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# 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% | 74% | 90% |
| 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. 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:**
$35B

**Portfolio risk:**

Low to Medium

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

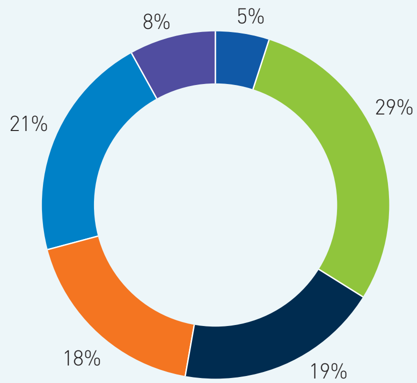
## Top ten holdings (excluding cash and cash equivalents) %

| # | Holding | % |
|---|---|---|
| 1. | Addenda Bonds Universe Core Pooled Fund | 28.6 |
| 2. | Addenda Bonds Corporate Core Pooled Fund | 18.7 |
| 3. | Addenda Commercial Mortgage DC Pooled Fund | 18.2 |
| 4. | Addenda Preferred Share Pooled Fund | 8.3 |
| 5. | Bank Of Montreal | 3.2 |
| 6. | Toronto-Dominion Bank | 2.7 |
| 7. | BCE Inc | 1.8 |
| 8. | Restaurant Brands Intl. | 1.7 |
| 9. | Bank Of Nova Scotia | 1.4 |
| 10. | Emera Inc | 1.4 |

## Performance

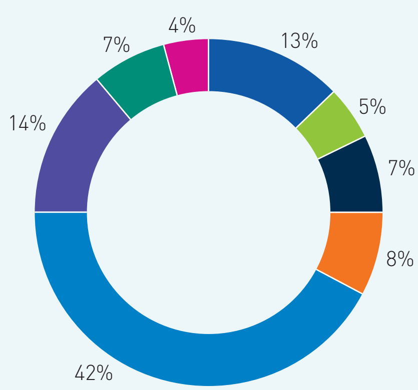
| | QTD | YTD | 1 yr | 2 yr | 3 yr | Since inception (Annualized) |
|---|---|---|---|---|---|---|
| Portfolio | 2.4 | 2.4 | -3.3 | 0.4 | | 0.5 |
| Benchmark | 3.3 | 3.3 | -3.6 | -1.4 | | -1.4 |

## 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

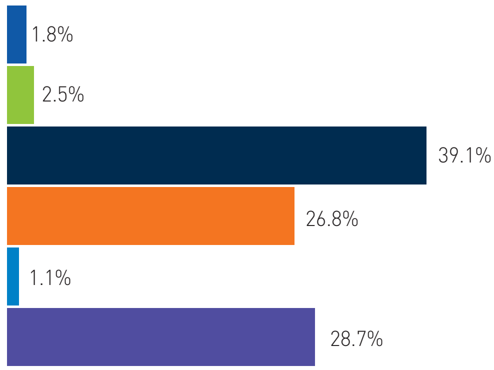
## Equities sector allocation[1]




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

## Fixed income allocation

### Core Bond Pool Sector Allocation

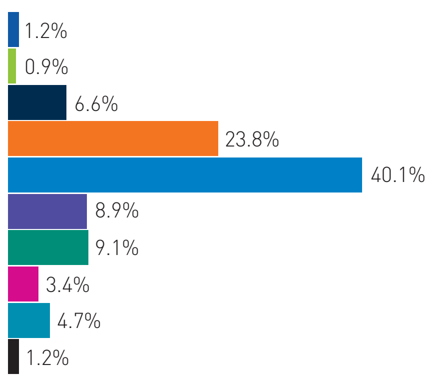



| Credit quality | Portfolio (%) |
|---|---|
| AAA | 27.5 |
| AA | 30.5 |
| A | 21.7 |
| BBB | 15.9 |
| Non Rated Securities (commercial mortgages) | 2.5 |
| Cash and money market | 1.8 |
| | 100.0 |

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

Current Yield 2.66%

### Corporate Core Bond Pool sector allocation




| Credit quality | Portfolio (%) |
|---|---|
| AAA | 2.2 |
| AA | 10.9 |
| A | 47.1 |
| BBB | 38.6 |
| Cash and Money Market | 1.2 |

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

Current Yield 3.97%

Average market cap. (Canadian equities only) $63.6B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.72%

## Repositioning for Q2 2023

### Sold or reduced positions (-0.4%)

- Trimmed IA Financial Corp. (IAG)

### Bought or increased positions (+0.4%)

- Increased Bank of Montreal (BMO)

## Rationale:

- Within the Canadian dividend equities, a modest rebalancing trade between IAG and BMO was executed to better align with the manager's other Canadian dividend equity mandates.

# 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 during the quarter with solid, mid-single digit returns, followed by fixed income and fpreferred 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: Dow Jones Canada Select Dividend Index (+5.17%), the S&P/TSX Preferred Shares Index (+2.27%%) the FTSE Canada Universe Bond Index (+3.22%), the FTSE Canada Short Term Overall Bond Index (+1.82%), and the FTSE Canada All Corporate Bond Index (+2.79%).

The Portfolio participated in the market rally during the quarter, returning +2.38%, but underperformed the benchmark return of by 0.89%.  Over the one-year period, the Portfolio declined by -3.25% but outperformed the benchmark by 0.34%. Similarly, over the two-year period, the Portfolio returned +0.36%, despite the benchmark declining -1.37%.  The Portfolio's fixed income, preferred shares, and commercial mortgages components added value relative to their respective benchmarks, while Canadian dividend equity detracted from performance due to security selection.

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.

# **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 April 12, 2023. after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS Yield 4.50%; Addenda Bonds Universe Core Pooled Fund Yield to Maturity 4.36%; Addenda Bonds Corporate Core Pooled Fund Yield to Maturity 5.26%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 5.99%; Addenda Preferred Share Pooled Fund Yield 6.85%.

[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: 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



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