Q1 2024

aviso wealth

OnPoint Managed Portfolios

Total Equity

Quick facts

Inception date:
February 29, 2016

Asset class:
Equity

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.*

What does the Portfolio invest in?

The portfolio invests in a diversified portfolio of Canadian and non-Canadian equity securities, exchange traded funds (ETFs), and money market instruments and/or cash equivalents.

Asset allocations

Asset class	Min	Target	Current	Max
Canadian equities	30%	48.5%	52%	70%
Non-Canadian equities	30%	48.5%	46%	70%
Cash & cash equivalents	1%	3%	2%	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

Suitable for investors whose objective is to achieve long-term capital growth, and is not intended for investors with a short-term investment horizon.

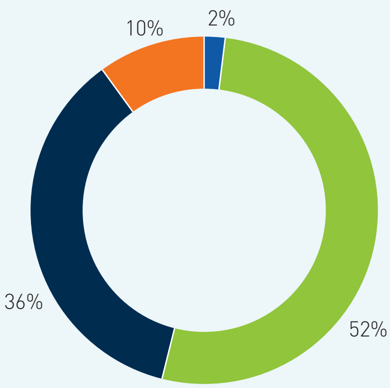
Top ten holdings[1] (excluding cash and cash equivalents) %

1.	Constellation Software Inc	6.3
2.	Canadian Natural Resources	6.0
3.	Toronto-Dominion Bank	5.9
4.	Bank Of Montreal	5.6
5.	Dollarama Inc	4.7
6.	Canadian Pacific Kansas City	4.5
7.	SAP	4.5
8.	Visa Inc	3.9
9.	WSP Global inc.	3.7
10.	Alphabet Inc.	3.5

Performance

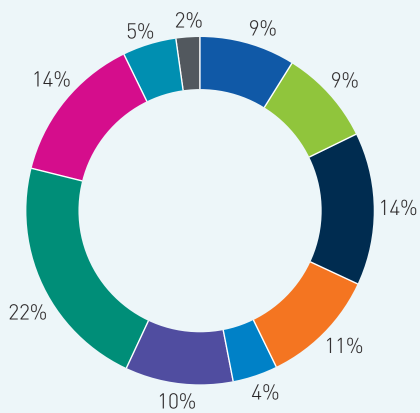
	QTD	YTD	1 yr	3 yr	5 yr	Since Inception (annualized)
Portfolio	9.8%	9.8%	19.6%	11.1%	10.9%	11.1%
Benchmark	9.0%	9.0%	19.8%	10.6%	11.5%	11.7%

Asset allocation[1,2]



- Cash
- Canadian equities
- US equities
- International equities

Equities sector allocation[1,3]



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

Average market cap. $248.7B (equities only)

Repositioning for Q2 2024

Sold or reduced positions (-1.1%)

- Sold Canadian National Railway

Bought or increased positions (+1.1%)

- 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.

The relevant index returns for this Total Equity portfolio in the first quarter were: S&P/TSX 60 Index (+6.33%) and the MSCI World Index (CA$) (+11.74%).

The Portfolio returned 9.75% during the first quarter, outperforming its benchmark by 0.72% (before fees), with stock selection and asset allocation adding value. Stock selection in information technology, industrials and materials were sources of strength in the Canadian equity component. Notable outperformers in the period included WSP Global (+21.7%) and Constellation Software (+12.7%). Partially offsetting this was the underweight in Energy and Health Care stocks, as both were the top performing sectors during the first quarter. Within the underlying components, the Canadian equity component exceeded its benchmark by 1.34% over the quarter.

The global equity component returned 12.64% during the quarter and exceeded its benchmark by 0.90%. 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.

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[4])

Investment philosophy

Addenda provides a Total Equity strategy that employs two separate portfolio management teams that abide to investment styles that are suitable given their landscape to create high conviction, concentrated portfolios. The Canadian equity component is managed with a value tilt and consists of companies with diversified business models and attractive price-intrinsic value relationships. The companies invested in have the potential to generate strong relative and absolute returns over time. Global equities are managed with a Growth At a Reasonable Price (GARP) investment style and include companies with solid and repeatable competitive advantages, a history of innovative capabilities, seasoned management, non-commoditized business models, consistent earnings and free cash flow.

Investment process and risk controls

For Canadian equities, Addenda's analysis and research is focused on various elements to decipher whether a company remains able to generate strong free cash flow over time. Subsequently, Addenda looks for the company to be priced in the market at a discount to its estimated intrinsic value. When managing a dividend approach, the focus is equally placed on the company's ability and willingness to continue to distribute and/or increase its future dividend payments.

For global equities, Addenda believes that added value stems from sustainable and repeatable earnings growth. Addenda's approach is driven by fundamental research, focused on obtaining a deep understanding of secular growth themes. Once an understanding of the key growth drivers behind a theme is determined, Addenda's research focus shifts to finding companies well positioned to leverage those themes. Addenda seeks global or regional leaders with the ability to outpace its peers and end markets through its capacity to sell value-added products and/or services.

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[5]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of April 8, 2024 after quarterly rebalancing unless otherwise stated.

[2] Includes Ishares SPDR S&P 500 ETF

[3] Excludes Ishares SPDR S&P 500 ETF

[4] GARP (Growth at a reasonable price)

[5] 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: 50% S&P/TSX 60/50% MSCI World Net (CAD).

Please be advised that the information contained herein does not constitute investment advice and it should not be relied on as such. Past performance is no guarantee of future results. The information contained in this report was obtained from sources believed to be reliable; however, we cannot guarantee that it is accurate or complete.

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