Q3 2023

OnPoint Managed Portfolios

Income

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

Asset allocations

Asset class	Min	Target	Current	Max
Equities	10%	20%	21%	30%
– Canadian dividend & REIT equities	0%	20%	21%	30%
– Non-Canadian equities	0%	0%	0%	10%
Fixed Income & Preferred Shares	70%	77%	76%	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 & REIT equities: Target 10–20 securities. Non-Canadian equities: Target 0–10 securities
- Fixed income: Includes 25% to 50% in units of the Addenda Universe Core Bond pooled fund, 10% to 30% in Addenda Bonds Corporate Core pooled fund, 0% to 20% 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 a high level of income and some capital growth, and is not intended for investors with a short-term investment horizon.

Quick facts

Inception date:
January 14, 2021

Asset class:
Balanced

Minimum investment:
$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
$34B

Portfolio risk:

Low to Medium

OnPoint Managed Portfolios are distributed by *Credential Qtrade Securities Inc.*

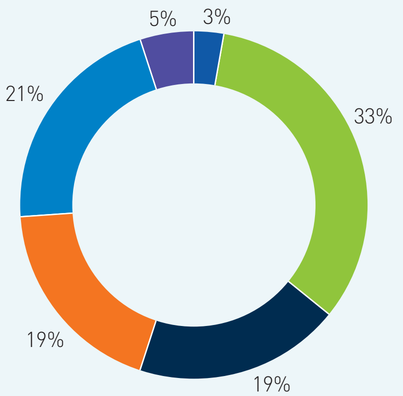
Top ten holdings[1] (excluding cash and cash equivalents) %

1. Addenda Bonds Universe Core Pooled Fund — 33.1
2. Addenda Commercial Mortgage DC Pooled Fund — 19.1
3. Addenda Bonds Corporate Core Pooled Fund — 18.9
4. Addenda Preferred Share Pooled Fund — 5.0
5. Bank Of Montreal — 3.2
6. Toronto-Dominion Bank — 2.9
7. Restaurant Brands Int'l — 1.6
8. WSP Global Inc — 1.6
9. Bce Inc — 1.5
10. Bank Of Nova Scotia — 1.4

Performance

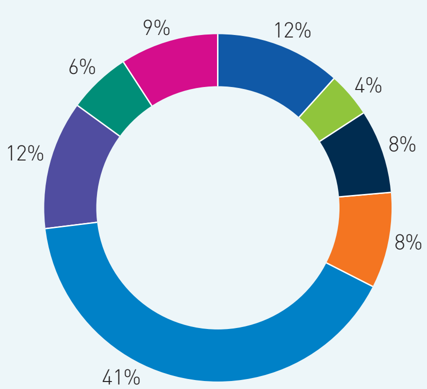
	QTD	YTD	1 yr	2 yr	3 yr	Since inception (Annualized)
Portfolio	-2.4%	-0.2%	1.1%	-2.5%	-	-0.6%
Benchmark	-3.1%	-0.3%	0.7%	-4.5%	-	-2.4%

Asset allocation[1]



- Cash
- Addenda Bonds Universe Core pooled fund
- Addenda Bonds Corporate Core pooled fund
- Addenda Commercial Mortgage DC pooled fund
- Canadian dividend & REITs
- Canadian preferred shares

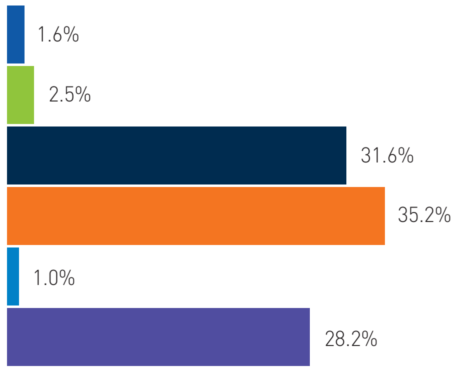
Equities sector allocation[1]



- Energy
- Materials
- Industrials
- Consumer discretionary
- Financials
- Communication services
- Utilities
- Real Estate

Fixed income allocation

Core Bond Pool Sector Allocation

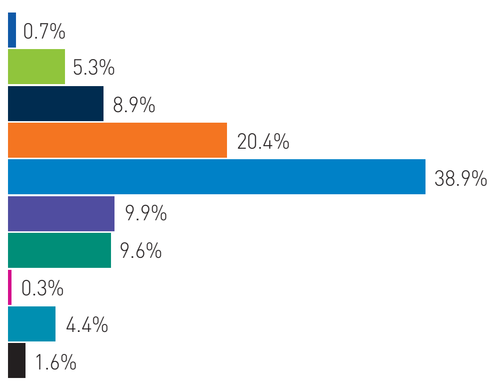


Credit quality	Portfolio (%)
AAA	35.9
AA	31.5
A	14.8
BBB	13.5
BB	0.3
Non Rated Securities (Commercial Mortgages)	2.5
Cash and money market	1.6
	100.0

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

Current Yield 3.32%

Corporate Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	6.8
AA	15.8
A	37.4
BBB	38.5
BB	0.8
Cash and money market	0.7
	100.0

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

Current Yield 4.31%

Average market cap. (Canadian equities only) $57.9B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 5.38%

Repositioning for Q4 2023

Sold or reduced positions (-4.9%)

- Trimmed Addenda Preferred Share Pooled Fund
- Trimmed cash

Bought or increased positions (+4.9%)

- Increased Addenda Bonds Universe Core Pooled Fund
- Increased Granite REIT
- Increased BCE
- Increased Bank of Montreal
- Increased Scotia Bank
- Increased Emera
- Increased Enbridge
- Increased Pembina Pipeline
- Increased Rogers Communications
- Increased RioCan REIT
- Increased TD Bank
- Increased TC Energy

Rationale:

Excess cash position and the exposure to preferred shares which can be volatile in the current interest rate environment were reduced. The proceeds of that reduction were added to the Addenda Core Universe Bond Pooled Fund and Granite REIT, and the balance split into several other equity holdings to rebalance back to their targets.

Granite REIT was initiated last quarter with a view to building the position on further weakness. The REIT declined in the third quarter as bond yields rose, providing an attractive opportunity.

Granite is a Canadian-based Industrial REIT, with ownership and management of logistics, warehouse and industrial properties in North America and Europe. Granite is in the enviable position of being able to participate in robust market fundamentals with 8-10% of space up for renewal in each of the coming years and market rents much higher than expiring rents. The manager anticipates the company to achieve industry-leading growth in cash flow in the short-to-medium term compared to Canadian REIT Sector.

Quarterly **commentary**

During the third quarter of 2023, markets witnessed notable shifts in sentiment. Initially, optimism prevailed with hopes of a soft landing, spurred by US inflation below expectations. This sentiment persisted in the face of challenges, such as concerns over a "higher for longer" interest rate environment and China's economic fragility. However, as the quarter progressed, worries about persistent higher interest rates took hold, despite central banks staying on pause following a 0.25% rise in overnight rates by both the Federal Reserve and Bank of Canada. This sentiment resulted in markets declining in September, impacting higher-beta and interest rate sensitive sectors, while bond yields, particularly 10-years and longer, rose significantly. Despite early optimism, the quarter concluded with negative return of -6.1% for the Dow Jones Canada Dividend Index which trailed the broader S&P/TSX Composite Index decline of -2.2%. Similarly the S&P 500 Index declined -1.2%, and the FTSE Canada Universe Bond Index returned -3.9%, reflecting the evolving market dynamics and ongoing uncertainties.

In this environment, the Portfolio declined -2.4% over the third quarter; however, was able to provide strong downside market protection by exceeding the benchmark by over 0.70%. Contributing to outperformance during the quarter was strong relative results from all of the underlying components. The Canadian dividend equity component acted defensive and outperformed the Dow Jones Canada Index by 1.31% due to strong security selection. The fixed income, commercial mortgages and preferred shares components also added strong relative value, which was more than enough to offset the negative impact of the tactical asset mix decision of being overweight in equities.

In terms of outlook, many economists have increased their 2023 real GDP forecasts for Canada and the US due to strong year-to-date economic data, and they have pushed back their recession predictions until late 2024. The market still reflects expectations of a soft-landing scenario, supported by a robust consumer and a tight labor market. There is a concern however, that the market is also factoring in a prolonged period of higher interest rates and an elevated bond yield environment. As bond yields continue to climb higher and remain elevated, the probability of an unexpected downturn is indeed growing. The longer bond yields stay at these elevated levels, the more challenging it becomes to maintain hopes of achieving a soft-landing scenario. In the first half of 2024, slowing economic momentum may result in falling rates as the bond market prices-in a recession and a pivot in monetary policy. Commodity, energy, and agricultural prices should stay firm through 2023 which supports a large portion of the Canadian equity markets but will be negative on corporate margins overall. There is also the risk of larger valuation adjustments for US equities as earning outlooks are reduced. As such, the manager will continue to remain defensive in asset mix positioning, as well within the underlying portfolios.

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

ADDENDA CAPITAL

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

[1] As of October 10, 2023. after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS Yield 5.10%; Addenda Bonds Universe Core Pooled Fund Yield to Maturity 4.94%; Addenda Bonds Corporate Core Pooled Fund Yield to Maturity 5.61%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 6.44%; Addenda Preferred Share Pooled Fund Yield 7.62%.

[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, September 30, 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: From 2022-01-10: 35% FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/20% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index. From 2020-12-31 to 2022-01-09: 40 FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/15% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond 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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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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