aviso wealth

OnPoint 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:
$36B

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	20%	30%	38%	40%
Non-Canadian equities	20%	30%	28%	40%
Fixed income	20%	37%	30%*	60%
Cash & cash equivalents	1%	3%	4%	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: 20% to 60% in units of the Addenda Universe Core Bond pooled fund and/or Canadian fixed income ETFs will be used
- Addenda Preferred Share 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 (excluding cash and cash equivalents)

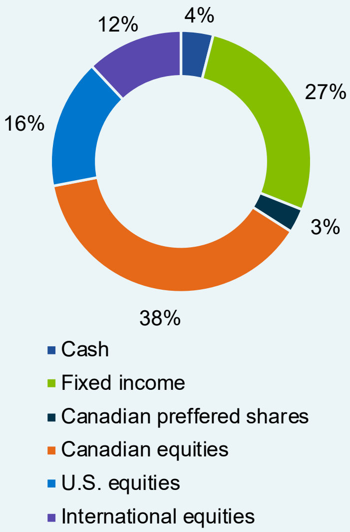
1. Addenda Bonds Universe Core Pooled Fund 26.9%
2. Toronto Dominion Bank 5.9%
3. Bank of Nova Scotia 4.3%
4. Canadian Natural Resources 3.7%
5. Constellation Software Inc 3.4%
6. Brookfield Asset Manage-Cl A 3.1%
7. United Health Group Inc. 3.0%
8. Addenda Preferred Share Pooled Fund 2.9%
9. Linde PLC 2.9%
10. Enbridge Inc 2.7%

Performance

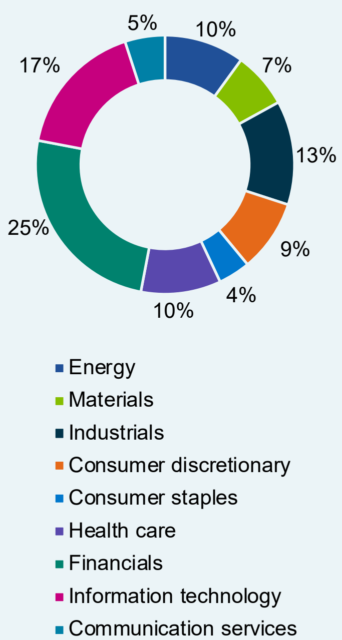
	QTD	YTD	1 yr	2 yr	3 yr	5 yr	Since inception (annualized)
Portfolio	-3.5%	-3.5%	10.6%	16.0%	9.2%	8.2%	7.7%
Benchmark	-3.6%	-3.6%	7.3%	14.8%	8.8%	7.6%	6.8%

*including 3% in Addenda Preferred Share Pooled Fund

Asset allocation[1,2]



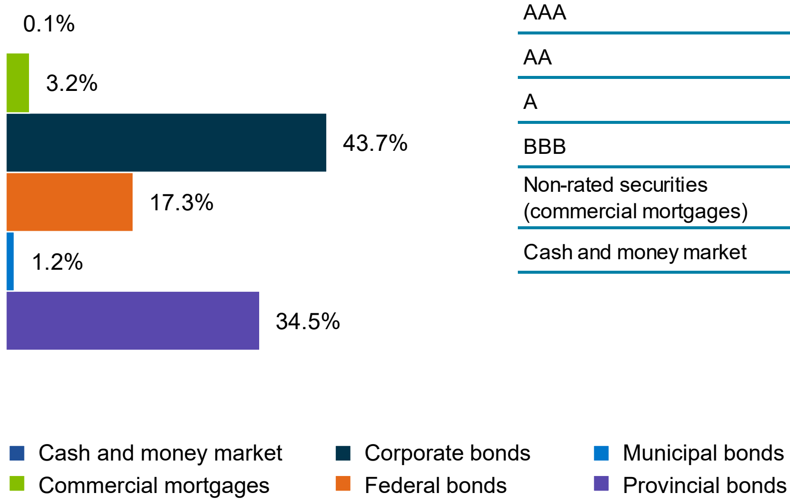
Equities sector allocation[1,3]



Average market cap.
(Equities only) $178.8B

Fixed income allocation

Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	17.5
AA	33.9
A	45.2
BBB	0.0
Non-rated securities (commercial mortgages)	3.3
Cash and money market	0.1

Current yield (bonds): 3.04%

Repositioning for Q2 2022

Sold or reduced positions (-3.7%)

- Sold Reckitt Benckiser Group
- Trimmed CN Rail
- Trimmed Franco-Nevada
- Trimmed United Health

Bought or increased positions (+3.7%)

- Increased Visa
- Increased Addenda Bonds Universe Core pooled fund
- Increased cash

Rationale:

- The manager's asset mix committee has chosen to reduce exposure to Canadian equities as performance has been strong and the economic and political winds ratchet higher. Global equity exposure was also modestly reduced. The proceeds of these reductions went primarily to core fixed income as it was well below target, although this asset class is still underweight. The remainder of the proceeds will stay in cash as a defensive measure. With the US Federal Reserve in aggressive inflation fighting mode, the manager is forecasting growth to decelerate over the year and for volatility to increase as financial conditions tighten.
- To reduce Canadian equity exposure, Franco Nevada was trimmed as it is approaching its assessment of fair value and the manager is forecasting real rates to move into positive territory by year end (a head wind for gold prices). In addition, the geopolitical risk premium as a result of the Russia/Ukraine conflict may fade over time as often is the case when war breaks out. CN Rail was reduced as a continuation of a trade that was initiated last quarter. The manager prefers CP over CN on current fundamentals, with incremental upside from earnings accretion if the Kansas City Southern deal closes later in the year.
- Within the global equity component, Reckitt Benckiser Group was liquidated. Despite doing very well early in COVID on the back of its disinfectant products (Lysol, Dettol) Reckitt has struggled to bring its infant nutrition business (Enfa) back to growth and faces ongoing challenges in the lucrative Chinese market. The stock has not performed up to expectations, and the manager sees more compelling risk reward in other areas. United Health was also trimmed. As the largest holding in the global component and one that has done extremely well, the manager took some profits to reallocate into other areas. After trimming the position, it is still the largest holding in the global component.
- In terms of purchases, Visa was increased as it is a high-quality name that had been one of the smallest names in the portfolio. Fear of disruption from FinTechs and alternative payment networks has weighed on the stock recently, providing an attractive opportunity to add to the position. While the manager does not see changes in the technology underlying payments, as the leading player in the space, Visa is making key investments and has been highly successful in making partnerships to ensure that regardless of the shape of future payments, that Visa is at the center.

Quarterly commentary

Equity market price volatility increased in the first quarter due to rising interest rates driven by inflation concerns, the Russian invasion of Ukraine and expectation for future monetary policy tightening. The Federal Reserve and Bank of Canada both raised overnight interest rate targets by 0.25% in March and suggested more to come. Within bonds, short term rates rose more than longer term, as Central Banks started to tighten policy and discuss tapering of QE programs. Corporate spreads widened in the quarter as record supply came to the market amid volatile equity markets. Canadian equities' positive performance was supported by very strong returns from Energy and Materials, offset by negative results from the Information Technology and Consumer Discretionary sectors. Global equities delivered negative returns as non-North American markets were hurt by uncertainty surrounding the Russian invasion of Ukraine. Consumer Discretionary, Telecom and Information Technology were the most negative, while Energy was the best performing sector. The CA$ was stronger versus its US counterpart during the quarter, appreciating 1.1%. The relevant index returns for this Portfolio in the first quarter were: S&P/TSX 60 Index (3.5%), the MSCI World Index (CA$) (-6.21%) and the FTSE Canada Universe Bond Index (-6.97%).

The Portfolio declined -3.5% during the first quarter but was able to exceed its benchmark by 0.15%. Despite the first quarter pullback, one-year performance continues to be strong with the Portfolio returning 10.6% and exceeding the benchmark by over 3%. Outperformance during the quarter was largely driven by the tactical asset allocation decisions, notably an overweight to Canadian equities which generated positive returns in an environment in which most markets were negative. The corresponding underweight to fixed income further added value as a rise in short-term interest rates caused that asset class to decline sharply. Within the underlying components, the Canadian equity component outperformed its respective benchmark, while global equities underperformed due an underweight in Energy and Materials. The core fixed income component modestly trailed its benchmark as the longer-than-benchmark duration was negatively impacted by the rise in market interest rates.

Global growth slows but remains above longer-term trends supported by fiscal stimulus and a historically high savings rate. The manager expects that growth will be primarily driven by the consumer and government sectors, although supported by positive business investment. Unemployment will continue to fall and dislocations in the labour force should work their way out as the participation rate rises. Inflation pressure should peak in 2022 but remain above central bank targets due to supply chain issues, elevated commodity prices, and increasing labour costs. Significant dislocations in the labour markets with more job openings than available workers put upward pressure on wages. Structural forces (aging demographics, technology advancements, and a growing debt overhang) will continue as headwinds to long term inflation. 2022 will be a transition year as central banks raise administered monetary policy rates and start to reverse bond purchase programs. As such, the manager will continue to position the asset mix to be cautiously optimistic with a modest overweight to stocks and a corresponding underweight in fixed income securities.

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 over $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.

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[4]) | 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 process favors stocks with consistent earnings and free cash flow growth.

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[5]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of April 11, 2022 after quarterly rebalancing unless otherwise stated.

[2] Includes iShares S&P/TSX 60 Index ETF & SPDR S&P 500 ETF.

[3] Excludes iShares S&P/TSX 60 Index ETF, SPDR S&P 500 ETF & Canadian Preferred Shares.

[4] GARP (Growth at a reasonable price).

[5] 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, 2022, 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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