aviso wealth

OnPoint Managed Portfolios

Income Growth

Quick facts

Inception date:
February 29, 2016

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.*

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

Asset allocations

Asset class	Min	Target	Current	Max
Equities	10%	35%	38%	50%
– Canadian dividend & REIT equities	10%	35%	33%	50%
– Non-Canadian equities	0%	0%	5%	10%
Fixed income & Preferred shares	50%	62%	57%	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 & equities: Target 10-20 securities. US equities: Target 0–20 securities
- Fixed income: Includes 5% to 35% in units of the Addenda Universe Core Bond pooled fund, 15% to 50% in Addenda Bonds Corporate Core pooled fund, 0% to 30% 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 income and long-term capital growth, and is not intended for investors with a short-term investment horizon.

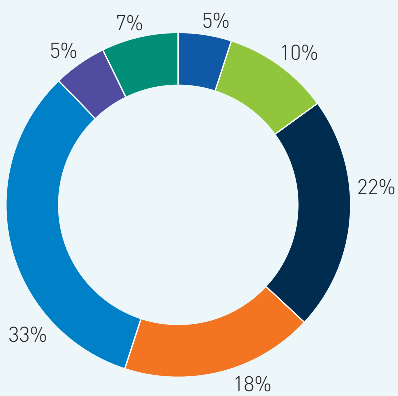
Top ten holdings (excluding cash and cash equivalents) %

1.	Addenda Bonds Corporate Core Pooled Fund	21.8
2.	Addenda Commercial Mortgage DC Pooled Fund	18.0
3.	Addenda Bonds Universe Core Pooled Fund	9.9
4.	Addenda Preferred Share Pooled Fund	7.0
5.	Bank Of Montreal	5.3
6.	Toronto-Dominion Bank	4.5
7.	Restaurant Brands Int'l	2.9
8.	BCE Inc	2.4
9.	Bank Of Nova Scotia	2.2
10.	WSP Global Inc	2.2

Performance

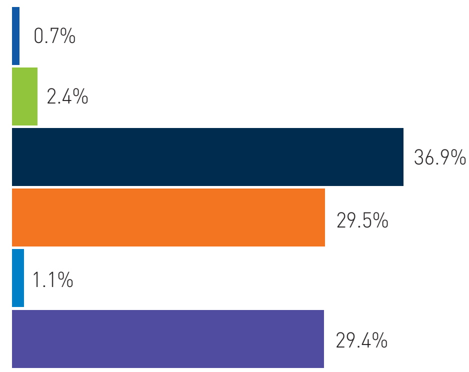
	QTD	YTD	1 yr	3 yr	5yr	Since inception (Annualized)
Portfolio	0.5	2.8	3.7	5.0	4.2	4.8
Benchmark	0.1	3.6	3.3	2.7	3.1	4.3

Asset allocation[1]



- Cash
- Addenda Bonds Universe Core Pooled Fund
- Addenda Bonds Corporate Core Pooled Fund
- Addenda Commercial Mortgage DC Pooled Fund
- Canadian Dividend and REITS
- US Equities
- Canadian Preferred Shares

Core Bond Pool sector allocation

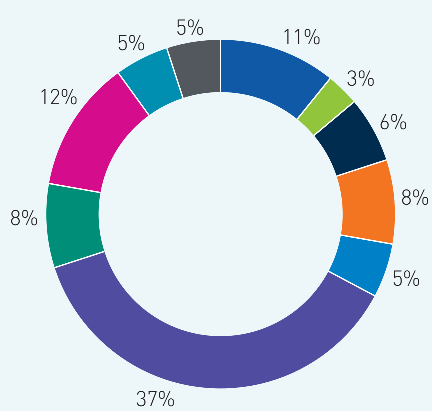


- Cash & Money Market
- Commercial Mortgages
- Corporate Bonds
- Federal Bonds
- Municipal Bonds
- Provincial Bonds

Credit quality	Portfolio (%)
AAA	30.3
AA	31.8
A	19.9
BBB	14.9
Non Rated Securities (Commercial Mortgages)	2.4
Cash and Money Market	0.7
	100.0

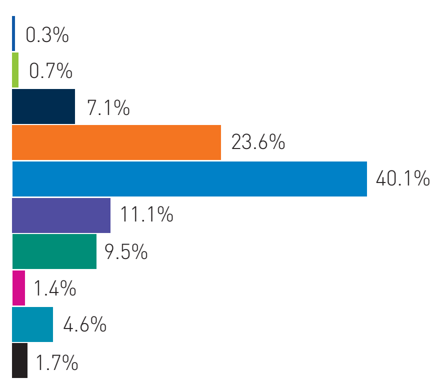
Current Yield 3.43%

Equities sector allocation[1]



- Energy
- Materials
- Industrials
- Consumer discretionary
- Health care
- Financials
- Information technology
- Communication services
- Utilities
- Real estate

Corporate Core Bond Pool sector allocation



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

Credit quality	Portfolio (%)
AAA	2.4
AA	14.1
A	42.8
BBB	40.4
Cash and Money Market	0.3
	100.0

Current Yield 4.21%

Average market cap. (Canadian equities only) $62.2B
(US equities only) $1706.5B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.87%

Repositioning for Q3 2023

Sold or reduced positions (-2.3%)

- Sold iShares Canadian Select Dividend Index ETF
- Trimmed Addenda Preferred Share Pooled Fund
- Trimmed cash

Bought or increased positions (+2.3%)

- Initiated a new position in Granite Real Estate Investment Trust (REIT)
- Increased Addenda Bonds Universe Core Pooled Fund
- Increased Addenda Bonds Core Corporate Pooled Fund

Rationale:

Asset mix changes:

Exposure to preferred shares, which can be volatile in the current interest rate environment was trimmed. The proceeds went to the Addenda Bonds Universe Core Pooled Fund and the Addenda Bonds Core Corporate Pooled Fund to increase fixed income allocation.

Within Canadian dividend equities:

A position in **Granite REIT** was initiated. It is a Canadian-based Industrial REIT, with ownership and management of logistics, warehouse and industrial properties in North America and Europe.

The manager anticipated the company to achieve industry-leading growth in cash flow in the short-to-medium term compared to Canadian REIT Sector.

Despite potential downside risks associated with economic weakness, demand for industrial properties remains resilient due to the need to enhance supply chain resilience, on-shoring initiatives, and the growth of e-commerce.

Granite REIT offers strong fundamentals and growth prospects in the coming years, with reasonable valuation compared to other Canadian and US REITs. Granite has a strong history of consistent distribution increases (3-4% per year), with a reasonable payout ratio and has never cut the distribution.

Quarterly **commentary**

Global equities performed well during the quarter with the advance led by developed markets, notably the US. Enthusiasm over AI (Artificial Intelligence) boosted technology stocks. During the quarter, equity markets defied expectations and overcame various sources of uncertainty, including persistent inflation, central bank rate hikes, the debt ceiling, and weak economic data from China. These concerns were disregarded as markets responded positively to recent robust economic indicators, such as accelerated real GDP growth, strong housing figures, and a resilient consumer base. Economic activity has proven more resilient than anticipated, thanks to a robust job market that has led to significant growth in real income for consumers. Additionally, elevated levels of checking and savings accounts have resulted in the economy being less sensitive to higher rates in the short term.

The US broad market index rose by 8.74% in Q2, which was largely attributable to gains in the Technology sector and strong advances in the mega-cap tech names. Canadian equities also participated in the market rally, but to a smaller extent as the S&P/TSX Composite Index rose by 1.10%. While the equity market gained momentum, the picture was quite the opposite in the bond market, as rates were volatile across the curve with an upward bias. Strong employment and inflation data led the Bank of Canada to raise its overnight target rate by 25 basis points (bps) to 4.75% in June after being on hold for 5 months. The Federal Reserve also hiked rates by 25 bps in May, bringing their target range to 5.00 – 5.25%. Both Central Banks suggested that they may need to tighten policy further as the real economy continues to show resiliency. This resulted in Canadian Government bond yields to rise. Two-year yields rose over 80 bps while ten-year yields rose approximately 33 bps causing the 2-10 year curve to move to 132 bps inverted. Corporate spreads narrowed during the second quarter driven by strong demand from investors.

The Portfolio returned 0.54% during the second quarter and exceeded its benchmark (before fees) by 49 bps. The Fixed Income and Commercial Mortgages components added strong relative value, which was more than enough to offset underperformance of Canadian Dividend Equity and Preferred Share components. The Preferred Share market was on soft footing entering the second quarter, when the Canadian Government announced a new budgetary change by eliminating the dividend tax exemption for Canadian corporations.

In terms of outlook, strong YTD economic data has prompted economists to raise their 2023 GDP forecasts for Canada and the US, while postponing their recession predictions until 2024. The market is priced for a soft-landing scenario. Supporting this scenario is the resilient consumer, a tight labor market, and a rebound in housing activity, among other factors. However, achieving a soft-landing hinge on a flawless disinflation process, which has not historically occurred without a recession, particularly when considering persistent core inflation. The manager expects that North American economies will be resilient and deliver positive, although slowing, growth in 2023. The rate of inflation will decline but be more persistent and higher than expected which will cause Central Banks to maintain tight policy. 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 have a tactical excess cash position and remain defensive in the equity components.

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 July 11, 2023. after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS yield 4.95%; Canadian Preferred Share yield 6.89%; US Equity yield 1.36%; Addenda Core Bond Pool yield to maturity 4.75%; Addenda Corporate Core Bond Pool yield to maturity 5.80%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 5.79%.

[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, June 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: 15% FTSE Canada Universe Bond/25% FTSE Canada All Corporate Bond/35% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index. From 2018-04-01 to 2022-02-28: 28% FTSE Canada Universe Bond/37% FTSE Canada All Corporate Bond/25% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2016-02-29 to 2018-03-31 : 28% FTSE Canada Universe Bond/37% FTSE Canada All Corporate Bond/25% Dow Jones Canada Select Dividend/10% BMO 50 Preferred Shares.

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