Q2 2024

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:
$165B

Portfolio risk:

Medium

aviso wealth

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%	36%	45%
Non-Canadian equities	15%	30%	26%	45%
Fixed income	30%	37%	35%	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) %

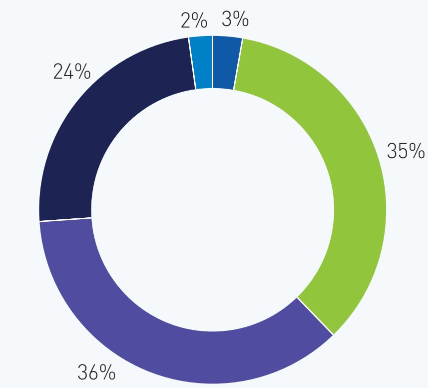
	Holding	%
1.	Fiera Core Plus Canadian Bonds Universe Fund	36.1
2.	Visa Inc	4.0
3.	Thomson Reuters Corp	3.7
4.	Cdn Natl Railway	3.3
5.	S&P Global Inc	3.2
6.	Microsoft Corp	3.1
7.	Costco	3.0
8.	Dollarama	2.9
9.	Metro Inc	2.8
10.	Danaher Corp	2.8

Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since inception (Annualized)
Portfolio	4.0%	9.6%	12.3%	4.0%	6.0%	6.9%
Benchmark	1.1%	6.0%	12.0%	4.4%	7.0%	7.5%

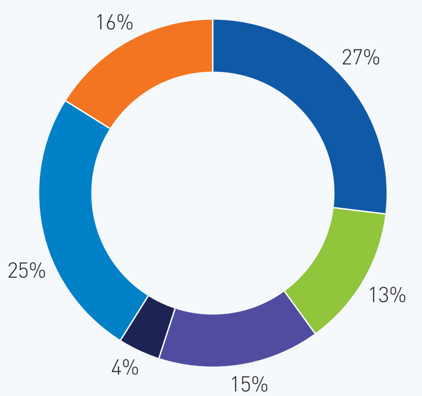
Q2 2024

Asset allocation[1]



- Cash
- Fixed income
- Canadian equities
- US equities
- International equities

Equities sector allocation[1,2]

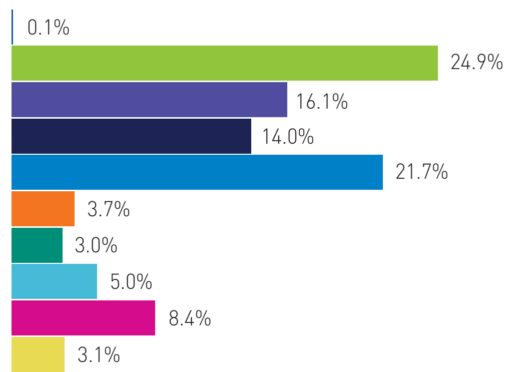


- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology

Average market cap. $245B

Fixed income allocation

Core Bond Pool Sector Allocation



Credit quality	Portfolio (%)
AAA	25.6
AA	28.0
A	9.7
BBB	15.3
Below BBB	3.7
Non Rated Securities	17.5
Cash and Money Market	0.1
	100.0

- Cash & Money Market
- Federal Bonds
- Provincial Bonds
- Municipal Bonds
- Investment Grade Corporate Bonds
- High Yield Corporate Bonds
- Commercial Mortages
- Private Debt
- Real Estate Financing
- Infrastructure Debt

Current Yield: 4.16%

Repositioning for Q3 2024

There was no transaction for the quarter.

Quarterly commentary

Market Review

During the second quarter of 2024, the rally of earlier in the year abated as concerns around declining productivity in Canada continued. Despite the Bank of Canada implementing what is expected to be the first of a series of rate cuts this year, the Canadian stock market had its first negative quarter since late 2023 as most non-resource- heavy sectors had negative returns for the period. The strongest performing sectors during the quarter were Materials and Consumer Staples, with Health Care and Real Estate the biggest laggards. The strongest- performing sectors during the quarter were Information Technology (9.7%) and Communication Services (6.8%), with Real Estate (-3.4%) and Industrials (-2.0%) the biggest laggards.

During the second quarter of 2024, the gradual decline in inflation and signs of a slowing Canadian economy led the Bank of Canada to lower its key interest rate. In the U.S., the U.S. Federal Reserve chose to maintain the policy rate range and avoid acting prematurely. It should be noted that during the quarter, credit spreads on corporate bonds narrowed. As the second quarter drew to a close, investors are expecting the Canadian interest rate to decrease from 4.75% to 4.25% by the end of 2024. The yield on a 10-year Government of Canada bond decreased from 3.47% to 3.46%. During the quarter, we maintained a longer duration than the Index.

Attribution Analysis

Equities

In the second quarter of 2024, the equity component outperformed its benchmark.

Among the leading contributors to performance over the quarter were Costco and Dollarama. Costco is an American multinational corporation and one of the largest retailers in the world. The company operates a chain of membership only retail stores providing consumers with a wide variety of goods. The company has seen strong earnings growth this year buoyed by growing membership revenue as well as their e-commerce initiatives which are gaining more traction with consumers. Dollarama is a provider of general merchandise through their network of discount retail stores located throughout Canada. The company once again reported growing profit stemming primarily from household goods and consumables. Furthermore, Dollarama has opened 62 stores over the last 12 months and recently announced they are increasing their stake in Latin American retailer Dollarcity.

Significant detractors over the quarter were CN Rail and Toromont Industries. CN Rail is one of the largest railway operators in North America. Its railway network spans Canada from coast to coast and extends through Chicago to the Gulf of Mexico. CN Rail operates in an industry with unique characteristics such that there is limited and rational competition with high barriers to entry. Rail networks have a competitive advantage in long haul transportation, which would be almost impossible to replicate today. The stock was down during the quarter on muted results and concerns of softening demand from consumers. Toromont Industries sells, rents and services Caterpillar construction equipment and power systems in eastern Canada. The company benefits from their operational strength and strong and expansive network of dealerships. After a strong year in 2023, the company has seen slowing demand in both sales and rentals as improving product availability has normalized market dynamics following the constrained supply environment of the past few years.

Fixed Income

The quarter began with heightened volatility as financial markets reacted to shifts in interest rate expectations. In April, there was a notable repricing of interest rates, with increases across various segments of the yield curve. This posed challenges across traditional and alternative investment sectors, impacting returns unevenly. May brought a shift in market sentiment as the Canadian yield curve decreased by 0.20%, validating our outlook for an economic slowdown and potentially reaching peak interest rates for the cycle. The fixed income component allocation via the Fiera Core Plus Canadian Bonds Universe Fund exhibited resilience amid this environment, with alternative investments showing varied performance and traditional sectors demonstrating mixed results. June marked a pivotal moment with the Bank of Canada's decision to cut the overnight rate by 0.25%, accompanied by a decrease in the 10-year rate. Despite these rate movements, during the month, the Fund achieved parity with the benchmark, reflecting our adaptive strategy to changing interest rate dynamics and economic conditions.

At the beginning of the quarter, the Fund was strategically positioned with a significant underweight in federal bonds, reflecting a defensive stance in anticipation of an economic slowdown. We also held a notable overweight in municipal bonds and selectively in alternative credit sectors to capture higher yields and diversification benefits. Our overweight in municipal bonds yielded strong performance, contributing 1.77% and outperforming the benchmark by 0.25%. Investment-grade corporate bonds, despite a slight underweight, performed well, delivering a 1.04% return and outperforming by 0.20%. Real estate financing and the diversified lending fund also provided solid returns, with real estate financing at 0.79% and the diversified lending fund at 1.01%. Conversely, our significant underweight in federal bonds resulted in a negative return of -1.16%, underperforming the benchmark by 0.21%. The high yield sector faced headwinds, posting a -0.27% return and slightly underperforming the benchmark by 0.01%. Commercial mortgage and public infrastructure debt sectors

Quarterly commentary continued

experienced modest negative returns, with commercial mortgage at -0.09% and public infrastructure debt at -0.10%.

Despite a challenging quarter, the Fund was up 0.45% versus the index and remains on track to reach the 1% target by year-end. Throughout the year, we maintained a defensive posture with a focus on high-quality credit and strategic duration management. Overweighting municipal and provincial bonds proved beneficial in volatile market conditions, and adjustments were made to capitalize on opportunities presented by rate cuts while remaining cautious of potential upward pressure on rates.

Outlook

Looking ahead, we anticipate continued economic and inflationary pressures influencing central bank policies globally. Our strategy remains centered on navigating uncertainty while seeking attractive risk-adjusted returns. We will closely monitor indicators such as inflation data and economic growth metrics to inform future portfolio adjustments. Although challenges posed by interest rate fluctuations and sectoral performance variations, our disciplined approach to diversification and risk management has enabled us to deliver competitive performance aligned with our benchmarks.

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

Investment manager overview

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]

About Aviso Wealth

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.

aviso wealth

[1] As of June 30, 2024 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.40%

[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, 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: 40% FTSE TMX Canada Universe Bond/30% S&P/TSX 60/30% MSCI World Net (CAD).

NDG0046E_7 07/24