aviso wealth

OnPoint 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:
$188B

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 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%	29%	45%
Non-Canadian equities	15%	30%	37%	45%
Fixed income	30%	37%	31%	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 Active Fixed Income pooled 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.

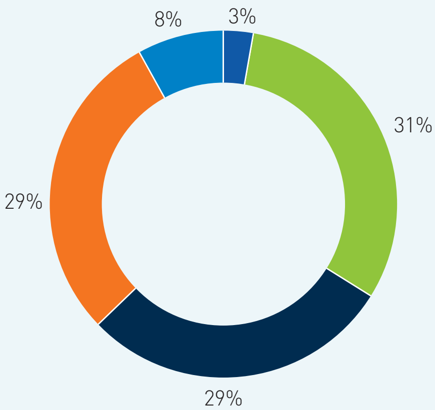
Top ten holdings (excluding cash and cash equivalents) %

	Holding	%
1.	Fiera Active Canadian Bonds Universe Fund	31.7
2.	Franco Nevada Corp	4.4
3.	Danaher Corp	4.0
4.	Visa Inc	3.8
5.	Telus Corp	3.8
6.	Cdn Natl Railway	3.6
7.	Toronto Dominion Bk	3.6
8.	Microsoft Corp	3.4
9.	CME Group Inc	3.2
10.	Experian Plc	3.0

Performance

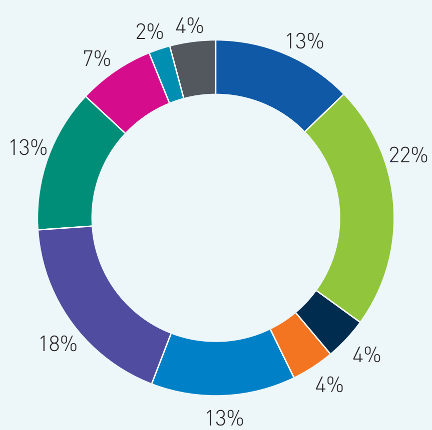
	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	-6.0%	-6.0%	4.8%	10.2%	7.6%	8.1%
Benchmark	-3.6%	-3.6%	7.3%	14.8%	8.8%	9.3%

Asset allocation[1]



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

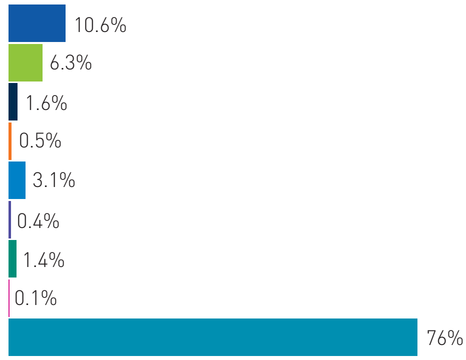
Equities sector allocation[1,2]



- Materials
- Industrials
- Consumer Discretionary
- Consumer Staples
- Health Care
- Financials
- Information Technology
- Communication Services
- Real Estate
- Utilities

Average market cap. $310.0B

Fixed income allocation



- Financials
- Energy
- Infrastructure
- Industrials
- Communication
- Securitization
- Real estate
- Cash & money market
- Government, foreign pay bonds

Credit quality	Portfolio (%)
AAA	30.1
AA	29.2
A	29.3
BBB	11.1
Non-rated securities	0.2
Cash and money market	0.1
	100.0

Current Yield: 2.67%

Repositioning for Q2 2022

Sold or reduced positions (-3.5%)

- Sold Verisign
- Trimmed Microsoft
- Trimmed TD
- Trimmed cash

Bought or increased positions (+3.5%)

- Bought CHN Industrial
- Increased CBRE Group
- Increased Thomson Reuters Corp
- Increased Fiera Active Universe Bond Fund

Rationale

- **Verisign:** Exiting the position to make room for CNH Industrial
- **Microsoft:** Bringing weight back down in line with the model
- **TD:** Bringing weight back down in line with the model
- **CNH Industrial:** CNHI is now a pure-play agricultural equipment manufacturer after spinning out its on-road trucking business. The manager likes that it is a low multiple stock and thinks that the business deserves a multiple closer to that of industry leader Deere, than where it is trading today.
- **CBRE Group:** After starting out with a small position. positions were added after the stock has dropped.
- **Thomson Reuters:** After starting out with a small position, positions were added after the stock has dropped.
- **Fixed Income:** Increasing weight a small bit as yields are significantly more attractive and giving a bit of room away from 30% minimum.

Quarterly **commentary**

Market Review

The year began with continued uncertainty as investors' fears shifted from COVID-19 variants to socio-political crisis and war in Eastern Europe. Russia's invasion of Ukraine caused a sharp increase in risk premiums. As a result, equity market volatility increased, and corporate bond spreads widened. Coupled with rising energy prices and inflation concerns, the first quarter was one of significant volatility across markets and sectors.

Equity Index returns were quite volatile over this period, with very strong performance out of the Energy (+28%) and Materials (+12%) sectors, with Information Technology (-16%) and Consumer Discretionary (-11%) being the biggest laggards.

During the first three months of the year, bond rates generally rose. The yield on a 10-year Canada bond went from 1.42% to 2.40%.

Attribution Analysis

Among the leading contributors to performance over the quarter were Brookfield Renewable Power and Franco Nevada. Brookfield is a leading owner and operator of Hydro, Wind and Solar assets. The current environment of high inflation and rapid increases in power prices benefits Brookfield as 70% of its contracts are indexed to inflation, not to mention that it has the ability to capture upside in power prices as contracts renew. Franco Nevada is a gold-focused royalty company with a Portfolio of over 400 royalty and streaming agreements, 91% of which are located in the Americas. Franco has delivered a 21% annualized return since it went public in 2007 which is enviable; however, it also provides stability in times of geopolitical upheaval such as the one we are experiencing currently with the ongoing situation in Ukraine.

Significant detractors over the quarter were Keyence and Zoetis. Keyence is the largest factory automation company in Japan and is also the most profitable, with operating margins in excess of 50%. The main factors driving factory automation are labour shortages, workforce expense savings and the need to improve manufacturing efficiency and quality. Despite the fact that these drivers are all still very much intact and the company having 6% of its market capitalization in cash with no debt, the stock has traded down as investors rotated out of the Technology sector. However, with the company expected to report 48% earnings growth for its fiscal year that ended March 31 and its positioning in attractive markets, we continue to believe that the company represents an attractive investment. Zoetis has for a long time positioned itself as a well-diversified leader in the animal health care market through its positions in diagnostics, pharmaceutical and insurance. The drivers of increased numbers of pets, more spending on pets and pets living longer and requiring more expensive care are all contributing to the company expecting to grow revenue at a double-digit rate through 2025.

Over the quarter we added positions in Thomson Reuters and CNH Industrial. To make room for these additions we eliminated our positions in Philips and Verisign. Thomson is a high-quality subscription-based software company which is likely to see both its organic growth and margins improve. CNHI recently spun off its on-road transportation business to become almost exclusively focused on agricultural equipment and precision agriculture technologies that allow for less pesticide and water use.

During the quarter, we maintained a longer duration than the benchmark. This strategy detracted from performance.

We continued to increase our centered positioning on the yield curve by increasing exposure to 10-year maturities to near the maximum. The curve has flattened and reduced the incremental yield for investors to extend portfolio term; indeed, the slope of the yield curve between maturities of 2 and 30 years has decreased by 63 basis points (bps - 1/100th of 1%). The segment between 10 and 30 years has flattened by 29 bps and the slope is now inverted in this segment of the yield curve. The slope of the segment between 2 and 10 years flattened 34 bps. This strategy hurt performance of the Portfolio. The curve flattening was primarily driven by shorter term rates rising more than longer term rates.

Corporate spreads in 5-, 10- and 30-year maturities widened by 30, 41 and 21 bps, respectively. Long-term securities posted the best performance. For the same maturities, provincial bond spreads widened by 0, 9 and 10 bps, respectively. As for municipal bond spreads, they went from 41 to 61 bps versus Quebec bonds. We have sold corporate securities and are in a defensive position. We have maintained a neutral position on the provinces. These strategies had a slightly negative impact on quarterly performance.

Quarterly **commentary**

Outlook

The Portfolio continues to be composed of high-quality businesses that can withstand tough times. Even after a strong 2021, the Portfolio is currently trading at an attractive discount to its intrinsic value. The combination of quality and attractive valuations should position the Portfolio well for long-term compounding of returns.

The flattening of the curve in the shortest maturities should continue over the next few months, as the Bank of Canada normalizes policy rates. 10-year maturities continue to be favored due to their excess yield and curve inversion in longer maturities. We believe that the risk of a slowing economy due to persistent inflation is very real. Accordingly, we will be cautious with our exposure to corporate bonds. We may acquire some when the spreads increase. In the meantime, we will favor provincial and municipal bonds. Note that the Portfolios do not hold securities from Ukraine, Russia or emerging countries.

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 over $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

FIERA CAPITAL

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)

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]

[1] As of April 7, 2022 after quarterly rebalancing unless otherwise stated.

[2] Dividend Yield (Equities) 1.44%

[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, 2022, 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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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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