

Managed Portfolios

Addenda 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:
\$40B

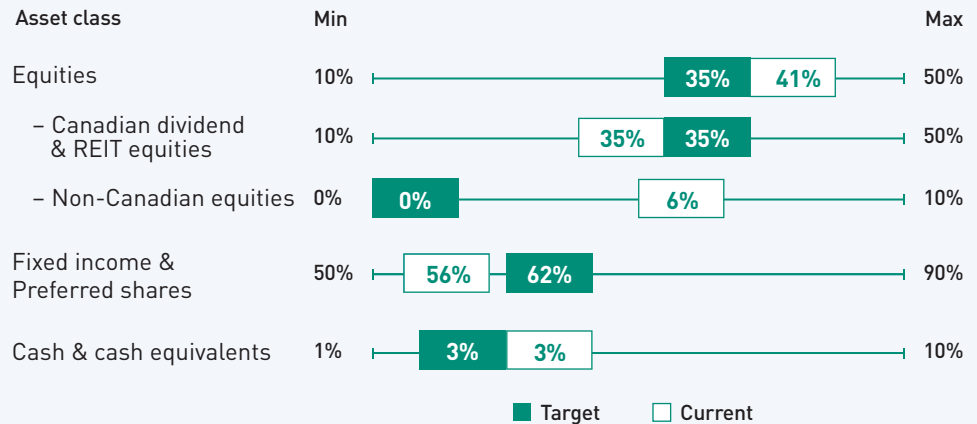
Portfolio risk:

Low to Medium

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



- 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.

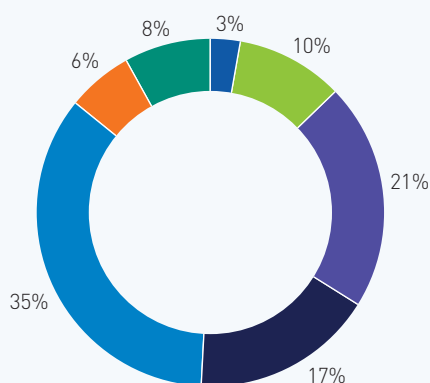
Top ten holdings¹ (excluding cash and cash equivalents) %

1.	Addenda Bonds Corporate Core Pooled Fund	22.1	5.	Toronto-Dominion Bank	3.2
2.	Addenda Commercial Mortgage Dc Pooled Fund	17.8	6.	Canadian Pacific Kansas City	3.1
3.	Addenda Bonds Universe Core Pooled Fund	10.2	7.	WSP Global Inc	3.1
4.	Addenda Preferred Share Pooled Fund	7.7	8.	Bank Of Montreal	2.9
			9.	Bank Of Nova Scotia	2.9
			10.	Power Corp Of Canada	2.8

Performance

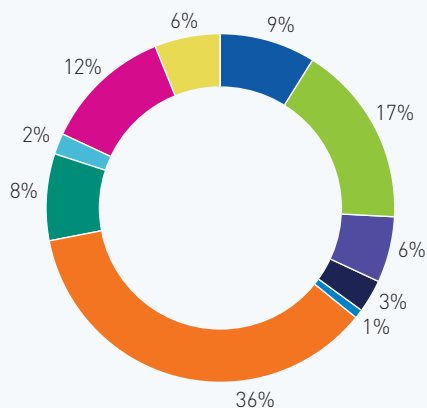
	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	2.4%	2.9%	12.3%	6.9%	6.4%	5.6%
Benchmark	3.2%	5.4%	16.3%	8.5%	6.0%	5.7%

Asset allocation¹



- 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

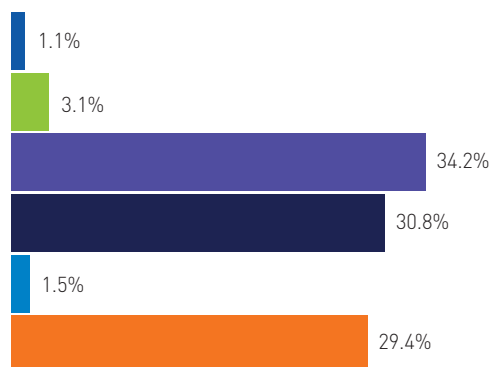
Equities sector allocation¹



- Energy
- Industrials
- Consumer Discretionary
- Health Care
- Index
- Financials
- Information Technology
- Communication Services
- Utilities
- Real Estate

Fixed income allocation

Core Bond Pool Sector Allocation

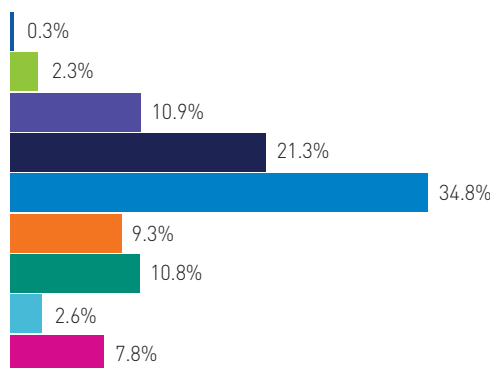


- Cash & Money Market
- Commercial Mortgages
- Corporate Bonds
- Federal Bonds
- Municipal Bonds
- Provincial Bonds

Current Yield: 3.72%

Credit quality	Portfolio [%]
AAA	30.9
AA	31.1
A	18.2
BBB	15.8
Non Rated Securities (Commercial Mortgages)	3.1
Cash and money market	1.1
	100.0

Corporate Core Bond Pool sector allocation



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

Current Yield: 4.45%

Average market cap. (Canadian equities only) \$60.0B
 (US equities only) \$2 451.3B
 Weighted Combined Yield to Maturity (Total Portfolio)² 3.83%

Repositioning for Q3 2025



Sold or reduced positions (-5.5%)

- Trimmed Addenda Bonds Universe Core Pooled Fund
- Trimmed TD Bank
- Trimmed cash



Bought or increased positions (+5.5%)

- Initiated a new position in Element Fleet
- Increased Addenda Preferred Share Pooled Fund
- Increased CP Rail
- Increased Granite REIT
- Increased Brookfield Infrastructure
- Increased BMO
- Increased TC Energy

Rationale:

Asset mix: Canadian equities and preferred shares were added by reducing cash and core universe bonds as the outlook for Canadian dividend equities and preferred shares looks quite favourable.

Within the Canadian equity component, we have initiated a new position in Element Fleet (EFN) - a fleet management company listed on the TSX but with operations largely outside of Canada (a market leader in North America, Australia & New Zealand). They are an asset light, recurring revenue business with major Fortune 500 companies as clients. Their value proposition to clients is a 10-15% cost savings on fleet management and they have 1.5 M vehicles under management. We see a large opportunity for continued market share gains from self-financed fleets and other providers based on their attractive offering. The recent passing of the US One Big Beautiful Bill (OB BB), which allows for 100% tax deduction for capital costs (like investment in a new corporate fleet), should further support growth for this company. It is a reasonably priced dividend growth story.

With the remaining proceeds from our asset mix rebalance, we added to existing holdings (Canadian Pacific Kansas City Rail, Granite REIT, Brookfield Infrastructure Partners and TC Energy) where we see good upside potential.

Additionally, we trimmed TD Bank and reallocated to Bank of Montreal. After enduring significant weakness last year on the AML issues, TD has recovered nicely with a +33% total return YTD, reflecting a new CEO, Board renewal, sale of the Schwab stake to build significant capital reserves, a renewed share buyback plan and better transparency on ongoing remediation costs, to name a few catalysts. With this outperformance, the stock has recovered from a significant price-to-earnings discount, to trading in line with other Canadian banks, which seems generous given the asset cap limitation to growth in the US. The bank will host an Investor Day in September and we expect further clarity around the ongoing growth potential of the bank.

In short, we see less upside from here in the near term so reduced from a large position to add to BMO, which should deliver stronger earnings growth as they refocus on improving the US operations and achieving their 15% return on equity objective.

Quarterly commentary

The quarter started with “Liberation Day” and the announcement of tariffs by the Republican administration. Markets worldwide reacted negatively but it started to reverse when the US administration announced a 90-day pause on the recent tariffs announced. The U.S. administration unveiled their “Big Beautiful Bill”, and Moody’s stripped the U.S. Treasury of its coveted AAA debt rating. Tensions in the Middle East increased and in Europe, the Central Bank continued to cut interest rates, approaching its target point.

With a high level of volatility, Canadian equities, as measured by the S&P/TSX Composite Index, delivered a strong +8.5% return in Q2, as investors looked through tariff and trade uncertainty and elevated geopolitical risks to drive the Index to new highs. In a reversal from the previous quarter, performance was driven by the more cyclical components of the market, while the more defensive sectors underperformed, although gains were broad-based with all sectors posting positive returns. Consumer Discretionary & Information Technology were the strongest sectors, as tariff-related concerns eased. The more defensive sectors (Telecom, Energy Infrastructure and Consumer Staples) underperformed. High beta stocks outperformed lower beta stocks by a wide margin.

On global equities, performance was positive, with the MSCI World Index (CAD) returning +5.7% in Q2. The Canadian Dollar appreciated compared to the US Dollar this quarter. In the US, markets bounced back after a difficult start of the year and even closed the quarter at an all-time high level. The best performing sectors this quarter were the underperformers of Q1, with Information Technology (+16.8%) and Telecommunication Services (+12.9%) led, while sectors that performed well in Q1 were the worst performers this quarter, including Energy (-10.0%), and Healthcare (-9.1%).

The Bank of Canada (“BoC”) maintained the policy rate at 2.75%, electing a pause in its series of cuts due to signs of reflation in its core price measures. Yields rose in the period with the curve continuing its steepening trend as the rise in long maturity rates outpaced short term rates driven by markets introducing term premium compensation for sovereign risks.

The Portfolio had a modestly positive return of 2.4% during the second quarter but was not able to keep pace with its benchmark. Positive relative performance from the fixed income and commercial mortgages components added value but was offset by relative weakness from Canadian dividend equities and preferred shares.

From a Canadian dividend equity perspective, the Portfolio’s defensive positioning detracted from relative performance as more cyclical names rallied during the period. Specifically, security selection within the Energy Infrastructure space detracted value (TC Energy, Pembina), as did underweights in strong performing Financials stocks such as Royal Bank, National Bank, and Sun Life Financial as well as specific Tech stocks such as Constellation Software. This was partially offset by WSP Global and our off-benchmark position in Broadcom.

Looking at the fixed income component of the Portfolio, the core universe bond and corporate bond components outperformed their respective benchmarks during the second quarter. The rise in yields resulted in most fixed income sectors having negative total returns as declines in prices more than offset the income from yields. Long duration sectors posted the worst performance as the higher interest rate sensitivity led to larger declines, and even shorter duration and credit heavy sectors struggled to produce even modestly positive results. Outperformance during the quarter for both strategies was attributable to strength from security selection within credit securities as spreads returned to their tightest levels after reaching 6-month highs in April.

Preferred shares performed well in the second quarter, as the rally in equity markets and tightening of credit spreads also benefited this asset class; however, the Fund underperformed during the quarter as a result of having a more defensive posture, with a large cash position, fixed income exposure and lower fixed resets compared with the benchmark.

The Commercial Mortgages Pooled Fund had a return of 0.9% in Q2, compared to 0.5% for its benchmark. The mortgage coupon rate is higher than the benchmark, which contributed positively to the performance during the quarter. Duration remains short and we have underwritten selected adjustable-rate loans with a minimum floor rate. The Fund held 13.61% of floating rate conventional plus loans at the end of the quarter. The Fund remains heavily weighted in the Multifamily and Industrial segments. These segments have provided a meaningful increase in rents compared to other asset classes over the longer term. We continue to limit exposure to land, construction, and development loans.

Investment manager overview

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 (GARP³) 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 philosophy⁴
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

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Aviso Wealth is part of Aviso, one of Canada's largest independent wealth management firms. Owned by the credit unions, we serve hundreds of thousands of investors at credit unions across Canada.

With approximately \$130 billion of assets under administration and management, Aviso has the resources to bring the best products and services to credit unions and their members. Invest with confidence, with your credit union and Aviso.

- Nearly 30 years as the wealth management provider to credit unions across Canada.
- One of Canada's largest independent wealth management firms.
- Parent company of Aviso Wealth, NEI Investments, and Qtrade.
- Owned by Canada's credit unions and Desjardins.



¹ As of July 9, 2025 after quarterly rebalancing unless otherwise stated.

² Canadian Dividend and REITS yield 3.80%; Canadian Preferred Share yield 6.22%; US Equity yield 0.70%; Addenda Universe Core Bond Pool yield to maturity 3.82%; Addenda Corporate Core Bond Pool yield to maturity 4.09%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 4.28%.

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, 2025, 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 Index/25% FTSE Canada All Corporate Bond Index/15% FTSE Canada Short Term Overall Bond Index/35% S&P/TSX Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2022-03-01 to 2024-09-30 : 15% FTSE Canada Universe Bond Index/25% FTSE Canada All Corporate Bond Index/15% FTSE Canada Short Term Overall Bond Index/35% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index. From 2018-04-01 to 2022-02-28 : 28% FTSE Canada Universe Bond Index/37% FTSE Canada All Corporate Bond Index/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 Index/37% FTSE Canada All Corporate Bond Index/25% Dow Jones Canada Select Dividend/10% BMO 50 Preferred Shares Index.

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