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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:
$35B

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 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%	43%	70%
Cash & cash equivalents	1%	3%	5%	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.

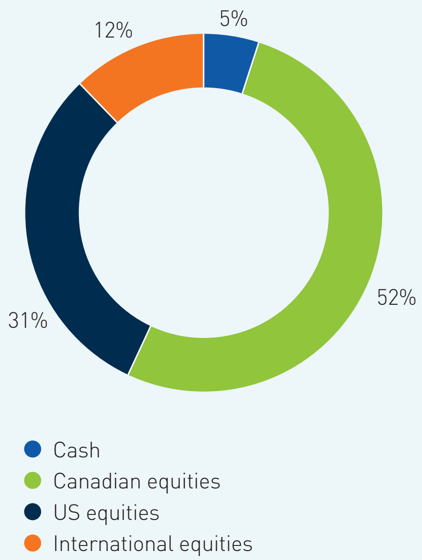
Top ten holdings (excluding cash and cash equivalents) %

1.	Toronto-Dominion Bank	6.9
2.	Constellation Software Inc	5.2
3.	Canadian Natural Resources	5.2
4.	Bank Of Montreal	5.1
5.	SAP	4.1
6.	Canadian Pacific Railway Ltd	3.9
7.	Dollarama Inc	3.9
8.	Thermo Fisher Scientific Inc	3.9
9.	UnitedHealth Group	3.7
10.	CGI Inc	3.6

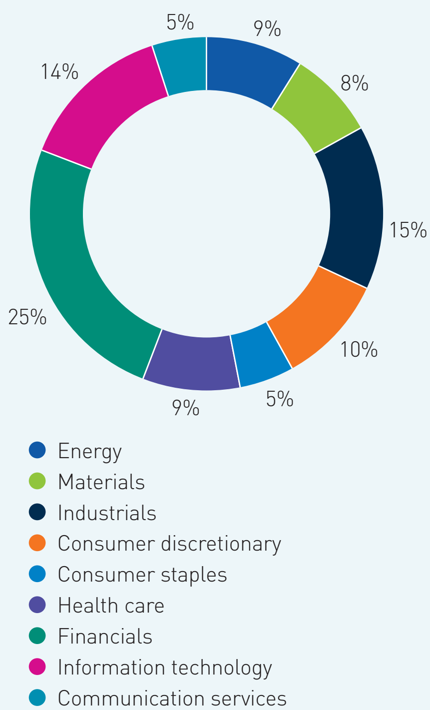
Performance

	QTD	YTD	1 yr	3 yr	5 yr	Since Inception (annualized)
Portfolio	3.3	3.3	-1.1	13.8	9.3	10.0
Benchmark	5.9	5.9	-2.4	16.1	9.3	10.6

Asset allocation[1,2]



Equities sector allocation[1,3]



Average market cap. $198.0B (equities only)

Repositioning for Q2 2023

Sold or reduced positions (-2.1%)

- Sold Lumine Group (LMN)
- Trimmed Canadian National Railway
- Trimmed Linde Plc

Bought or increased positions (+2.1%)

- Increased Alphabet Inc.
- Increased CGI
- Increased Enbridge
- Increased Global Payments (GPN)

Rationale

There was no asset mix change.

Within Canadian equities:

- **Lumine Group** (LMN - spin out of Constellation) was liquidated. Exposure to Canadian National Railway was trimmed and added to Enbridge and CGI. These trades were done to better align the weights with other Canadian equity mandates of the manager.

Within foreign equities

- **Linde Plc** operates within the industrial gases industry offering a wide range of compelling applications which over time proved to be a resilient business model. After its merger with Praxair a few years ago, the company continued to expand further and executed well on pricing power and productivity. The company's stock has performed consistently well and at this point has grown to be one of the largest holdings in the Portfolio. The manager decided to crystallize some gains and reallocate the proceeds to names with appealing valuation opportunities.
- **Alphabet** is a combination of businesses, an umbrella that encompasses Google - its bread-and-butter business enjoying a leading position, but also other segments which over time gained market shares such as cloud computing or advertising among other projects.

  In light of the latest competition concerns with respect to progress in Artificial Intelligence, the company's valuation came down and the manager decided to add to the position.

  The manager believes that the company's expertise in technology, its strong balance sheet and disciplined execution should help the management pursue opportunities that will overcome short-term adverse concerns.
- One of the largest merchant acquirers, **Global Payments**, further cements its position by providing vertical specific software solutions. Payments companies across the board have been hit by recession fears or competition concerns, which at this point are reflected in their valuation levels. The position was increased as the manager believes that GPN is offering an appealing growth profile by capturing an ongoing secular shift towards a cashless society. The company strives to innovate and bring advancements in digital commerce while continuing to expand its geographical footprint.

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Quarterly **commentary**

The first three months of the year started off on a strong note with all major asset classes generating positive returns. Canadian and global equities led the way during the quarter with solid, mid-single digit returns, followed by fixed income and preferred shares. The Bank of Canada raised its overnight target rate by 0.25% to 4.50% in January and then remained on hold for the remainder of the quarter. Similarly, the Federal Reserve hiked rates twice by 0.25% since the start of the year, bringing their target range to 4.75 – 5.00%. Both Central Banks suggested that they need to closely assess future economic data and may need to tighten further. Despite strong inflation and jobs data during the quarter, rates fell across the curve as several regional banks failed in the US in March. Expectations for Central Banks to potentially pause or reverse their hiking cycle led short term rates to decline more than longer term. Corporate spreads narrowed during the first two months of the quarter but widened in March due to turmoil in the banking sector. Equity markets delivered strong results despite growing concerns in the financial sector, on expectations that Central Banks are nearing the end of monetary policy tightening. The Canadian dollar was little changed versus its US counterpart during the quarter. The relevant index returns for the Portfolio in the first quarter were: S&P/TSX 60 Index (+4.11%) and the MSCI World Index (CA$) (+7.60%).

The Portfolio returned +3.31% during the first quarter, underperforming its benchmark by –2.55% (before fees). However, the Portfolio provided strong downside market protection over the one-year period, outperforming the benchmark decline of -2.36% % by 1.24%. Within the underlying components, while lagging the benchmark over the quarter, the Canadian equity component exceeded its benchmark by 3.89% over the one-year period due to positive stock selection and sector allocation. The global equity component returned +3.73%% during the first quarter and lagged its benchmark by 3.87% due to security selection.

Looking forward, the manager expects global economic growth to slow in 2023 but remain positive as domestic demand is supported by strong labour market dynamics and excess household savings. As a result of tight labour markets, the unemployment rate is not expected to increase much. However, the risk of recession increases as the year progresses due to the maintenance of restrictive monetary policy. Inflation pressure should continue to moderate throughout 2023 but will remain above central bank targets in terms of both level and scope. Service inflation is persistent, while goods inflation declines. Dislocations in the labour markets with more job openings than available workers continue to put pressure on wages. Central Banks have paused or are close to pausing tightening for this cycle and will plan to hold rates steady, while closely monitoring future economic data to determine whether further change is required in 2023. Against the backdrop of slowing economic growth but higher than target inflation, central banks will focus on price stability and will not pivot to stimulate growth in the near term.

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.

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 (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 12, 2023 after quarterly rebalancing unless otherwise stated.

[2] Includes Ishares S&P/TSX 60 Index ETF & SPDR S&P 500 ETF

[3] Excludes Ishares S&P/TSX 60 Index ETF & 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, 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: 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.

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.

NDG0003E_4 04/23