

Managed Portfolios

Addenda Balanced

Quick facts

Inception date:
March 31, 2015

Asset class:
Balanced

Minimum investment:
\$100,000

Avg. number of holdings:
20–35

Investment manager:
Addenda Capital

Investment manager assets under management:
\$40B

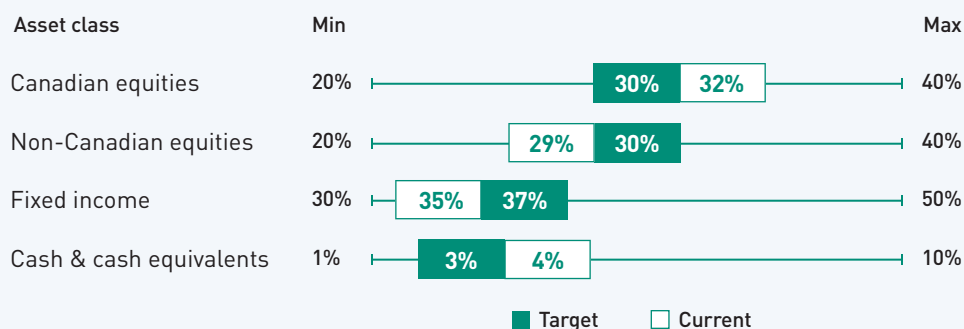
Portfolio risk:

Medium

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



- 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
- Fixed income: 30% to 50% in units of the Addenda Universe Core Bond pooled fund and/or Canadian fixed income ETFs will be used
- Addenda Preferred Share Pooled Fund, Addenda Commercial Mortgage Pooled Fund, Addenda CorePlus Fixed Income Pooled Fund and Addenda Active Duration Bond Pooled Fund may 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 holdings¹ (excluding cash and cash equivalents) %

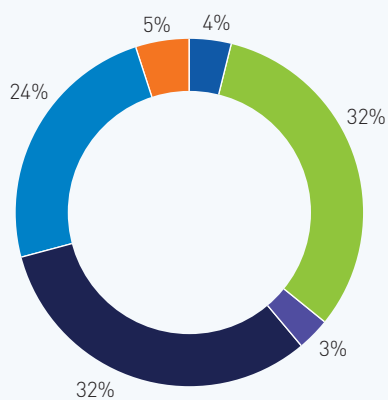
1. Addenda Bonds Universe Core Pooled Fund	30.1	6. Visa Inc	2.8
2. Constellation Software Inc	6.2	7. SAP	2.8
3. Addenda Preferred Share Pooled Fund	3.3	8. Toronto-Dominion Bank	2.7
4. Dollarama Inc	3.2	9. United Health Group	2.5
5. Addenda Bonds Commercial Mortgages DC Pooled Fund	2.9	10. WSP Global	2.4

Performance

	QTD	YTD	1 yr	3 yr	5 yr	10 yr	Since inception (Annualized)
Portfolio	1.2%	1.2%	8.6%	7.0%	10.5%	7.5%	7.5%
Benchmark	0.8%	0.8%	12.1%	7.3%	10.3%	7.0%	7.0%

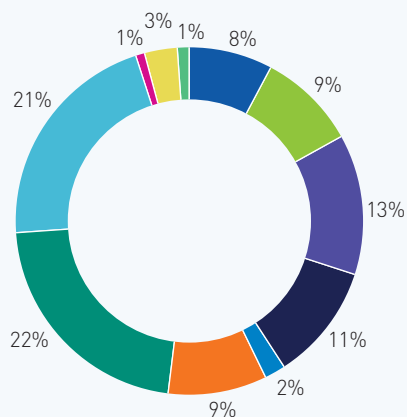
*including 2% in Addenda Preferred Share Pooled Fund

Asset allocation¹



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

Equities sector allocation^{1,2}

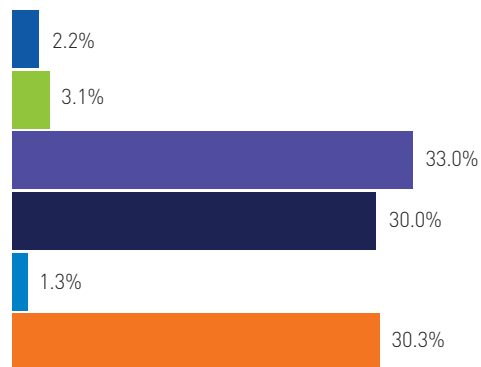


- Energy
- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Index
- Communication Services
- Utilities

Average market cap.
(Equities Only) \$418.3B

Fixed income allocation

Core Bond Pool Sector Allocation



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

Current Yield (bonds): 3.64%

Credit quality	Portfolio [%]
AAA	29.8
AA	32.3
A	17.0
BBB	15.6
Non Rated Securities (Commercial Mortgages)	3.1
Cash and money market	2.2
	100.0

Repositioning for Q2 2025



Sold or reduced positions (-2.5%)

- Trimmed Bank of Montreal
- Trimmed Canadian Natural Resources
- Trimmed CGI
- Trimmed Dollarama
- Trimmed SAP



Bought or increased positions (+2.5%)

- Increased Broadcom
- Increased Franco Nevada
- Increased cash

Rationale:

Asset mix changes: We continue to raise cash and derisk the portfolio as we are concerned with a potential global trade war as the United States seems set on unravelling decades of globalization and re-shoring manufacturing jobs. We feel strongly that this is a policy mistake and that eventually cooler heads will prevail. Nonetheless, we feel it is prudent to lower portfolio risk due to the uncertainty.

Within the Canadian equity component, four holdings as outlined above were trimmed and added to our lone gold stock, Franco Nevada. Bank of Montreal was reduced as we lower our overall Bank weight across the portfolio, in light of the higher risk of a global slowdown or recession. Dollarama has been a star performer, so profits were taken as the portfolio weight has grown and the discount to intrinsic value has narrowed. We continue to like the company and its prospects. Canadian Natural Resources was reduced to lower our cyclical exposure as the risk of a global slowdown could hurt oil prices, especially if China ends up being the focus of the U.S. trade war. Finally, CGI was reduced further to raise cash and due to the concern that U.S. government contracts will be more difficult to come by as the Trump administration cuts spending and focuses on local suppliers.

With respect to adding the position in Franco Nevada, we think gold and gold stocks will be beneficiaries of the current backdrop, although they often sell off during times of extreme market stress. Over longer periods of time (3 months plus), they tend to outperform significantly. The drivers of higher gold prices are the following:

1. Central banks are looking to reduce their holdings of U.S. dollars. This is a secular trend that should accelerate under a trade war scenario.
2. Higher inflation and lower growth would lead to lower real (inflation-adjusted) U.S. interest rates which historically leads to higher gold prices
3. China would likely add aggressively to gold reserves under a trade war scenario, and they have tremendous buying power
4. A step back in globalization would reduce the demand for U.S. dollars, benefitting gold in the process

5. ETF buyers of gold have been strong year-to-date and should continue to buy as a way to diversify away from equities and for the reasons cited above

With respect to the global equity component, some profits in SAP were crystallized and the proceeds were to add to our position in Broadcom.

Quarterly commentary

Markets began the quarter strongly with the idea that the new Trump administration will be positive for Wall Street. However, uncertainties grew in February and March around tariffs, US policy, and economic data. This put pressure on the US markets while Europe maintained its upward trajectory, mainly supported by the financial sector, and the comments from governments concerning the need to rebuild their own defense. In the US, markets corrected following months of strong gains, with Q1 2025 the worst performing quarter for the S&P 500 since Q3 2022. Economic data reignited concerns about growth with US consumer confidence also starting to decline. Chinese markets performed strongly since January, supported by government's policies and the news that DeepSeek had created an AI model at a meaningfully lower cost compared to competitors. The first quarter of 2025 was highly volatile, and this volatility should remain in the market for Q2 as discussion around tariffs are just beginning.

The Canadian equity market began the year on a stable footing, with the S&P/TSX Composite Index returning +1.5% in Q1. This stands in contrast to the more pronounced drawdowns in U.S. markets, where the S&P 500 and NASDAQ declined -4.3% and -10.3%, respectively. Since peaking in mid-February, the S&P 500 and NASDAQ have fallen -16% and -22%, respectively, as sentiment turned sharply due to renewed trade and macro concerns. Although the TSX also pulled back -9% from its high, it has held up relatively well amid a challenging global backdrop. Amid this uncertainty, gold was a strong performer, ending the quarter at a new record high and driving very strong returns for gold stocks.

Despite evidence of more positive growth momentum in the fourth quarter and a reacceleration in near term inflation measures, the Bank of Canada ("BoC") eased an additional 0.25%. The FTSE Canada Universe Bond Index returned 2.0% during the first quarter of 2025.

The Portfolio outperformed its benchmark in the first quarter. Outperformance during the quarter was largely driven by relative strength from the global equity component which preserved capital by generating a positive absolute return despite the benchmark decline. The core universe and commercial mortgage components further added value, while the Canadian equity component modestly detracted. From an asset mix perspective, our off-benchmark allocation to preferred shares added value as it was one of the best performing asset classes during the period; however, this was partially offset by our overweight in equities which didn't keep pace with the broader bond market performance.

The Canadian equity component modestly trailed its benchmark in the first quarter. This was largely driven by the Portfolio weakness during the month of March. It was an extremely narrow market during the period, with gold stocks being really the only strong performing sector. Our underweight in the sector (other than the position in Franco Nevada) was the largest detractor. Notable contributors for the quarter included Franco Nevada, Dollarama, and CGI, while detractors included were Brookfield, CIBC, and being absent from Barrick Gold.

The global equity component outperformed its benchmark in the first quarter, driven by security selection. As per last quarter, SAP (Application Software) remained the top contributor for Q1 2025. EssilorLuxottica (Health Care Supplies) was another positive contributor for this quarter. The company reported strong earnings, beating consensus on sales, and maintaining its long-term outlook despite uncertainties around tariffs and the macroeconomic environment. In terms of detractors from performance, Alphabet (Internet & Media Services) was the weakest performing name, due to several reasons, including disappointing earnings and rising uncertainties around the US economy. Despite this underperformance, it remains a quality company with strong fundamentals. Its recent acquisition of Wiz should support its position in the cloud business and its valuation is attractive. We continue to monitor this stock closely, and make sure our thesis still holds.

Looking at the fixed income component of the Portfolio, the core bond component outperformed its benchmark due to actively trading portfolio duration during the volatile interest rate environment. An overweight to corporate bonds within that strategy modestly detracted. The off-benchmark commercial mortgage component also added value due to its higher overall yield.

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 April 8, 2025 after quarterly rebalancing unless otherwise stated.

² Excludes Canadian Preferred Shares

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, March 31, 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: 40% FTSE TMX Canada Universe Bond/30% S&P/TSX 60/30% MSCI World Net (CAD).

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