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:
$156B

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%	28%	45%
Non-Canadian equities	15%	30%	32%	45%
Fixed income	30%	37%	37%	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.

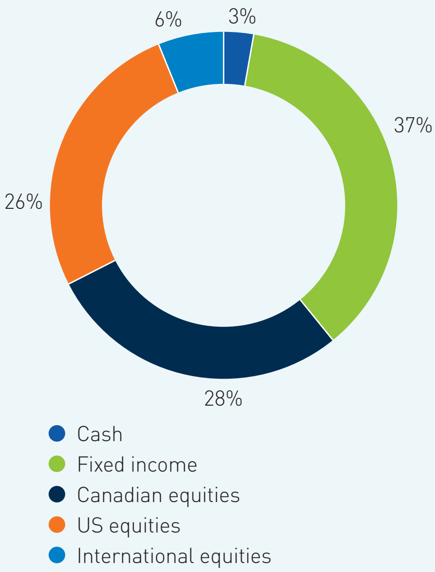
Top ten holdings (excluding cash and cash equivalents) %

1.	Fiera Core Plus Canadian Bonds Universe Fund	36.5
2.	Danaher Corp	4.2
3.	Visa Inc	3.9
4.	Franco Nevada Corp	3.9
5.	Cdn Nat'l Railway	3.7
6.	Toronto Dominion Bk	3.4
7.	Telus Corp	3.4
8.	Brookfield Renewable	3.2
9.	Thomson Reuters Corp	2.8
10.	CCL Industries Inc	2.7

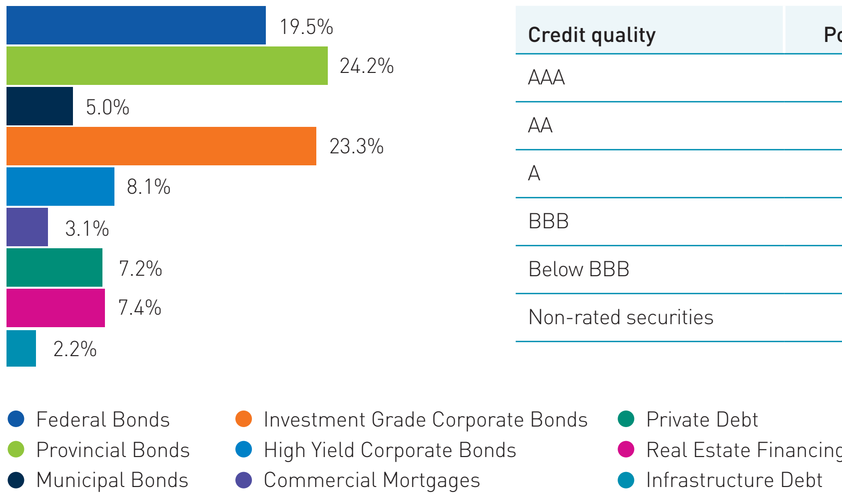
Performance

	QTD	YTD	1 yr	2 yr	3 yr	Since Inception (annualized)
Portfolio	0.3%	-13.9%	-9.2%	-2.2%	2.2%	4.6%
Benchmark	-0.3%	-13.5%	-9.0%	1.4%	3.5%	5.0%

Asset allocation[1]



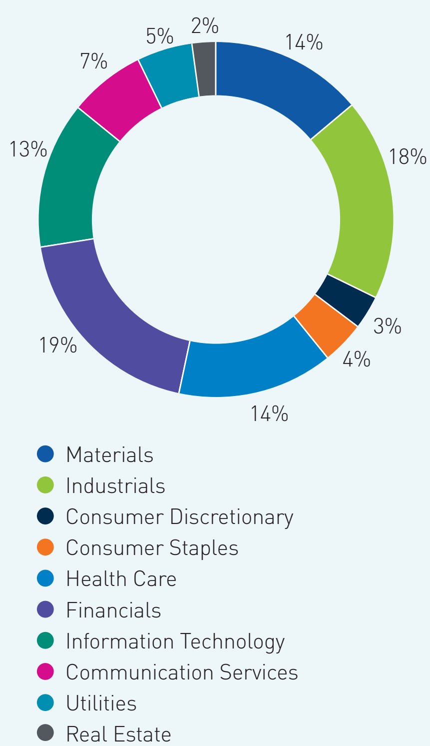
Fixed income allocation



Credit quality	Portfolio (%)
AAA	19.6
AA	28.4
A	9.4
BBB	16.8
Below BBB	8.1
Non-rated securities	17.7
	100.0

Current Yield: 4.48%

Equities sector allocation[1,2]



Average market cap. $274.0B

Repositioning for Q4 2022

Sold or reduced positions (-1.4%)

- Trimmed Ritchie Brothers
- Trimmed cash

Bought or increased positions (+1.4%)

- Initiated a new position in HDFC Bank
- Increased Fiera Core Plus Canadian Bond Universe Fund

Rationale

- **Ritchie Brothers:** Brought weight back down in line with the model after its strong performance.
- **HDFC Bank:** Replaced Experian sold in August with HDFC Bank as one of India's premiere financial institutions.
- **Fiera Core Plus Canadian Bond Universe Fund:** Topped up to be slightly overweight in fixed income.

Quarterly **commentary**

Market Review

The stock market saw more muted performance in the third quarter following the volatility experienced earlier in the year. Companies with strong pricing power performed well as they continued to manage inflationary pressure while interest rate sensitive companies lagged on the back of continued aggressive central bank action. The strongest performing sectors were Industrials (1.9%) and Consumer Discretionary (6.4%), with Communication Services (-7.3%) and Real Estate (-6.1%) the biggest laggards.

In the third quarter, the yield on a 10-year Canada bond fell from 3.22% to 3.16%. It touched a high of 3.36% and a low of 2.60%.

Attribution Analysis

Among the leading contributors to performance over the quarter were Danaher and Thomson Reuters. During the quarter Danaher announced that it intends to spin out its Environmental and Applied Solutions business to shareholders by the end of 2023. When this divestment is completed, Danaher will become a pure play life sciences company targeting revenue growth in the high single digits and earnings growth in excess of 10%. Moreover, Danaher should have over 80% recurring revenue, providing a great base during these volatile markets. Thomson rebounded during the quarter as investors began to appreciate the defensive growth that Thomson offers. More specifically, their ability to compound their dividend at a 10% rate going forward is proving attractive. In addition, the resilient nature of their business model which allows them to maintain their expected revenue growth rates despite a slowing global economy is attractive.

Significant detractors over the quarter were CAE and Zoetis. CAE was our worst performer during the quarter as it disclosed some significant losses on two legacy defense contracts. While this is far from optimal, the current valuation of the company is such that it is only giving credit to the civil aviation side of the business and nothing for the defense or healthcare parts, despite the fact that these sectors are growing and have proposals outstanding for over $9 billion worth of new contracts. Zoetis holds a leadership position in the animal healthcare area. Their strong positioning in this industry should enable them to see consistent double-digit earnings growth over the next few years while at the same time being relatively resilient to the current economic downturn.

We sold out Experian during August as we wanted to diversify away from some of our European exposure and we used the cash from that to purchase HDFC Bank in India. While we continue to like the Experian business long-term, the opportunity to be invested in one of India's leading banks is more attractive. HDFC is growing faster and trades at a lower multiple than Experian. Moreover, India recently surpassed Experian's home country of the UK to become the 5th largest economy in the world and the trend is getting stronger as India is now the 3rd largest start-up ecosystem in the world. In addition, it has an expanding middle class and is forecast to have the world's most abundant workforce. Apple moving some iPhone and Airpod production to India, highlights some of these trends.

For the fixed income strategy, the evolution of inflation remained at the heart of investors' concerns. In Canada, the inflation rate fell to 7.0% for the month of August after peaking at 8.1% in June. The recent decline was primarily due to lower gasoline prices. Core inflation, excluding energy prices, remains high and remains a concern for the Bank of Canada. During the third quarter, the latter raised the key rate by 1.75%. It is expected to increase by an additional 0.75% by the end of 2022. Although policy rates have been on the rise, longer term rates Government of Canada yields (10+ years) were lower by 0.04% to 0.05% during the quarter.

We maintained a longer duration than the benchmark. This strategy contributed to the portfolio's performance, particularly as rates moved lower at the beginning of the quarter.

Spreads on Canadian corporate securities with maturities of 5 and 10 years widened. Those with maturities of 30 years remained stable. Long-term securities were the best performers. Most of the spread widening occurred during the risk-off market move in September. The Canadian Core Plus strategy* was underweight to Canadian corporate bonds, however the strategy had a modest exposure to US high yield bonds that detracted from performance.

Higher quality credit bonds fared better. Provincial bond spreads narrowed for the 5-year maturity, while 10-year and 30-year spreads widened. Municipal bond spreads moved above Quebec provincial bonds.

Within the expanded opportunity set, private credit strategies added value since their inclusion within the fixed income strategy. The lone exception was the commercial mortgage fund that modestly detracted on the rate back-up in the front end. Overall, however, the portfolio benefited from the private asset allocation in the strategy.

The strategy maintains its underweight exposure to Canadian corporate and provincial bonds, while being modestly overweight the municipal sector. The portfolio is close to its neutral plus target allocation of 25% across both public investment and non-investment grade asset classes, as well as private credit.

Quarterly **commentary**

Outlook

In the third quarter, indicators flagging a slowing economy intensified. The acceleration of the yield curve inversion is an example. Given these risks and the current level of interest rates, we will maintain the portfolio's modest duration longer than that of the Index. In addition, we will remain focused on 10-year bonds as long-term bonds are among the most expensive in the developed world. Given the economic outlook, we will continue to be selective and prudent in corporate bonds and underweight provincial bonds. We believe the allocations to plus sector will provide diversification and yield enhancement in market that is expected to be volatile over the next year.

The equity 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.

**In August 2022, Fiera Canadian Core Plus Fixed Income Fund has replaced the Fiera Active Canadian Bond Universe Fund as the fixed income component of the portfolio.*

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

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 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]

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

[2] Dividend Yield (Equities) 1.81%

[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, September 30, 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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