Q1 2024

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:
$37B

Portfolio risk:

Medium

OnPoint Managed Portfolios are distributed by *Aviso Wealth.*

aviso wealth

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%	37%	40%
Non-Canadian equities	20%	30%	31%	40%
Fixed income	20%	37%	30%*	60%
Cash & cash equivalents	1%	3%	2%	10%

■ Target ☐ Current

- 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[1] (excluding cash and cash equivalents) %

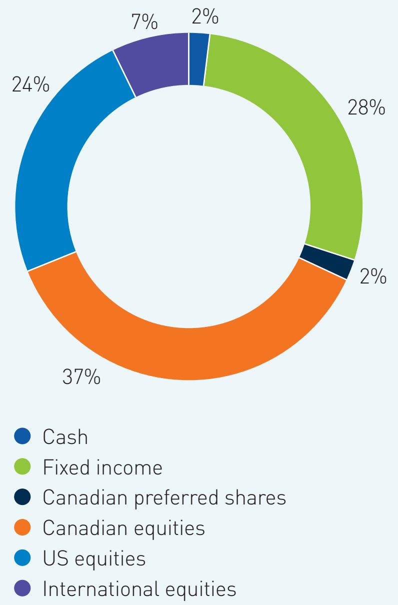
#	Holding	%
1.	Addenda Bonds Universe Core Pooled Fund	25.8
2.	Constellation Software Inc	5.1
3.	Canadian Natural Resources	4.4
4.	Toronto-Dominion Bank	4.3
5.	Dollarama Inc	3.5
6.	Bank of Montreal	3.0
7.	SAP	2.9
8.	Canadian Pacific Kansas City	2.9
9.	Addenda Commercial Mortgages DC Pooled Fund	2.7
10.	Visa Inc	2.4

Performance

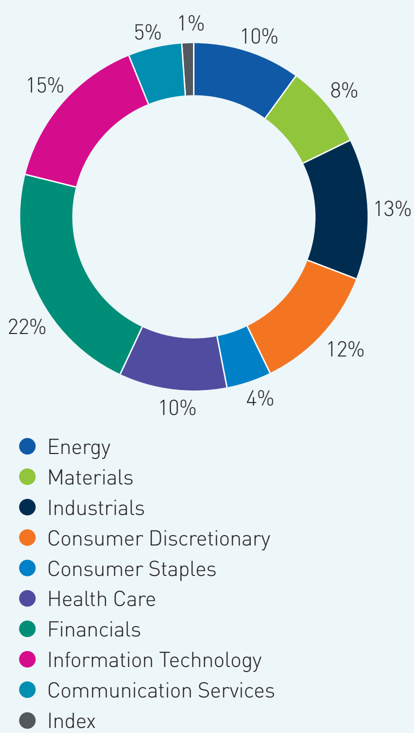
	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	6.3%	6.3%	14.4%	7.7%	8.0%	7.4%
Benchmark	4.8%	4.8%	12.5%	5.8%	7.3%	6.4%

*including 2% in Addenda Preferred Share Pooled Fund

Asset allocation[1]



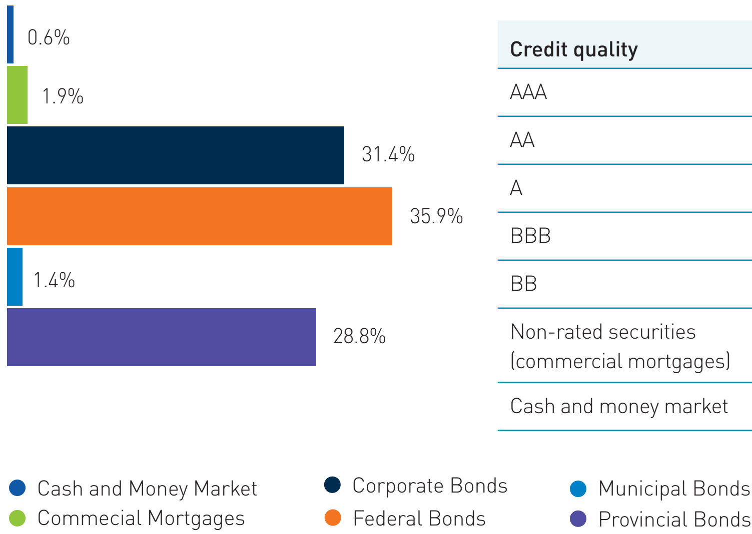
Equities sector allocation[1,2]



Average market cap. (Equities Only) $232.1B

Fixed income allocation

Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	36.7
AA	28.7
A	16.8
BBB	15.2
BB	0.3
Non-rated securities (commercial mortgages)	1.9
Cash and money market	0.6
	100.0

Current yield (bonds): 3.03%

Repositioning for Q2 2024

Sold or reduced positions (-0.5%)

- Sold Canadian National Railway

Bought or increased positions (+0.5%)

- Increased Canadian Pacific Kansas City
- Increased CCL Industrials

Rationale:

Asset mix changes:

From an Asset Mix perspective, there was no change this quarter as the manager was comfortable with the tactical mix of the Portfolio relative to the target weights.

Within Canadian equities:.

Canadian National Railway (CN Rail) was eliminated this quarter and added to **CCL Industries** and **Canadian Pacific Kansas City** (CP Rail) as they are higher conviction holdings. CP Rail recently completed a merger with Kansas City Southern, a combination that the manager thought would be a major catalyst for long-term earnings growth well above industry peers. The combined network extends from Canada to Mexico, allowing numerous opportunities for market share gains. The new network will also benefit from the trend of "near-shoring" to Mexico after pandemic-related supply chain issues forced shippers to rethink their reliance on China.

CCL Industries was added as it is a relatively small position, and the manager felt the outlook for the company has improved over the past six months. To that end, the intrinsic value increased by 15% recently after management provided a fourth-quarter update and outlook for 2024. The CEO commented that 2024 is shaping up to be the best outlook since 2017/18 and that demand across all divisions is poised to inflect from post-Covid troughs. The outlook for M&A has also improved, yet the shares are still trading at the low end of their 5-year trading range presenting a compelling risk/reward opportunity for investors.

Quarterly **commentary**

The upward price momentum in the equity market continued in Q1, driven by optimism about economic growth as well as positive sentiments surrounding A.I, which provided support, in particular, to technology names. Meanwhile, the bond market's performance was weighed on by the prospect of the Fed putting off rate cuts until the latter part of the year.

The US equity market continued its rise in the first quarter of 2024, hitting new highs. Markets continue to reflect optimism with respect to economic growth and the expectations for interest rate cuts later in the year. Despite conservative US Federal Reserve commentary, markets have remained positive, even as the consensus for rate cuts has moved lower. Sector performance in the first quarter was varied, with some of the worst performing sectors from the last quarter of 2023 changing direction sharply (Energy, +16.7% versus -9.2% in the previous quarter). Information Technology has remained a consistently strong performer, with first quarter being no exception (+15.7%). The performance of the Consumer Discretionary sector improved, but it remains among the weakest sectors alongside Real Estate and Utilities.

On the Canadian equity side, the year-end rally continued through Q1 with the S&P/TSX Composite Index posting a strong 6.6% total return in the quarter, bringing the index to a new all-time high.

The Healthcare, Energy, and Industrial sectors were strong performers. Oil prices rose as OPEC+ members extended voluntary production cuts through midyear. Many Canadian energy companies delivered strong quarterly results, including healthy balance sheets and higher returns to shareholders. The Communications and Utilities sectors lagged and posted negative returns in the quarter.

In terms of global equities, the MSCI World Index returned 11.7%. Sector performance during the quarter varied widely. The Information Technology sector continued the strong performance seen through the end of 2023, returning 15.3%. However, Communication Services was the best performing sector for the period with a return of 15.9%. Financials rounded out the top three with a return of 13.4%. The worst performing sectors were Real Estate (2.1%) and Utilities (3.9%). The Energy sector was ahead of the overall benchmark with a return of 12.6% for the period.

On the fixed income side, central bank policy in both Canada and the United States remained unchanged in observation of persistent inflation data and labour market strength. Bond yields rose approximately 0.35% across the curve as interest rate markets priced out 3 of the expected 6 rate cuts that had been priced in during the rally in the last quarter of 2023. Data pointing to an uptick in the January and February CPI prints in the U.S., along with still strong labour reports, and a solid first quarter growth trajectory, led markets to push back their expectations for rate cuts which were priced for as early as March of 2024.

Provincial and Corporate credit spreads narrowed during the first quarter as risk appetite remained positive. A $36.0B of new corporate debt issue supply was met with solid demand as investors continue to find all-in yields attractive.

The Portfolio increased 6.31%% during Q1, outperforming its benchmark by 1.48% (before fees) as a result of strength from all of the underlying asset classes. Within the underlying components, the Canadian equity component exceeded its benchmark by 1.38% during the quarter, benefitting from strong stock selection in information technology, industrials and materials. Notable outperformers in the period included WSP Global (+21.7%) and Constellation Software (+12.7%). Partially offsetting this was our underweight in Energy and Health Care stocks, as both were the top performing sectors during the first quarter.

The global equity component also had a strong first quarter, returning 12.6% and exceeding its benchmark by 0.86%. The Information Technology sector continued the strong performance seen through the end of 2023, returning 15.3%. However, Communication Services was the best performing sector for the period with a return of 15.9%. Financials rounded out the top three with a return of 13.4%. Despite not holding some of the high-flying tech stocks that continued their march higher, the Portfolio return exceeded the MSCI World Index as a result of strong security selection. Ball, SAP and Alphabet were notably strong performers in the Portfolio during the first quarter.

The Core Fixed Income component delivered negative absolute performance but had positive value add relative to benchmark. In the core universe bond component, portfolio duration started the quarter short relative to the benchmark following the strong rally in the fourth quarter. Duration was added as yields rose through the first several weeks but was reduced to close to neutral as rates staged a rally in March. Credit spreads narrowed during the quarter and a modest overweight allocation to the Provincial and Corporate sectors were sources of added value.

While the preferred share component underperformed relative to its benchmark, this was not enough to weigh on overall performance as the other underlying components showed strength in Q1.

Looking forward, economic growth in the near term is expected to be stable despite the backdrop of current policy rates. Global trade momentum is improving, which is suggestive of broader based demand activity. Continued labour market strength, wage gains, and high savings balances remain supportive for consumer spending in both Canada and the U.S.

We expect that inflation pressure will continue to decline this year but achieving central bank targets may prove difficult without further economic deceleration. Wage inflation remains elevated which presents more of a challenge in Canada than the U.S. Productivity gains in the US provide some relief to inflation pressures (unit labour costs below 2%), while negative productivity in Canada will contribute to higher inflation.

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 8, 2024 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, 2024, 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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