Q4 2023

aviso wealth

OnPoint Managed Portfolios

Income

Quick facts

Inception date:
January 14, 2021

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:

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

Asset allocations

Asset class	Min	Target	Current	Max
Equities	10%	20%	23%	30%
– Canadian dividend & REIT equities	0%	20%	23%	30%
– Non-Canadian equities	0%	0%	0%	10%
Fixed Income & Preferred Shares	70%	77%	75%	90%
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. Canadian dividend & REIT equities: Target 10–20 securities. Non-Canadian equities: Target 0–10 securities
- Fixed income: Includes 25% to 50% in units of the Addenda Universe Core Bond pooled fund, 10% to 30% in Addenda Bonds Corporate Core pooled fund, 0% to 20% 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 a high level of income and some capital growth, and is not intended for investors with a short-term investment horizon.

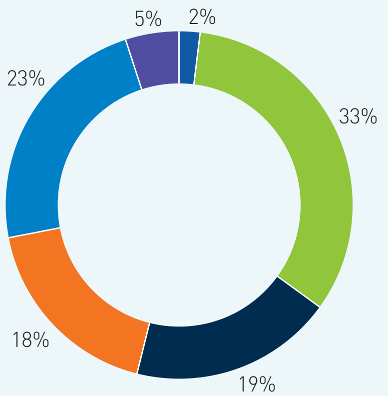
Top ten holdings[1] (excluding cash and cash equivalents) %

#	Holding	%
1.	Addenda Bonds Universe Core Pooled Fund	33.8
2.	Addenda Bonds Corporate Core Pooled Fund	19.2
3.	Addenda Commercial Mortgage Dc Pooled Fund	18.7
4.	Addenda Preferred Share Pooled Fund	5.2
5.	Bank Of Montreal	4.1
6.	Toronto-Dominion Bank	2.8
7.	Restaurant Brands Int'l	1.8
8.	Emera Inc.	1.8
9.	BCE Inc	1.5
10.	WSP Global Inc	1.5

Performance

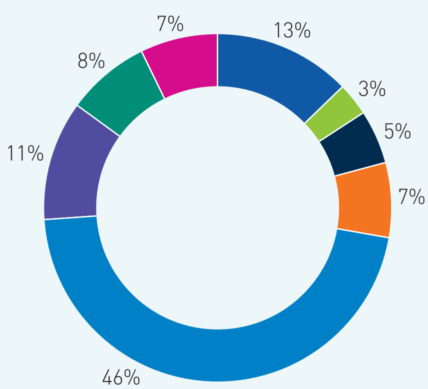
	QTD	YTD	1 yr	2 yr	3 yr	Since inception (Annualized)
Portfolio	6.9%	6.7%	6.7%	-0.5%	-	1.8%
Benchmark	7.5%	7.3%	7.3%	-1.9%	-	0.3%

Asset allocation[1]



- Cash
- Addenda Bonds Universe Core pooled fund
- Addenda Bonds Corporate Core pooled fund
- Addenda Commercial Mortgage DC pooled fund
- Canadian dividend & REITs
- Canadian preferred shares

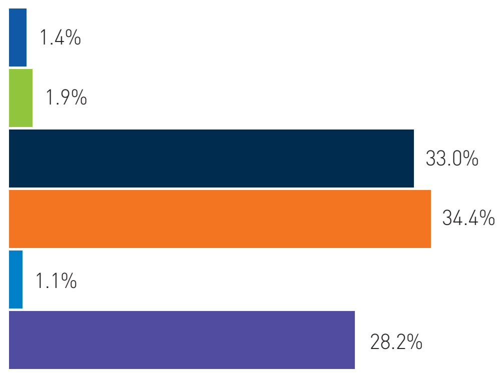
Equities sector allocation[1]



- Energy
- Materials
- Industrials
- Consumer discretionary
- Financials
- Communication services
- Utilities
- Real Estate

Fixed income allocation

Core Bond Pool Sector Allocation

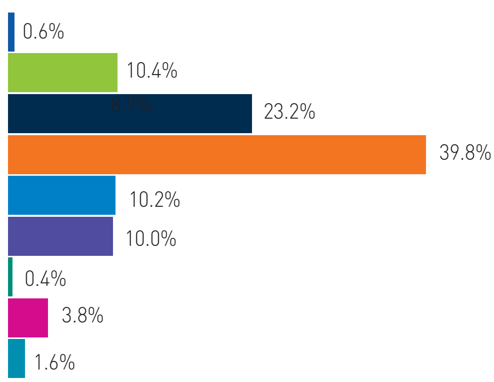


Credit quality	Portfolio (%)
AAA	35.2
AA	27.6
A	18.5
BBB	15.2
BB	0.3
Non Rated Securities (Commercial Mortgages)	1.9
Cash and money market	1.4
	100.0

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

Current Yield: 2.90%

Corporate Core Bond Pool sector allocation



Credit quality	Portfolio (%)
AAA	1.6
AA	0.0
A	51.6
BBB	45.3
BB	0.9
Cash and money market	0.6
	100.0

- Cash and Money Market
- Communication
- Energy
- Financial
- Industrial
- Infrastructure
- Maples
- Real Estate
- Securitization

Current Yield: 4.24%

Average market cap. (Canadian equities only) $60.6B
Weighted Combined Yield to Maturity (Total Portfolio)[2] 4.83%

Repositioning for Q1 2024

Sold or reduced positions (-1.2%)	Bought or increased positions (+1.2%)
• Trimmed cash	• Increased Bank of Montreal • Increased Emera

Rationale:

Asset mix changes:

Cash position was lowered to be as fully invested in the market as possible given a positive outlook for market returns in 2024. The proceeds from this cash reduction were deployed into the Canadian dividend equity component.

Within Canadian equities:

- **Bank of Montreal (BMO)** was increased based on attractive valuation and an expectation that sentiment on Canadian Banks will improve over 2024 as Central Banks begin rate cuts.
- The Bank of the West deal is closed and integration well underway with significant cost savings and earnings accretion to come through in 2024 and 2025, which provides BMO with an attractive earnings growth profile.
- While it is the early stages of a significant mortgage refinance cycle for all banks, BMO has a strong credit history, and the manager looked for them to prove this out again this cycle. The bank appears well reserved. The bank's capital position is solid with Common Equity Tier 1 (CET1) ratio of 12.5% relative to the current regulatory minimum of 11.5%.
- **Emera** was increased as the company offers compelling relative valuation and company fundamentals are improving. Emera offers a strong growth outlook for its utilities, particularly in Florida (7-8% rate base CAGR out to 2026), supported by electrification and transitioning generation to low-carbon sources. The company is also strengthening its balance sheet with de-leveraging plans that now include asset sale, which could be a positive catalyst to narrow the valuation discount to its peers. The current dividend yield of 5.4% is attractive and we expect the stock to respond well in a lower interest rate environment.

Quarterly **commentary**

Q4 saw a dynamic shift in equities, beginning with a decline in October due to rising bond yields and recovering strongly in November and December, bolstered by favorable labor market data and a dovish pivot from the Federal Reserve. Gold thrived amidst geopolitical tensions, while WTI oil prices suffered. Q4 encapsulated a market adapting to changing economic signals, with December's rally highlighting sectors sensitive to bond yields. Despite a year marked by a US banking crisis, ongoing geopolitical conflicts, and substantial rate hikes, 2023 ended with robust equity performance, largely driven by a shift in interest rate expectations and robust economy. Cyclical sectors in Canada showed resilience, particularly Technology, while defensive sectors lagged. Despite recession concerns, the market ended on a strong note with low unemployment and controlled inflation.

Throughout the quarter, the S&P/TSX Composite Index's leading sectors were Information Technology, Financials, and Real Estate. Their strong performance was fueled by lower bond yields and expectations of rate cuts by the Fed in the coming year. The sole sector to register negative returns was Energy, impacted by falling crude prices due to concerns over excess spare capacity sitting with OPEC+. The Canadian market continues to trade at a lower than the historical average on multiple of earnings, reflecting earnings cuts over the next fiscal year due to an uncertain economic environment. The S&P/TSX Composite Index posted a positive total return of 8.1% in Q4, bringing the year-to-date total return to 11.8%. Global equities had a strong performance in Q4, MSCI World Index returned 8.7% for the fourth quarter of 2023, for a strong 20.5% return for the full year 2023.

The Bank of Canada and Federal Reserve held rates steady in the fourth quarter as inflation data continued to show signs of moving lower. Rates were extremely volatile across the curve, hitting new high levels in October and then falling aggressively into December. Short-term yields fell more than the longer-term as the market priced in rate cuts by Central Banks in 2024. The 2-10-year curve remained inverted by 0.78%. Provincial and Corporate credit spreads narrowed during the fourth quarter, supported by strong equity market performance and investor demand.

The Portfolio had a total return of 6,9% in the fourth quarter, underperforming the respective benchmark by 0.6%. An overweight position in cash, preferred shares and commercial mortgages accounted for the slight variance versus the benchmark as equities and bonds outperformed on the quarter.

For the Canadian equity component, the Portfolio return of 8.3% underperformed the benchmark by 0.4%. Key positive contributions on the month came from Roger's Communications (+20%), Bank of Montreal (+16%) and QSR (+15%) with offsets coming from BCE (+2%), WSP Global (-3%) and Nutrien (-10%).

The underlying Core and Corporate bond components added value relative to their benchmarks during the fourth quarter as a result of our active duration positioning which benefited from falling short-term rates. However, this was offset by our large allocation to Commercial Mortgages which, while having positive returns, was not able to keep pace with traditional fixed income due to its short duration. As a reminder, Commercial Mortgages are used in the Portfolio due to their steady stream of income, and defensive characteristics in a rising interest rate environment – which we saw in 2022 and for most of 2023.

Despite ongoing recession predictions, the economy remained resilient with low unemployment and moderating inflation. The "soft landing" approach of the Fed appears to have mitigated a severe economic downturn, leading to a potentially mild recession, if any. The upcoming election year adds an optimistic dimension to the market outlook. However, moving into 2024, our optimism is cautiously tempered due to the lingering effects of past rate hikes, current bullish sentiment, and elevated valuations, which all raise questions about the sustainability of the rally seen in 2023.

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 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 philosophy[4]
- Addenda is a United Nations Principles for Responsible Investment (PRI) signatory

[1] As of January 10, 2024. after quarterly rebalancing unless otherwise stated.

[2] Canadian Dividend and REITS Yield 4.80%; Addenda Bonds Universe Core Pooled Fund Yield to Maturity 4.20%; Addenda Bonds Corporate Core Pooled Fund Yield to Maturity 5.08%; Addenda Commercial Mortgage DC Pooled Fund Yield to Maturity 5.61%; Addenda Preferred Share Pooled Fund Yield 6.98%.

[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, December 31, 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: From 2022-01-10: 35% FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/20% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index. From 2020-12-31 to 2022-01-09: 40 FTSE Canada Universe Bond/20% FTSE Canada All Corporate Bond/15% Dow Jones Canada Select Dividend/10% S&P/TSX Preferred Share Index/15% FTSE Canada Short-Term Overall Bond Index

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.

OnPoint Managed Portfolios are distributed by Credential Qtrade Securities Inc. Mutual funds and other securities are offered through Credential Qtrade Securities Inc. Referral fee, commissions, management fees, and expenses all may be associated with managed accounts or the investments therein Managed accounts, and the investments therein, are not insured nor guaranteed, their values change frequently and past performance may not be repeated.

Aviso Wealth Inc. ('Aviso') is a wholly owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.

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