Q3 2023

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:
$164B

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%	32%	45%
Non-Canadian equities	15%	30%	28%	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.

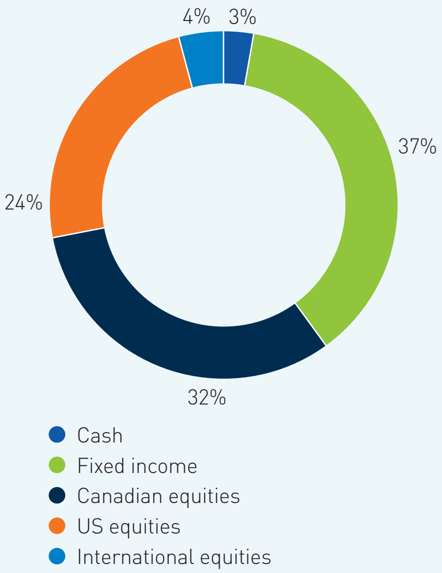
Top ten holdings[1] (excluding cash and cash equivalents) %

1. Fiera Core Plus Canadian Bonds Universe Fund 38.0%
2. Visa Inc 4.0%
3. Cdn Natl Railway 3.4%
4. Danaher Corp 3.2%
5. Toronto Dominion Bank 3.1%
6. CME Group Inc 3.1%
7. Thomson Reuters Corp 3.1%
8. Microsoft Corp 3.1%
9. S&P Global Inc 3.0%
10. Zoetis Inc 2.8%

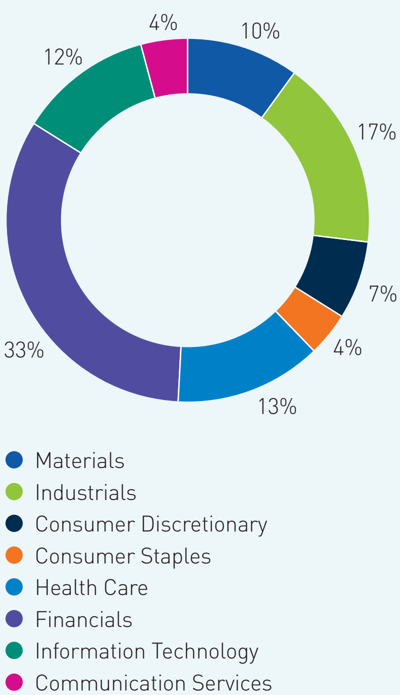
Performance

	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	-4.4%	0.7%	4.0%	-2.8%	-0.1%	4.5%
Benchmark	-2.7%	3.6%	8.0%	-0.9%	3.6%	5.6%

Asset allocation[1]

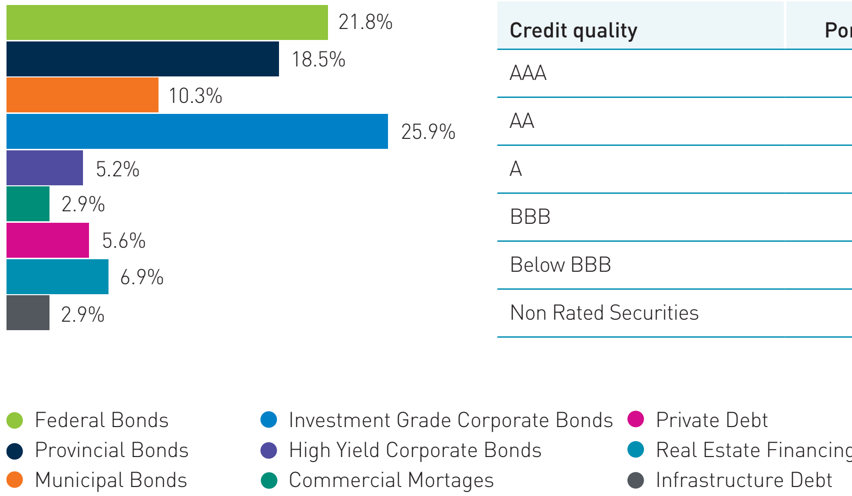


Equities sector allocation[1,2]



Average market cap. $238.0B

Fixed income allocation



Credit quality	Portfolio (%)
AAA	22.5
AA	27.7
A	13.2
BBB	16.0
Below BBB	5.2
Non Rated Securities	15.3
	100.0

Current Yield: 4.94%

Repositioning for Q4 2023

Sold or reduced positions (-9.6%)

- Sold CAE
- Sold Brookfield Renewable
- Sold HDFC
- Sold CNH Industrial
- Sold Veralto
- Trimmed RB Global
- Trimmed Franco Nevada
- Trimmed cash

Bought or increased positions (+9.6%)

- Initiated a new position in Intact Financial
- Initiated a new position in CGI Inc.
- Initiated a new position in Dollarama
- Initiated a new position in TMX
- Increased Canadian Pacific KC

Rationale:

New / Increased Positions:

- **Intact Financial** is the largest Property & Casual (P&C) Insurer in Canada, with significant scale advantages further enhanced by acquisitions over recent years. As the largest P&C player in Canada, they have significant scale advantages including vast amounts of data that they use in customer pricing as well as a strong history of underwriting and investment discipline.

- **CGI Inc** provides information technology services including business consulting, system integration, IT outsourcing, application, business process, and infrastructure services. CGI differentiates itself from its peers with a strong focus on a decentralized model and strong local presence in the markets and industries in which they operate. Furthermore, the critical services they provide to clients have allowed them to generate strong and consistent free cash flow in different economic environments.

- **Dollarama** is a provider of general merchandise through their network of discount retail stores located throughout Canada. The company has a culture of efficiency led by an experienced management team with the founding family still retaining a minority ownership stake. Their stores continue to be a trusted destination for consumers and their basic needs and the company has shown resiliency in managing inflationary and supply chain pressures while continuing to open new stores and focus on optimizing their product offering.

- **TMX Group Ltd** is an integrated exchange group that operates markets for multiple asset classes. The Company, through the stock exchanges it operates, provides liquid markets for a broad range of issuers, provides access to capital for companies in the early stages of growth, and also the trading and clearing of natural gas and electricity contracts.

- **Canadian Pacific KC** operates in an industry with high barriers to entry that offers a more affordable and environmentally friendly transportation service than trucking. The company has a strong balance sheet, a demonstrated resiliency over time through good cost control, and a proven track record of wealth redistribution to shareholders.

The manager has opted to sell out of the investments below and deploy proceeds in existing positions where the manager has higher conviction in quality and/or valuation.

- **CAE:** This durable company is a world leader and provides an essential service to the aviation and defense industries

- **Brookfield Renewable** is a subsidiary of Brookfield Asset Management that owns and operates renewable power asset.

- **HDFC** is an Indian banking and financial services company and is the country's largest private sector bank by assets.

- **CNH Industrial** produces and sells agricultural and construction equipment to end markets around the world.

- **Veralto:** Spun out of Danaher and while the manager likes the business, it is a very small position and the manager wished to focus on more favorable companie.

The following positions were trimmed:

- **RB Global** (previously known as Ritchie Bros. Auctioneers Incorporated) auctions industrial equipment, operating through various locations around the world. During the first quarter of this year, Ritchie Bros completed the acquisition of US based IAA Inc. as their largest acquisition ever. IAA is also in the auction market but with a focus on damaged or totaled vehicles serving primarily insurers and rental companies. During this past quarter, the company also announced the exit of their CEO and CFO, with COO Jim Kessler taking over as Chief Executive. It was trimmed with proceeds reallocated to existing names in the Portfolio.

- **Franco Nevada** is a Canadian based gold-focused royalty and streaming company with a diversified portfolio of cash-flow producing assets. The company has an experienced management team and a strong record of deploying capital. The manager decided to trim the position to reallocate to existing names in the Portfolio.

Quarterly **commentary**

Market Review

After a strong yet volatile first half of the year led in part by positive investor sentiment surrounding technology and improving economic data, the markets experienced a broad pull back in the third quarter of 2023. Technology and consumer stocks retreated from their previous peaks as rising commodity prices pushed energy stocks higher. After 3 consecutive quarters of positive returns, the benchmark composite shifted back into negative territory during the quarter with a broad-based downturn affecting almost all sectors. The strongest performing sectors during the quarter were Energy (11.2%), Communications Services (-.35%) and Health (-.48%) while Utilities (-9.49%) and Real Estate (-5.45%) were the biggest laggards.

The FTSE Canada Universe Bond Index delivered a negative -3.87% return on the quarter. The move also nudged the year-to-date performance into the negatives with the index delivering negative 1.5% over the three-quarter period.

The Bank of Canada increased rates 0.25% in July to 5% as economic growth had been stronger than expected led by consumer spending. In August Canadian data was mixed with headline inflation higher but with growth and employment lower. Investor priced in a 60% probability of another rate hike by December. In September, rates moved materially higher as both headline and core inflation came in much hotter than expected. Markets moved immediately to price in 0.25% increase by the Bank of Canada by year end and removed rate cuts built in for 2024. The economy slowed down in Q3 but not fast enough to bring inflation to the 2% target.

In the U.S. the economy is not slowing very quickly driven by consumer savings, pent-up demand, and a powerful fiscal stimulus. The Federal Reserve has hinted they may still need to increase rates again in this cycle but then it will be necessary to hold rates high for a long period of time to bring inflation down to 2%. The repricing of rate cuts drove bond yields higher and steepened the curve.

Attribution Analysis

Equities

In the third quarter of 2023, the strategy underperformed its benchmark.

Among the leading contributors to performance over the quarter were CME Group and RB Global. CME is the largest derivatives exchange operator in the world. RB Global (previously known as Ritchie Bros. Auctioneers Incorporated) auctions industrial equipment, operating through various locations around the world. We own CME due to its defensive nature, in that when people are worried about the volatility of certain asset classes like interest rates they tend to trade more with CME and thus CME can outperform during volatile periods. RB Global (previously known as Ritchie Bros. Auctioneers Incorporated) auctions industrial equipment, operating through various locations around the world. During the first quarter of this year, Ritchie Bros completed the acquisition of US-based IAA Inc. as their largest acquisition ever. IAA is also in the auction market but with a focus on damaged or totaled vehicles serving primarily insurers and rental companies. During this past quarter, the company also announced the exit of their CEO and CFO, with COO Jim Kessler taking over as Chief Executive. Despite these changes, the stock has performed well recognizing both Ritchie and IAA as quality businesses which serve an important role in their ecosystem.

Significant detractors over the quarter were CCL Industries and Brookfield Renewable. As one of the largest global label manufacturers, CCL Industries profits from an extensive network of facilities serving Consumers Packaged Goods (CPGs) worldwide. The stock was down during the quarter as CPGs looked to normalize or even reduce their inventory levels following the abatement of last year's supply chain disruptions. Brookfield Renewable is regarded as being a best-in-class developer of long-dated renewable power and a disciplined buyer of distressed assets. We have liked Brookfield Renewable due to the large tailwinds at its back in terms of the scale of investment in renewable power, however, this quarter due to the reduction of sales guidance by one of its competitors, investors sold renewable stocks off aggressively and the whole utility sector.

During the quarter, we purchased Intact Financial, CGI Inc, Dollarama and TMX Group Inc. In order to make room for these names, we sold CAE, Brookfield Renewable, HDFC, CNHI and Veralto. We still believe in the names old, however, we think the new names offer higher quality and better long-term risk/reward.

The Portfolio continues to be composed of high-quality businesses that can withstand tough times and is currently trading at an attractive discount to its intrinsic value. Both should position the Portfolio well for long-term compounding of returns.

Fixed Income

During the quarter, the Fiera Canadian Core Plus Universe Bond strategy modestly outperformed its benchmark. The credit allocation across public non-investment grade, as well as private credit, was a positive contributor on the quarter. The overweight exposure to US High Yield BB-B rated bonds, where spreads were only modestly wider outperformed vs investment grade on the quarter. Exposure to long maturity high quality infrastructure debt on the other hand was a detractor, largely due to the back up in long-end rates. Furthermore, the long relative duration position also contributed negatively.

The Fund added value over the quarter with positive returns across private corporate, real estate and commercial mortgage strategies. Notably, our core position in the Canadian Real Estate Debt strategy has been thriving in the rising interest rate environment given that 100% of the Fund is in floating rate loans. We remain overweight in public and private credit, however, we have reduced exposure to high yield as spreads remain relatively tight and we believe the economic backdrop should begin to soften as previous rate hikes become more impactful

The Fund is slightly below the neutral plus target allocation of 25%, at the end of the quarter the public investment and non-investment grade asset classes, as well as private credit amounted to 23.5%. The strategy has a0.69%s yield advantage relative to the benchmark at the end of the quarter.

Outlook

The new normal in rates is volatility. Although the Canadian economy has all but stalled, inflation remains elevated and that ultimately keeps the Bank of Canada in play for an additional hike or an extended pause, which will only further cool the economy. Stateside, the economy has proved to be more resilient, coupled with a deep fiscal deficit that is further supporting the economy. Canadian and US rates of 5+ years have always exhibited a high degree of correlation. Despite some of the emerging trends on the fundamentals, Canadian rates are likely to be driven by the ebbs and flows of US rates.

The markets have pushed out their expectations for rate cuts, but the full effective of the previous cumulative hikes is around the corner. We expect the lagged flow through of rate hikes to take bite over the next several quarters and the economy to slow. This makes us cautious and is leading to defensive positioning. We also believe the Federal Reserve is close to complete in their hiking campaign, even as they attempt to guide the market higher on policy rates. 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 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.

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.

aviso wealth

Investment manager overview

FIERACAPITAL

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 October 10, 2023 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.88%

[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, September 30, 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).

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