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:
$35B

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%	35%	40%
Non-Canadian equities	20%	30%	28%	40%
Fixed income	20%	37%	32%*	60%
Cash & cash equivalents	1%	3%	5%	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)

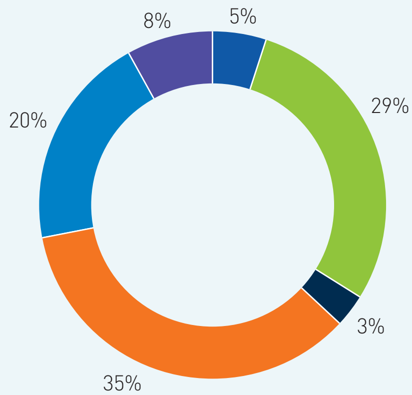
1.	Addenda Bonds Universe Core Pooled Fund	26.9
2.	Toronto-Dominion Bank	4.9
3.	Constellation Software Inc	4.1
4.	Canadian Natural Resources	3.8
5.	Dollarama Inc	2.9
6.	Addenda Preferred Share Pooled Fund	2.7
7.	SAP	2.6
8.	Bank Of Montreal	2.6
9.	Canadian Pacific Railway Ltd	2.6
10.	UnitedHealth Group	2.5

Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	3.4	3.4	-1.3	9.9	6.9	6.5
Benchmark	4.9	4.9	-1.9	8.9	6.3	5.7

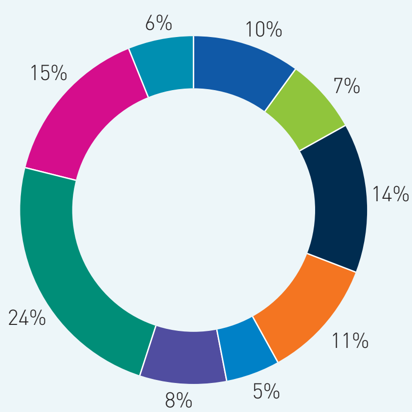
*including 3% in Addenda Preferred Share Pooled Fund

Asset allocation[1]



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

Equities sector allocation[1,2]

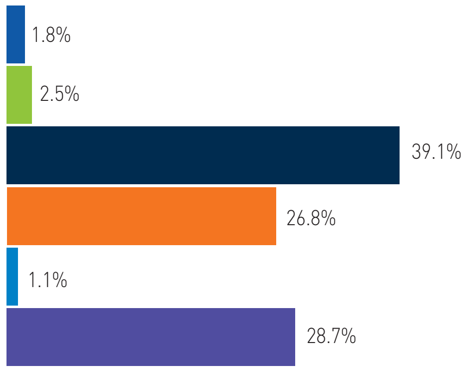


- Energy
- Materials
- Industrials
- Consumer discretionary
- Consumer staples
- Health care
- Financials
- Information technology
- Communication services

Average market cap.
(Equities Only) $197.6B

Fixed income allocation

Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	27.5
AA	30.5
A	21.7
BBB	15.9
Non-rated securities (commercial mortgages)	2.5
Cash and money market	1.8
	100.0

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

Current yield (bonds): 2.66%

Repositioning for Q2 2023

Sold or reduced positions (-1.1%)

- Sold Lumine Group (LMN)
- Trimmed Linde Plc

Bought or increased positions (+1.1%)

- Increased Alphabet Inc.
- Increased Franco-Nevada
- Increased Global Payments (GPN)

Rationale:

There was no asset mix change.

Within Canadian equities:

- The small amount of proceeds from liquidating **Lumine Group** (LMN - spin out of Constellation) was used to increase **Franco Nevada** as the outlook for gold has improved with the recent shift in China's zero covid policy (China is the largest buyer of gold) improving the outlook for Chinese spending and economic growth in 2023.

  More importantly, geo-political concerns have led to record buying of gold from central banks in countries such as China and Russia as they attempt to shift away from the US dollar.

  Interest rate differentials globally also support a weakening US dollar which had been a headwind for gold prices in 2022. The recent collapse in crypto currencies due to fraud concerns at FTX (leading to increased regulation) should also improve gold demand.

  Last but not least, gold should benefit from a pause in interest rate hikes in the US later this year.

  For all of these reasons, the manager is much less bearish on gold entering 2023 and likes the negative correlation that exists between precious metals and other equity industries during periods of broad-based equity weakness (i.e. improves portfolio risk/reward by reducing volatility).

Within foreign equities:

- **Linde Plc** operates within the industrial gases industry offering a wide range of compelling applications which over time proved to be a resilient business model. After its merger with Praxair a few years ago, the company continued to expand further and executed well on pricing power and productivity. The company's stock has performed consistently well and at this point has grown to be one of the largest holdings in the Portfolio. The manager decided to crystallize some gains and reallocate the proceeds to names with appealing valuation opportunities.
- **Alphabet** is a combination of businesses, an umbrella that encompasses Google - its bread-and-butter business enjoying a leading position, but also other segments which over time gained market shares such as cloud computing or advertising among other projects.

In light of the latest competition concerns with respect to progress in Artificial Intelligence, the company's valuation came down and the manager decided to increase the position.

The manager believes that the company's expertise in technology, its strong balance sheet and disciplined execution should help the management pursue opportunities that will overcome short-term adverse concerns.

- One of the largest merchant acquirers, **Global Payments**, further cements its position by providing vertical specific software solutions. Payments companies across the board have been hit by recession fears or competition concerns, which at this point are reflected in their valuation levels. The position was increased as the manager believes that GPN is offering an appealing growth profile by capturing an ongoing secular shift towards a cashless society. The company strives to innovate and bring advancements in digital commerce while continuing to expand its geographical footprint.

Quarterly **commentary**

The first three months of the year started off on a strong note with all major asset classes generating positive returns. Canadian and global equities led the way with during the quarter with solid, mid-single digit returns, followed by fixed income and preferred shares. The Bank of Canada raised its overnight target rate by 0.25% to 4.50% in January and then remained on hold for the remainder of the quarter. Similarly, the Federal Reserve hiked rates twice by 0.25% since the start of the year, bringing their target range to 4.75 – 5.00%. Both Central Banks suggested that they need to closely assess future economic data and may need to tighten further. Despite strong inflation and jobs data during the quarter, rates fell across the curve as several regional banks failed in the US in March. Expectations for Central Banks to potentially pause or reverse their hiking cycle led short term rates to decline more than longer term. Corporate spreads narrowed during the first two months of the quarter but widened in March due to turmoil in the banking sector. Equity markets delivered strong results despite growing concerns in the financial sector, on expectations that Central Banks are nearing the end of monetary policy tightening. The Canadian dollar was little changed versus its US counterpart during the quarter. The relevant index returns for the Portfolio in the first quarter were: S&P/TSX 60 Index (+4.11%), the MSCI World Index (CA$) (+7.60%) and the FTSE Canada Universe Bond Index (+3.22%).

The Portfolio participated in the market rally that occurred during the quarter, returning +3.36%; however, was not able to keep pace with the benchmark return of 4.86%. Despite this short-term underperformance, the Portfolio continues to remain well ahead over the 1-year and longer annualized time periods as a result of the strong downside protection achieved in 2022. . Within the underlying components, fixed income, commercial mortgages and preferred shares outpaced their benchmarks, while the Canadian and Foreign Equity components lagged.

Looking forward, the manager expects global economic growth to slow in 2023 but remain positive as domestic demand is supported by strong labour market dynamics and excess household savings. As a result of tight labour markets, the unemployment rate is not expected to increase much. However, the risk of recession increases as the year progresses due to the maintenance of restrictive monetary policy. Inflation pressure should continue to moderate throughout 2023 but will remain above central bank targets in terms of both level and scope. Service inflation is persistent, while goods inflation declines. Dislocations in the labour markets with more job openings than available workers continue to put pressure on wages. Central Banks have paused or are close to pausing tightening for this cycle and will plan to hold rates steady, while closely monitoring future economic data to determine whether further change is required in 2023. Against the backdrop of slowing economic growth but higher than target inflation, central banks will focus on price stability and will not pivot to stimulate growth in the near term. In light of this view, the manager continues to maintain a higher cash allocation and look for opportunities to reinvest into fixed income as rates rise and/or equities at better valuation levels.

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 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[4]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of April 12, 2023 after quarterly rebalancing unless otherwise stated.

[2] Excludes Canadian Preferred Shares

[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, 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).

NDG0003E_3 04/23