Q1 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:
$158B

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%	28%	45%
Non-Canadian equities	15%	30%	32%	45%
Fixed income	30%	37%	37%	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 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.

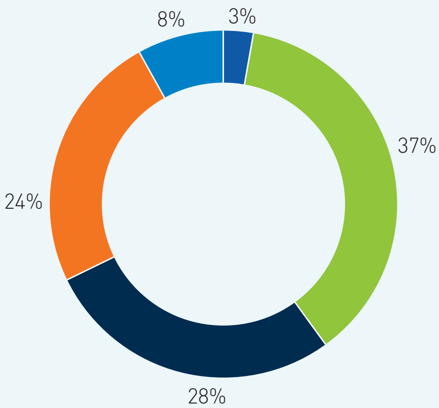
Top ten holdings (excluding cash and cash equivalents) %

	Holding	%
1.	Fiera Core Plus Canadian Bonds Universe Fund	36.8
2.	Franco Nevada Corp	4.4
3.	Visa Inc	3.7
4.	Cdn Nat'l Railway	3.6
5.	Danaher Corp	3.6
6.	Thomson Reuters Corp	3.2
7.	Telus Corp	3.2
8.	Toronto Dominion Bank	3.0
9.	Brookfield Renewable	2.9
10.	CCL Industries Inc	2.7

Performance

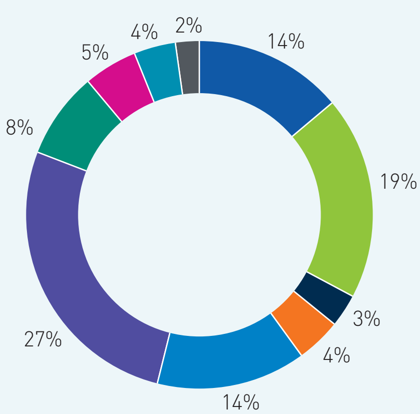
	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	5.2%	5.2%	-0.5%	2.1%	6.5%	6.1%
Benchmark	4.9%	4.9%	-1.9%	2.6%	8.9%	6.6%

Asset allocation[1]



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

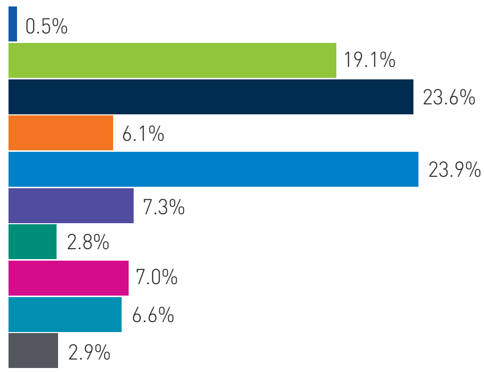
Equities sector allocation[1,2]



- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Communication Services
- Utilities
- Real Estate

Average market cap. $231.0B

Fixed income allocation



Credit quality	Portfolio (%)
AAA	19.2
AA	28.7
A	11.9
BBB	16.0
Below BBB	7.3
Non Rated Securities	16.4
Cash and Money Market	0.5
	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: 4.45%

Repositioning for Q2 2023

Sold or reduced positions (-0.5%)

- Trimmed Ecolab Inc.

Bought or increased positions (+0.5%)

- Increased Fiera Core Plus Canadian Bond Universe Fund
- Increased cash

Rationale

- **Ecolab Inc.**: Bringing weight back down in line with the model after strong performance.

Quarterly **commentary**

Market Review

In the first quarter of 2023, the rally that began at the end of last year continued as the "January effect" compounded improving sentiment even with continued recession fears. Despite the consistent hawkish tone from central banks and the emergence of the US regional banking crisis, the Portfolio's benchmark index showed positive returns across most areas of the market. The strongest performing sectors were Information Technology (22.7%) and Consumer Discretionary (13.4%), with Energy (-2.3%) and Health Care (-1.7%) the biggest laggards.

North American yields finished the quarter lower but were extremely volatile. Rates decreased significantly in January, jumped higher in February and then collapsed in March. The new year got off to a roaring start on rising hopes for a soft landing for developed economies as inflationary pressures showed signs of abating and the Federal Reserve downshifted their pace of tightening. There were also significant flows into fixed income assets that contributed to the rally. Hopes for an imminent end to rate hikes and a dovish policy pivot were dashed in the wake of unrelenting signs of resilient growth, an overheated labour market, sticky inflation, and some hawkish central bank rhetoric that prompted a shift in investor expectations towards higher interest rates for longer.

A wave of risk aversion then swept through the markets. In March the collapse of Silicon Valley Bank, Signature Bank, Credit Suisse and the fear of more contagion in the banking sector caused a powerful flight-to-quality bid into government bonds that brought back memories of the financial crisis in 2008. Governments and Central Banks moved very quickly to contain the situations and provided significant liquidity facilities to the market. The market ended the quarter by raising their expectations that the Fed will cut rates 50 basis points by the end of 2023.

The Bank of Canada increased its target for the overnight rate in January by 0.25% to 4.50%, bringing cumulative rate hikes to 4.25% for the cycle. At this time the Bank also indicated they will pause to see the impact of the interest rate increases on the economy. They expect inflation to drop to 3% this year and hit the 2% target in 2024. The market is looking for the Bank to cut rates 0.50% to 4.00% by the end of 2023. Rates were very volatile during the quarter. 2-year Canada bonds started the year at 4.05%, rallied to 3.47%, sold off to 4.32% and then fell to 3.74% to end the quarter. The Government of Canada 10-year yield ended 2022 at 3.30% and rallied to 2.90% by the end of the quarter.

Attribution Analysis

Equities

Among the leading contributors to performance over the quarter were Brookfield Renewable Power and Thomson Reuters. Brookfield Renewable offers investors a great way to invest in decarbonization. It has a leading renewable power platform of Hydro, Solar and Wind (25GW), (2) it has a high degree of contracted cash flows (75%+ through 2027), (3) long-term organic and M&A based growth strategy (19 GW under construction and over 100 GW of prospects) and (4) attractive income characteristics (4.5% dividend yield which is targeted to grow 5-9% a year). 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.

Significant detractors over the quarter were Metro and Danaher. Metro 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 if the Canadian grocery sector, strong pricing power and a top tier management team with a track record of efficiency and operational excellence. After showing strong resilient performance during the volatility of last year, the stock experienced a slight pullback during the quarter. For 30 years Danaher has systematically created value by buying assets in attractive markets, improving the efficiency of those operations and then used the cash flow to buy more businesses. The market has pushed the value of Danaher down in the first quarter in part due to the rumoured acquisition of Catalent, a contract drug manufacturing organization. Although there is a strong strategic rationale for this acquisition the market is worried because it is a much lower margin business than the rest of Danaher. Given the track record of management and the fact that the two brothers that have been the driving force behind the business since 1984 still own over 8% of the company we believe that Danaher will continue its positive compounding ways.

Quarterly **commentary**

Fixed Income

During the quarter, the Fiera Canadian Core Plus Universe Bond strategy outperformed its benchmark. We maintained a longer portfolio duration than the benchmark, which was a source of positive added value as yields declined. We also benefitted from a slight steepening of the curve due to the strategies overweight to mid-term bonds.

The Canadian Core Plus strategy was underweight to Canadian corporate bonds, which was a positive contributor. The overweight exposure to US High Yield BB-B rated bonds, where spreads were about 0.15% narrower on the quarter, benefited the performance. Exposure to long maturity high quality infrastructure debt also added value to strategy returns.

Within the expanded opportunity set, private credit strategies generated 0.28% of added value over the quarter with positive returns across private corporate, real estate and commercial mortgage strategies. The highest contributing private credit strategy was the Fiera Real Estate Debt strategy, which has its underlying investments tied to floating rates. We remain overweight in public and private credit, underweight in provincial, as we believe the former provides a more compelling yield compensation, but acknowledge the potential for volatility over the remainder of the year.

The strategy is underweight Canadian corporate and provincial bonds, while being modestly overweight the municipal sector at the end of the quarter. The Fund is slightly above its neutral plus target allocation of 25% across both public investment and non-investment grade asset classes, as well as private credit. The strategy has a 0.76% yield advantage relative to the benchmark at the end of the quarter.advantage relative to the benchmark at the end of the quarter.

Outlook

The markets are currently anticipating a decrease in policy rates by end of year, as a result we expect the slope of the yield curve to increase/steepen. Inflation, employment, financial stability and tighter financial conditions will be the key drivers for the direction of bond yields, however, we expect a slowdown in the economy which makes us cautious and is leading to defensive positioning. We also believe the Federal Reserve is getting close to pausing, especially now with tighter financial conditions brought on by the turmoil in US regional banks. On the contrary, Canadian and US 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. 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 equity component continues to be composed of high-quality businesses that can withstand tough times. Even after this strong year, the Portfolio is currently trading at an attractive discount to its intrinsic value. Both of these 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

FIERA CAPITAL

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 April 10, 2023 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.84%

[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, 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).

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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