023, with traders increasingly betting that the first rate cut will arrive by March. That's more than twice as many rate cuts that were penciled in by Federal Reserve officials in the December forecasts. These dovish leaning dynamics spilled-over globally, with traders also bracing for significant easing from the Bank of Canada, the European Central Bank, and the Bank of England, with between five to six rate cuts fully discounted by the end of 2024 across all three countries. For the month, the FTSE Canada Bond Universe gained 3.4% and was up 8.3% for the quarter. The full-year return on the index was 6.7%.

The move in yields over the final two month of the year was significant. After the Canadian and US 10-year yields peaked in October at 4.24% and 5.11%, respectively, rates have dramatically rallied. The Canada 10-year rate ended the year at 3.11%, 1.13% below the peak and 19bps below beginning of year level. Similarly, the US 10-year Treasury yield rallied 1.23% to 3.88% and was effectively unchanged from beginning of year levels. The latter data point is interesting, despite the market having to contend with additional 2023 rate hikes and focus on rising yields over the course of the year, the stumbling from one market narrative to the next left rates effectively unchanged to lower across the curve over the calendar year.

Attribution Analysis

Equities

In the fourth quarter of 2023, the equity component had an absolute return of 7.15%, whereas the Benchmark Index had a return of 8.66%.

Among the leading contributors to performance over the quarter were S&P Global and Thomson Reuters. S&P Global Inc. is a global provider of financial information and analytics. The company operates six business units through which is provides ratings, market intelligence, index data, and pricing information to financial market participants around the globe. S&P Global benefits from an established and trusted brand as well as the critical nature and high-switching costs associated with its services. In recent years the company has significantly expanded its analytics offering including its acquisition of UK information services firm IHS Markit in 2020. Thomson Reuters is a leading provider of information-enabled software solutions. They have these industry-leading digital tools to help professionals in the legal, tax, accounting and compliance fields. The company has a strong balance sheet, consistent pricing power and a resilient profile from the critical products and services they provide to their clients. Thomson Reuters has been proactive in evolving to meet the demands of changing market with the advent of AI-enabled solutions and made two acquisitions in this space (Casetext and Imagen) in the latter half of 2023.

Significant detractors over the quarter were Franco-Nevada and Metro. Franco Nevada is a royalty and streaming company with a large and well diversified portfolio of streams by geography and stage of project. The management team has an exceptional track record of executing transactions and the company has been resilient this year despite volatility in the market. The stock was down during the quarter primarily as a result of turmoil around the potential closure of a Panama copper mine following protests and a legal ruling against the operator. Metro Inc. distributes food and pharmaceutical products through an expansive network of grocery and drug stores in Quebec and Ontario. The company benefits from the natural attractive industry structure of the Canadian grocery sector, strong pricing power and a top tier management team with a track record of efficiency and operational excellence. Metro announced a step-up in costs into next year as they are in the process of modernizing their supply chain network. While higher costs may act as a headwind in the short-term, improved productivity in the long-term should help Metro continue to deliver strong results over time.

As part of the ongoing transition of the strategy, the manager executed trades as noted in the "Repositioning for Q1 2024" section.

The Portfolio continues to be composed of high-quality businesses that can withstand tough times and is currently trading at an attractive discount to its intrinsic value. Both should position the Portfolio well for long-term compounding of returns.

Fixed Income

During the quarter, the Fiera Canadian Core Plus Universe Bond strategy outperformed its benchmark by 0.23% on a gross return basis. The credit allocation across public investment and non-investment grade was a positive contributor as spreads rallied. We took opportunity to take profits and reduce exposure to higher beta segments of the market. Exposure to long maturity high quality infrastructure debt was the best contributor to overall performance benefiting from both interest rate and credit spread moves. Furthermore, the long relative duration position also contributed positively.

The portfolio added value over the quarter with positive returns across private corporate, real estate and commercial mortgage strategies. Notably, our core position in the Canadian Real Estate Debt strategy has been thriving in the rising interest rate environment given that 100% of the portfolio is in floating rate loans. We remain overweight credit in general, across public and privates, however the portfolio plus allocation is 23% at the end of the year, slightly below the neutral plus target allocation of 25%. Over the full year, the Fiera Canadian Core Plus Universe Bond Strategy outperformed the benchmark return of 6.7% by 1.5%, on a gross basis. The strategy has a 0.98% yield advantage relative to the benchmark at the end of the quarter.

Outlook

Signs of economic and inflationary slowdown indicate that we have peak interest rates have potentially been achieved for this cycle. We are working with our baseline assumption, which calls for the Federal Reserve, Bank of Canada, and European Central Bank to maintain their current rate levels for early 2024, with the first cuts starting in the summer of 2024. This is at odds with year-end market pricing that is expecting rate cuts to potentially begin in Q1 2024. In relation to our baseline assumption, we are keeping a very close eye on service inflation, which remains relatively high and could delay the first-rate cuts. Although we cannot rule out further upward pressure on interest rates and/or credit spreads in the near term, according to our baseline assumption, the Core Plus Universe Bond strategy is well positioned to weather this period of uncertainty and volatility (including an economic slowdown) and offer attractive returns per unit of risk.

We expect the lagged flow through of previous rate hikes and the high cost of capital to continue to flow through to the economy over the next several quarters and slow the economy. This makes us cautious and is leading to defensive positioning. We have meaningfully reduced high yield exposure since mid-2023 following the significant rally across the higher quality cohort in the below investment grade space. Canadian and US economic growth is diverging, however, we are not yet clear of higher and sticky inflation. Labour markets have remained strong, but we expect the unemployment rate to rise as restrictive monetary policy continues to work its way through the real economy. We anticipate the year will be one defined by volatile price action and quickly shifting macro narratives.

Given these risks and the current level of interest rates, we will maintain the portfolio duration modestly longer than that of the Index. In addition, we remain focused on an overweight to mid-term bonds that would benefit from a steepening of the Government of Canada curve that would be driven when rate cuts materialize. Given the economic outlook, we will continue to be selective and prudent in corporate bonds where relative value opportunities are present and underweight provincial bonds. We believe the allocations to plus sector will provide diversification and yield enhancement in market that is expected to be volatile over the next year.

The portfolio continues to be composed of high-quality businesses that can withstand tough times. The portfolio is currently trading at an attractive discount to its intrinsic value. Both of these elements should position the portfolio well for long-term compounding of returns.

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

FIERACAPITAL

With more than $180 billion in assets under management, independent firm Fiera Capital is one of Canada's leading investment managers recognized for its excellence in portfolio management, innovative and personalized investment solutions, and its ability to surpass client expectations. Fiera offers a unique expertise in both traditional and absolute return investment strategies.

Management style

Canadian equities (GARP[3])	Global equities (GARP[3])	Fixed income (Core Plus)

Investment philosophy

Fiera targets to deliver a superior portfolio by investing in a focused number of companies run by great management teams diversified across global regions and industries. In addition, the manager also believes in active bond management that adapts to changes in the economic, financial and political environments to deliver value.

Investment process and risk controls

Fiera conducts a thorough fundamental research to implement their equity strategy. They believe that focusing on a concentrated model of 25 equity companies enables them to become familiar with all critical aspects of a business. The manager follows 10 internally developed company criteria which consist of both qualitative and quantitative metrics.

The fixed income component employs four types of analysis (fundamental, technical, sentiment and seasonality) around a well disciplined and structured process that invests in high quality securities. Specific risk metrics are calculated periodically to minimize the default risk, and to maintain the calibration of each strategy within the overall risk budget of the portfolio.

Key strengths

- Disciplined investment approach based on in-depth fundamental analysis
- Rigorous research and risk management process
- Superior and consistent performance
- Committed to integrating environmental, social and governance (ESG) criteria into the firm's investment processes, and how they do business
- Fiera is a United Nations Principles for Responsible Investment (PRI) signatory[4]

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

[2] Dividend Yield (Equities) 1.55%

[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, 2023, 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.

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